



**Annual Report and Accounts**

2010



# Contents

Financial Highlights	2
Directors & Advisors	3
Chairman's Statement	5
Chief Executive's Review	7
Notice of Meeting	14
Report of the Directors	18
Corporate Governance Statement	32
Independent Auditors' Report to the members of IFG Group plc	41
Consolidated Income Statement	44
Consolidated Statement of Comprehensive Income	45
Consolidated Balance Sheet	46
Consolidated Cash Flow Statement	47
Consolidated Statement of Changes in Equity	48
Notes to the Group Financial Statements	49
Company Balance Sheet - Irish GAAP	108
Accounting Policies for the Company - Irish GAAP	109
Notes to the Company Balance Sheet - Irish GAAP	112
Group Financial Record (Graphs)	

## Calendar

Annual General Meeting

29 June 2011

## Dividends

Interim 2010 - paid 27 January 2011

Final 2010 - payable 15 July 2011

# Financial Highlights

	Adjusted measures 2010 €'000	Adjusted measures 2009 Restated €'000	Notes	IFRS 2010 €'000	IFRS 2009 Restated €'000
Revenue	120,642	93,287		120,642	93,287
Operating profit	24,387	17,963	1	4,431	9,021
Adjusted earnings	21,571	14,819	1	-	-
Profit attributable to the owners of parent company	-	-		5,409	5,375
Adjusted earnings per ordinary share - in cent	18.77	19.80	1	-	-
Basic earnings per ordinary share - in cent	-	-		4.71	7.18
Group net debt	-	-		14,798	43,943
Dividend per ordinary share - in cent	4.00	3.63	2	-	-

Notes:

- Adjusted earnings per share are stated before amortisation of intangible assets, share based payment compensation, exceptional items, salaries of employees laid off and discontinued operations. The 2009 comparatives have been amended to reflect the restatements associated with prior period adjustments.

Reconciliation of adjusted earnings per ordinary share:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Per share cent	Earnings €'000	Per share Restated cent	Earnings Restated €'000
Profit attributable to owners of the parent company	4.71	5,409	7.18	5,375
Amortisation of intangible assets	5.95	6,835	5.96	4,461
Share based payment compensation	0.90	1,040	2.02	1,511
Exceptional costs	4.55	5,224	3.17	2,370
Salaries of employees laid off	2.06	2,369	-	-
Discontinued operations	0.60	694	1.47	1,102
Adjusted earnings	18.77	21,571	19.80	14,819

- Dividend per ordinary share is calculated as the sum of the interim dividend per share of 1.35 cent and the 2.65 cent per share to be proposed at the forthcoming Annual General Meeting.

# Directors & Advisors

## Directors

Colm Barrington  
*(Non-Executive)*

Mark Bogard  
*(Executive Director - UK)*

Mark Bourke  
*(Chief Executive)*

Aidan Comerford  
*(Executive Director – Finance & Risk)*

Declan Kenny  
*(Executive Director - International)*

John Lawrie  
*(Senior Independent Non-Executive)*

Patrick Joseph Moran  
*(Non-Executive Chairman)*

Gary Owens  
*(Executive Director - Ireland)*

Peter Priestley  
*(Non-Executive)*

John Rowan  
*(Non-Executive)*

Thomas Wacker  
*(Non-Executive)*

## Company Secretary

Conleth O'Reilly

## Registered Office

IFG Group plc  
IFG House  
Booterstown Hall  
Booterstown  
Co. Dublin

Telephone (353-1) 275 2800  
Fax (353-1) 275 2801  
E-Mail: [group@ifg.ie](mailto:group@ifg.ie)

## Registered in Ireland

No. 21010

## Website

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

## Principal Bankers

Bank of Ireland Limited  
Lower Baggot Street  
Dublin 2

Barclays Bank Ireland plc  
2 Park Place  
Hatch Street  
Dublin 2

HSBC Bank plc  
1 Grand Canal Square  
Grand Canal House  
Dublin 2

## Directors & Advisors

### Stockbrokers

Davy  
Davy House  
49 Dawson Street  
Dublin 2

Macquarie  
Ropemaker Place  
28 Ropemaker Street  
London EC2Y 9HD

### Group Auditors

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1

### Principal Subsidiary Company Auditors

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1

PricewaterhouseCoopers  
60 Circular Road  
Douglas  
Isle of Man

OSK  
East Point Plaza  
East Point  
Dublin 3

### Solicitors

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

### Registrars

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

# Chairman's Statement

**Joe Moran**  
Chairman



IFG Group is pleased to announce results for the year ended 31 December 2010, another year in which the quality and resilience of the Group's businesses were proven.

2010 has been a very significant year for IFG Group where, through the acquisition of James Hay Holdings Limited (James Hay), we became the largest provider of bespoke SIPP's (Self Invested Personal Pensions) in the UK market giving us leading positions in our UK and International business segments. The acquisition, in addition to a valuable income stream, has provided the Group with the platform to redevelop an iconic brand in the SIPP sector and continue to drive efficiencies within the UK business segment.

IFG is now a Group with approximately 60% of Group profit being generated in its UK business segment with the other 40% being generated by its International business segment.

Adjusted earnings for the year were €21.6 million on revenues of €120.6 million (profit before income tax of €3.1 million). This compares with €14.8 million and €93.3 million respectively in the previous year (profit before income tax of €7.4 million). The increase in revenue was driven largely by the James Hay acquisition.

Adjusted operating profit for the year is before:

- i) Non-cash items including share option charges of €0.3 million and charges in relation to the Long Term Incentive Plan ('LTIP') of €1.3 million.
- ii) Amortisation of intangible assets of €8.1 million.
- iii) Exceptional costs and the salaries of staff laid off of €9.4 million in relation to James Hay.
- iv) Write off of non refundable deposit €0.5 million.
- v) Financial Services Compensation Scheme levy of €0.4 million over and above prior period charges.

The effect of these items is a charge before tax of €20.0 million.

Adjusted earnings per ordinary share were 18.77 cent (2009: 19.80 cent). On an IFRS basis, basic earnings per ordinary share were 4.71 cent (2009: 7.18 cent).

In the UK business segment the adjusted operating profit was €14.8 million (2009: €5.2 million). This increase included the impact of James Hay from 10 March 2010 but also reflects an increase of €1.5 million or 67% in the profitability of the Financial Advisory business.

The International business segment has delivered adjusted operating profit of €11.0 million (2009: €12.2 million). This performance demonstrates that even in the current economic climate the business consistently delivers returns.

The Ireland business segment performed to expectations which reflects a good performance in our corporate pensions and financial advisory businesses. This performance was weighed upon by legacy costs from non-core businesses.

At year end, Group net debt was €14.8 million (2009: €43.9 million) a decrease of €29.1 million or 66%. A successful refinancing of the Group's borrowings has also been completed post year end. The Group is, therefore, substantially degeared and in an excellent position to build through acquisition and internal reinvestment whilst maintaining low gearing and ensuring an appropriate and growing payout to shareholders.

# Chairman's Statement

## DIVIDENDS

Your Board is recommending a final dividend of 2.65 cent per share on the enlarged share capital in issue, which will absorb approximately €3.3 million. This final dividend, when added to the interim dividend of 1.35 cent paid on 27 January 2011, makes a total of 4.00 cent per share. Subject to shareholder approval, the final dividend will be paid on 15 July 2011 to shareholders on the Register on 1 July 2011.

## STAFF

I express my thanks to all our people for their significant commitment, dedication and professionalism which is reflected in these results.

## CURRENT TRADING

Our strategy of building diversified geographically spread recurring income streams positions us for growth. Our balance sheet will allow us to take advantage of opportunities to build through acquisition. Trading is in line with expectations and your Board is confident in the financial and trading prospects of the Group for 2011.



**JOE MORAN**  
*Chairman*

# Chief Executive's Review

**Mark Bourke**  
Chief Executive



## GROUP PERFORMANCE

The Group is managed on a geographic basis with three trading business segments: United Kingdom, International and Ireland.

The Group earns revenues in these geographical locations from two sources:

- fees from the provision of services including trust and corporate services, pension administration services and hourly rate financial advice and
- commissions earned in the intermediation of financial services products.

We are emerging from the financial crises with both business and balance sheet strengthened having taken the opportunity to build a leading position in our chosen markets.

The majority of our revenue and substantially all of our profit is built on long term annuity profile revenues, be they SIPP fees, trustee fees or hourly based billing to our clients in our advisory and trust and corporate businesses.

In March 2010, we completed the acquisition of James Hay along with the successful raising of related equity. We have substantially completed the integration of the business ahead of schedule and within 10% of total expected cost.

Importantly the Group's debt profile has been transformed. Group net debt stands at €14.8 million (€43.9 million at 31 December 2009).

The Group renegotiated banking facilities on very favorable terms with margins of 2.25% - 2.75%. The refinancing has added Barclays Bank Ireland plc (Barclays) and HSBC Bank plc (HSBC) to our banking syndicate. This reflects the strength of our business as a banking proposition in a world where debt is scarce and expensive.

We believe that as the financial and economic difficulties of the past two years begin to recede, organic growth will resume in all our businesses. The opportunities to acquire businesses at favourable prices will also remain.

The combination of the above, we believe, will allow us to build from here and to become the leading player in terms of quality, size and geographical presence in each of our core markets.

	2010 €'000	2009 €'000
<b>United Kingdom</b>	<b>14,775</b>	<b>5,218</b>
<b>International</b>	<b>11,009</b>	<b>12,152</b>
<b>Ireland (including central overhead)</b>	<b>(1,397)</b>	<b>593</b>
<b>Adjusted operating profit*</b>	<b>24,387</b>	<b>17,963</b>

\* A reconciliation of adjusted operating profit to profit for the year is included in the segmental analysis in note 6 to the Group financial statements.

# Chief Executive's Review

## UNITED KINGDOM

	2010 €'000	2009 €'000
Pension administration	10,994	2,951
Independent financial advisory	3,781	2,267
Adjusted operating profit	14,775	5,218

### Pension administration

	2010 €'000	2009 €'000
Revenue	38,281	9,129
Adjusted operating profit	10,994	2,951

Self Invested Personal Pensions (SIPP) now comprise 72% of all new individual pension business in the UK. We have good reason to believe the SIPP will continue to be the principal individual retirement planning vehicle for the foreseeable future as:

- it allows individuals the freedom to manage their own assets (with or without an advisor). Management of assets by individuals has continuously grown over the past 10 years.
- it is supported by Government policy and related legislation which;
  - simplified the UK pension regime in 2006;
  - is removing the obligation to purchase an annuity at 75 years of age; and
  - has simplified the contribution rules to allow full tax relief on £50,000 per annum (there are even greater short term opportunities from transition arrangements).
- in general, Defined Benefit Schemes are being wound down or closed to new entrants.
- the Government may reduce public sector benefits which will drive the need for private provision.
- there is a general trend toward individual control of pension assets as the insured and other alternatives have disappointed over time.

Market statistics are difficult to assemble as there is no central or mandatory data provision requirement. The consensus, however, is that growth in this sector for the past 5 years has been very strong at circa 20% and moderating to 10% - 15% in the aftermath of tax changes introduced from 2009. We estimate the market will continue to be driven by the factors given above.

## Chief Executive's Review

The rate of new business is shown below:

	<b>IPS SIPP</b>	<b>James Hay SIPP</b>	<b>Total SIPP</b>
Opening balance 1 January 2010	8,034	32,221	40,255
Additions	1,288	1,625	2,913
Attrition	(349)	(3,428)	(3,777)
<b>Closing balance 31 December 2010</b>	<b>8,973</b>	<b>30,418</b>	<b>39,391</b>

Our pre-acquisition business (IPS) administers 9,000 SIPPs and 1,500 SSAs (Small Self Administered Schemes). IPS secured a healthy new business flow of 1,288 SIPPs, thus maintaining its existing run rate of 100 new SIPPs on average per month. This strong new business combined with low attrition resulted in a net growth of 12%. The James Hay acquired business performed to expectation in terms of attrition at 10.6% and new business slightly better than expected.

Given the fact that we acquired and integrated the James Hay business in 2010 these are impressive results. It demonstrates the SIPP business ability to maintain focus on the continuing opportunity in the market while undertaking a significant integration project. The business is now re-branded as the 'James Hay Partnership'. IPS and James Hay sales teams have been merged and in February 2011 the combined business offering was launched.

### James Hay Acquisition Update

The acquisition of James Hay for €42.7 million (£38.9 million) was completed in March 2010. This acquisition afforded the Group the opportunity to:

- occupy the leading position in the SIPP market;
- obtain significant efficiency gains; and
- position IFG Group as a consolidator in this market.

The integration of James Hay cost €9.4 million in the year which is slightly ahead of the cost projected at acquisition. It has, however, been completed ahead of the scheduled 15 months with all costs incurred.

The integration involved four work streams:

- technology transfer from Santander Private Banking UK Limited to IFG which was completed successfully in 6 months;
- re-organisation internally which resulted in a new team based operating model and allowed a headcount reduction from 520 to 348 at year end;
- integration of the sales and marketing teams; and
- design/branding of the combined new offering.

## Chief Executive's Review

In February 2011 we launched our new James Hay Partnership SIPP, the offering encompasses both our iSIPP and full private client James Hay Partnership SIPP. It incorporates the best technology features of the James Hay product and the flexibility of the IPS product. The combined product rebranded under the James Hay Partnership has been favorably received by our IFAs.

We are extremely pleased with all aspects of the development of our business and see significant opportunity to move to net book growth on or ahead of our original timeframe.

### Independent financial advisory

	2010 €'000	2009 €'000
Revenue	28,032	25,473
Adjusted operating profit	3,781	2,267

Independent financial advisory has had a good year, both in terms of new client wins and time charges. The profits in our advisory business were €3.8 million (2009: €2.3 million), an increase of 67% on the prior year. This is an excellent result and has been delivered in a challenging market.

Saunderson House Limited, our independent fee based financial advisory business now has 100 employees and we are expecting to grow the staff numbers substantially, the majority of which will be client facing. The business has significant ambition to grow over the medium to long term. The proposition of conflict free and high quality financial advice continues to resonate with existing and potential clients. As a pure fee based proposition, the business is well positioned in light of the "Retail Distribution Review" (RDR) which is being implemented by the Regulator by 2013. The core recommendation of the RDR is to remove commission bias in the IFA and client relationship.

Our commission based advisory businesses, including Siddalls which specialises in clients relocating outside the UK were profitable in 2010.

### INTERNATIONAL

	2010 €'000	2009 €'000
Revenue	38,799	39,826
Adjusted operating profit	11,009	12,152

## Chief Executive's Review

The International business segment has delivered profits of €11.0 million (2009: €12.2 million). This segment has performed well and demonstrated resilience despite difficult market conditions.

New business targets across the business met expectations. Annual fee renewals were also strong which reflects the underlying strength of the client base. In summary, client activity levels remain somewhat muted in the aftermath of 2008/09 period as caution prevails in the general investment climate. As a business however, we see significant growth potential as we look out to the next four to five years.

The International Corporate & Trustee business is based on the administrative management of high net worth private clients' investment vehicles and the implementation of their investment strategies in a transparent and tax efficient manner. This business will continue to grow as the global economy grows and capital mobility increases.

The drivers of the business are:

- tax differentials and arbitrage between jurisdictions;
- long term family and estate planning;
- global growth and expansion;
- increasing regulation; and
- increasing vigilance by individual nations in protecting their tax base.

In 2010 the Isle of Man business again performed well. This was evidenced by strong time charges and is attributable to an entrepreneurial and globally diverse client base which remains active even in times of depressed asset prices. New business intake was also strong and exceeded expectations.

IFG Jersey beat expectations and has recovered well after a difficult year in 2009. The intake of new business was on target for the year; an important turnaround after the number of client structures closed in 2009.

IFG Cyprus has had a mixed year which after a reasonable pick-up in business to Q2 disappointed in Q3. The Cyprus business has a large dependency on Eastern Europe and Russia. It has therefore suffered the impact of the global crises at a slightly different level and with some delay in timing. We remain convinced, however, of the strategic importance of Cyprus as a centre within the EU. Although there may be some short term delay, we believe growth will resume and the return on our investment will revert to initial levels experienced in the second half of 2008.

The Ireland and Switzerland business centres performed well as the increased marketing effort in both showed results.

IFG Fund Administration business has had a number of new clients join in the second half of the year. While still unprofitable it is an area where management believe that capability to administer is important to existing as well as prospective clients.

Management reacted rapidly to the economic backdrop over the recent period controlling costs and adapting to the changing conditions. The business is now ready to look outward again and to pursue expansion plans in South East Asia and the building up of the Isle of Man, Swiss, Jersey and Cyprus businesses. Management continue to believe that the opportunities for growth remain in these jurisdictions as banks, some of which are government owned, and accountancy firms concentrate on core competencies and seek to divest trustee businesses.

# Chief Executive's Review

## IRELAND

	2010 €'000	2009 €'000
General broking	(1,428)	91
Financial services including central overhead	31	502
Adjusted operating (loss)/profit	(1,397)	593

### General broking

Our Mortgage broking network business remains subdued with significantly reduced capital being deployed through the broker market. Our aim is to maintain neutral contribution whilst developing the life insurance and other aspects of the network, with a view to creating value and ultimately exiting the space.

### Financial services including central overhead

Our individual and corporate pension services performance continued to improve with approximately €2.1 million of operating profit in the year (2009: €2.4 million). The winning of 27 new corporate clients and the conversion of individual business to our passive asset allocation proposition is continuing to grow the businesses despite the difficult economic backdrop.

We continue to look for ways to build our core offering and to leverage the corporate pensions business in developing the individual client base and product offering.

## GROUP FINANCING

Group net commitment (net debt plus net contingent consideration) is summarised and compared to 2009 year end below.

	As at 31 December 2010			As at 31 December 2009		
	Core €'m	Investment €'m	Total €'m	Core €'m	Investment €'m	Total €'m
Net debt	11.9	2.9	14.8	41.0	2.9	43.9
Contingent consideration			-			7.2
Less restricted cash - held in escrow in respect of contingent consideration			-			(6.7)
Group net commitment			14.8			44.4

## Chief Executive's Review

In the year to 31 December 2010 our net debt has been reduced from €43.9 million to €14.8 million, a reduction which leaves net debt at circa 0.5 EBITDA.

We have in March 2011 concluded our refinancing adding HSBC and Barclays to our syndicate of banks. The new facilities have the following key characteristics:

- margin 2.25% to 2.75%;
- 5 year term; and
- annual repayments vary from €9.0 million to €13.0 million per year.

This facility (total €81.0 million) is shared equally between our banks and also includes in excess of €21.0 million of headroom which may be used for acquisitions and general corporate purposes in our principal business areas.

### OUTLOOK

In 2010 we delivered expected earnings, substantially deleveraged the Group and successfully integrated the acquisition of James Hay. This positions the Group to expand organically and by acquisition, building on our leading market positions. We look to the future with confidence.



**MARK BOURKE**

*Chief Executive*

# Notice of Meeting

Notice is hereby given that the Forty Seventh Annual General Meeting of IFG Group plc will be held at the Radisson St Helen's Hotel, Stillorgan, Dublin 4 on 29 June 2011 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 Auditor's Report thereon for the year ended 31 December 2010.
- 2 To declare the dividend recommended by the directors.
- 3 To elect as a director Aidan Comerford who was co-opted on 31 August 2010 and so retires in accordance with the Company's Articles of Association.
- 4 To re-elect as a director Declan Kenny who retires by rotation in accordance with the Company's Articles of Association.
- 5 To re-elect as a director Joe Moran who retires in accordance with best practice under the Combined Code on Corporate Governance.
- 6 To re-elect as a director John Lawrie who retires in accordance with best practice under the Combined Code on Corporate Governance.
- 7 To authorise the directors to agree the remuneration of the auditors.

## Special Business

- 8 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 2012 (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".

- 9 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 8 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:

# Notice of Meeting

- 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 €1,492,663 representing ten per cent of the issued share capital of the Company at 31 December 2010.

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 2012 (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”.

## 10 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 12,438,862 (representing ten per cent of the issued ordinary share capital at 31 December 2010);
- 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;
- 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 2012; and
- 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”.

# Notice of Meeting

## 11 As a Special Resolution

“that for the purposes of Section 209 of the Companies Act, 1990, the re issue 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 reissued and
- 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 2012”.

## 12 As a Special Resolution

“that, in accordance with the Shareholder Rights (Directive 2007/36/EC) Regulations 2009, the provisions of Article 59 of the Articles of Association of the Company allowing for the convening of an Extraordinary General Meeting of the Company on giving 14 days’ notice in writing at the least (where such meeting is not an Annual General Meeting or a general meeting for the passing of a Special Resolution) shall continue to be effective”.

### By order of the Board

**Conleth O’Reilly**

*Company Secretary*

IFG House  
 Booterstown Hall  
 Booterstown  
 Co Dublin

20 April 2011

# Notice of Meeting

## 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 27 June 2011. 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 Memorandum and Articles of Association of the Company; and
  - d 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 2010.

## Activities

The Group is organised into three primarily geographical segments - UK, International and Ireland.

The principal products and services offered by the Group are the provision of financial services and trustee and corporate services. The Chairman's Statement on pages 5 to 6 and the Chief Executive's Review on pages 7 to 13 contain reviews of the development of the businesses of the Group during the year, the position at the year end and likely future developments.

## Results

The profit for the year attributable to the owners of the parent company was €5,409,000 (2009: €5,375,000).

## Dividends

An interim dividend of 1.35 cent per ordinary share, subject to withholding tax at 20% (2009: 1.27 cent), was paid on 27 January 2011 and a final dividend of 2.65 cent per ordinary share, which may be subject to withholding tax at 20% (2009: 2.36 cent subject to withholding tax at 20%), will be paid on 15 July 2011 to qualifying shareholders on the register on 1 July 2011.

## Business Review

A detailed commentary and review of the activities of the Group is contained in the Chief Executive's Review on pages 7 to 13 of the Annual Report. The Group has performed creditably during the year notwithstanding the unprecedented external pressure of the liquidity and credit crises and the resultant recessions which impacted most developed economies. As a provider of financial services where activity levels globally have been significantly affected, our businesses are demonstrating their solidity and the robust nature of their income streams. We will continue to focus on cash generation, debt reduction and positioning ourselves for future opportunities as the global economy recovers.

## Principal Risks and Uncertainties

The markets in which the Group operates may be affected by numerous factors, many of which are beyond the Group's control and the exact effect of which cannot be accurately predicted. The Board is responsible for the Group's risk management systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Directors note that the principal risks and uncertainties facing the Group include the following areas:

# Report of the Directors

Strategic Risks	Description of Risks	Mitigation
Global economic downturn	The economic, technological and other macro factors affecting demand for the Group's services.	The Group has operations across three segments – UK, International and Ireland. Whilst the current economic downturn may affect all business the impact will vary according to the markets in which they operate. The Group continues to work on operating efficiencies and business development to ensure it remains competitive.
Competitor activity	The intensity of competition in the markets in which the Group operates and the changing demand for products.	Competitor activity is discussed at segmental board meetings. Subsidiary management is constantly focused on providing a competitive quality service to meet the demands of customers.
Acquisitions	The risks associated with selecting appropriate acquisitions, integrating them into the business and successfully realising the growth expected from such acquisitions.	The Group conducts a stringent internal due diligence process prior to completing an acquisition. Group and Subsidiary management have significant experience and expertise in acquisition integration.
Operational Risks	Description of Risks	Mitigation
Key customers/intermediaries	The risks associated with maintaining relationships with key customers and intermediaries and its financial impact on the business.	The Group invests significant resources to maintain strong relationships with its key customers and intermediaries. There is a constant focus on offering a quality service.
Management resources	Strong and effective management has been fundamental to the Group's success. The ability to attract and retain highly skilled employees and executives is critical to this continued success.	The Group maintains a constant focus on succession planning, strong recruitment processes, long term management incentive programmes and management development.
Customer claims	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.	Detailed compliance controls, procedures and complaints monitoring are in place across all subsidiary companies. The Group maintains appropriate professional indemnity insurance cover.
Information technology systems	The ability of the Group to avoid disruption to its key information technology systems.	Business continuity plans have been implemented across the Group's three segments to manage disruptions to key systems.

# Report of the Directors

Compliance Risks	Description of Risks	Mitigation
Regulation	Changes to regulation, taxation or legislative environment applicable to the Group's activities.	All regulatory, taxation and legislative requirements are managed locally by Compliance and Finance Managers. The Group also reviews regulation centrally together with legislative developments.
Financial Risks *	Description of Risks	Mitigation
Capital markets and treasury	The ability to arrange financing having regard to capital market conditions and exposure to fluctuations in both foreign exchange rates and interest rate movements	Treasury risks are actively managed by Group Finance in adherence to Board approved policies and procedures.

\* Financial risk management objectives and policies which have been implemented by executive management are set out in note 3 to the Group financial statements.

## Directors

Patrick Joseph Moran, aged 75, is Non-Executive Chairman of the Company since its formation in October 1989. He is also a director of a number of other companies including Manor Park Homebuilders Limited. He is a significant shareholder holding 5.4 million shares in the Company. He is Chairman of the Company's Remuneration and Nomination Committees and a member of the Audit Committee.

Mark Bourke, aged 44, is Group Chief Executive since June 2006. He joined the Group in September 2000 as Finance Director and was appointed Deputy Chief Executive in November 2004 at which time he also assumed responsibility for the Group's Irish segment. He was previously a Partner in international tax services with PricewaterhouseCoopers US, San Jose, California.

Mark Bogard, aged 49, is an Executive Director and is Chief Executive Officer of IFG's UK segment since 2004. He has an MA from Cambridge University and completed his articles at Slaughter and May subsequently working for Schroders in investment banking and on group strategy. He then ran Barclays UK Offshore Funds business before leaving to join Moneyextra, which was sold to the Bank of Ireland in 2000. Moneyextra was subsequently merged with Willis National and then Chase de Vere investments, both leading UK IFAs, where he was managing director of the resultant business which focused on private client advice, employees benefits advice and mortgage broking.

Declan Kenny, aged 49, is an Executive Director and is Chief Executive Officer of IFG's International segment. He is a Certified Accountant and Chartered Secretary, has held several positions in the Group's Isle of Man business which he joined in 1989, and has responsibility for the Group's International segment since 2002.

# Report of the Directors

Gary Owens, aged 52, is an Executive Director and is Chief Executive Officer of IFG's Ireland segment since 2007. 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 Chartis Insurance Ireland Limited and Chartis Excess Limited for which he received a total remuneration of €36,000 for 2010.

Colm Barrington, aged 65, is a Non-Executive Director since June 2005. He is a member of the Remuneration, Audit and Nomination Committees of the Company. He is managing director of Babcock and Brown Limited, a position he has held since 1994. He is a graduate of UCD and prior to 1994 held several senior positions with GPA Group plc, including GPA Capital. He is currently Chairman of Aer Lingus plc.

John Lawrie, aged 68, is a Non-Executive Director since August 2000, Chairman of the Audit Committee and a member of the Nomination, Remuneration and Internal Control and Risk Committees of the Company. He is 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. He is the Senior Independent Director.

John Rowan, aged 53, is a Non-Executive Director since October 2006 and is Chairman of the Internal Control and Risk Committee. He is a fellow of the Institute of Chartered Accountants in Ireland and a former director of Anglo Irish Bank Corporation plc. He was UK chief executive of Anglo Irish Corporation plc until December 2005, a position he held since 1988.

Thomas Wacker, aged 67, is a Non-Executive Director since March 1996 and is a member of the Internal Control and Risk Committee of the Company. He was the Chairman and Chief Executive of the Group's operations in the Isle of Man from 1992 until 1996. Mr. Wacker will not be seeking re-election as a Director of the Company at the forthcoming Annual General Meeting.

Peter Priestley, aged 43, was co-opted as a Non-Executive Director on 30 March 2010 and elected to the Board on 30 June 2010. He is the appointed representative of Fiordland Investment Limited Partnership which holds 19.39% of the issued share capital of the Company. Mr. Priestley is an advisor to Pension Corporation LLP and a co-founder of Celtic Utilities Limited and Greenstar Limited.

Aidan Comerford, aged 41, was co-opted to the Board on 31 August 2010, is responsible for Finance and Risk. Mr Comerford was previously Head of Risk & Internal Audit. He is a fellow of the Institute of Chartered Accountants in Ireland with 20 years financial services experience having held the position of finance director and general manager of a number of privately held financial services companies.

In accordance with the Articles of Association of the Company, Aidan Comerford, who was co-opted on 31 August 2010, offers himself for election and Declan Kenny retires by rotation and, being eligible, offers himself for re-election.

In accordance with best practice under The Combined Code on Corporate Governance Joe Moran and John Lawrie retire, and being eligible, offer themselves 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 2010 is noted below:

	Salary €'000	Fees €'000	Bonus €'000	Other €'000	Pension €'000	Total €'000
Colm Barrington	-	45	-	-	-	45
Mark Bogard	268	-	146	21	48	483
Mark Bourke	454	-	-	41	91	586
Aidan Comerford (a)	50	-	-	5	10	65
Declan Kenny	378	-	-	8	54	440
John Lawrie	-	45	-	-	-	45
Donal Lynch (b)	50	-	-	58	60	168
Patrick Joseph Moran	-	60	-	-	-	60
Gary Owens	303	-	-	34	77	414
Peter Priestley (c)	-	33	-	-	-	33
Victor Quigley (d)	-	10	-	-	-	10
John Rowan	-	45	-	-	-	45
Frank Ryan (e)	53	-	-	12	5	70
Thomas Wacker	-	45	-	-	-	45
<b>Total</b>	<b>1,556</b>	<b>283</b>	<b>146</b>	<b>179</b>	<b>345</b>	<b>2,509</b>

(a) Aidan Comerford was co-opted to the board 31 August 2010

(b) Donal Lynch retired as a Director effective 30 March 2010

(c) Peter Priestley was co-opted to the board 30 March 2010 and elected as a Director 30 June 2010

(d) Victor Quigley retired as a Director 30 June 2010

(e) Frank Ryan retired as a Director 30 June 2010

# Report of the Directors

The remuneration of the Directors for the year ended 31 December 2009 is noted below:

	Salary €'000	Fees €'000	Bonus €'000	Other €'000	Pension €'000	Total €'000
Colm Barrington	-	45	-	-	-	45
Mark Bogard	251	-	-	19	44	314
Mark Bourke	454	-	-	26	116	596
Declan Kenny	257	-	-	87	51	395
John Lawrie	-	45	-	-	-	45
Donal Lynch	200	-	-	13	117	330
Patrick Joseph Moran	-	60	-	-	-	60
Gary Owens	328	-	-	34	66	428
John Rowan	-	45	-	-	-	45
Victor Quigley (Non-Executive from 1 July 2009)	129	19	184	83	26	441
Frank Ryan	321	-	-	18	35	374
Thomas Wacker	-	45	-	-	-	45
<b>Total</b>	<b>1,940</b>	<b>259</b>	<b>184</b>	<b>280</b>	<b>455</b>	<b>3,118</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 and entitlements are disclosed later in the Report of the Directors.

Donal Lynch resigned as Director of IFG Group plc on 30 March 2010. He resigned as Company Secretary and retired from the Group on 31 August 2010 and a termination payment of €55,000 was paid to him. The Group also paid €45,000 to Mr. Lynch's pension fund which is included in the above 2010 table.

The salaries for Executive Directors are reviewed annually. Benefits to Executive Directors may include a company car, car allowance and health benefits.

Pension payments in respect of Executive Directors are calculated on basic salary only and no incentive or benefit are included.

## 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. The pension benefits earned during the year, and accrued at the year end, as part of the defined benefit scheme are as follows:

	Increase in accrued benefit in 2010	Transfer value of the increase in accrued benefit in 2010	Accrued benefit at year end 2010	Accrued benefit at year end 2009
	€'000	€'000	€'000	€'000
Declan Kenny	7	87	88	78

### Directors' interest in Long Term Incentive Plan (the 'Plan') - audited

Interests in 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 were at 31 December 2010 as follows:

Mark Bourke	500,000 shares
Mark Bogard	500,000 shares
Declan Kenny	312,500 shares
Gary Owens	200,000 shares

On 11 January 2011 Mark Bogard sold 500,000 Ordinary Shares at a market price of €1.28 per share.

Share awards granted / to be granted to Executive Directors are set out below:

Director	Performance cycle ending	Grant date	Market price per ordinary shares at grant date €	Shares earned as at 1 January 2010 Number	Shares earned in year Number	Shares earned as at 31 December 2010 Number	Maximum that can be earned Number
Mark Bogard	31.12.2010	28.09.2006	2.10	750,000	0	750,000	750,000
Mark Bourke	31.12.2010	28.09.2006	2.10	750,000	0	750,000	750,000
Declan Kenny	31.12.2010	20.11.2007	1.52	562,500	0	562,500	562,500
Gary Owens	31.12.2010	14.07.2007	2.22	400,000	0	400,000	400,000

The Share Awards under the Long Term Incentive Plan ('LTIP'), approved by shareholders at an Extraordinary General Meeting on 28 September 2006, were 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 Plan, be awarded at the end of the performance period 31 December 2010.

On 30 March 2011, in accordance with the rules of the Plan, 633,334 Ordinary Shares were issued to the Employee Benefit Trust on behalf of the Directors. The market price of these Ordinary Shares at date of issue was €1.39 per share.

The accounting charge calculated in line with the Group's accounting policy in respect of the Plan for the year including the employer's social security contribution for Group Directors was €947,000 (2009: €1,197,000).

The performance period for the LTIP has now passed. Accordingly the shares earned by each Executive Director is the maximum that can be earned by each Director under the LTIP.

## 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 2010 and 31 December 2009 (these do not include any LTIP shares detailed above), or date of appointment, if later, are noted below:

	At 31 December 2010		At 31 December 2009	
	Shares under option	Share holding	Shares under option	Share holding
Colm Barrington	-	516,800	-	516,800
Mark Bogard	250,000	10,440	250,000	10,440
Mark Bourke	25,000	553,275	275,000	553,275
Aidan Comerford (a)	130,000	10,000	30,000	10,000
Declan Kenny	50,000	358,084	75,000	333,084
John Lawrie	-	50,000	-	50,000
Donal Lynch (b)	-	147,130	275,000	152,074
Patrick Joseph Moran	-	5,413,612	-	5,413,612
Gary Owens	-	36,800	-	36,800
Peter Priestley (appointed 30 March 2010)	-	825,545	-	735,711
Victor Quigley (c)	-	871,915	75,000	901,211
John Rowan	-	25,840	-	25,840
Frank Ryan (d)	20,000	453,593	120,000	419,713
Thomas Wacker	-	314,995	-	314,955

(a) Aidan Comerford was co-opted to the board 31 August 2010

(b) Donal Lynch retired as a director effective 30 March 2010

(c) Victor Quigley retired as a director 30 June 2010

(d) Frank Ryan retired as a director 30 June 2010

# Report of the Directors

The number of Ordinary Shares held by Declan Kenny above includes 299,000 Ordinary Shares held by a company associated and connected with his family. The number of Ordinary Shares held by Thomas Wacker includes 314,955 Ordinary Shares held indirectly by a company associated and connected with his family. The number of Ordinary Shares held by Peter Priestley above includes 611,260 Ordinary Shares in which the Director has an indirect interest in.

On 10 May 2010 Declan Kenny exercised a Share Option over 25,000 Ordinary Shares at 114 cent per share. The market price of an Ordinary Share at that date was 127 cent per share. On 20 October 2010 Peter Priestley purchased 50,000 Ordinary Shares at a market price of 129 cent per share. On 21 October 2010 Peter Priestley's indirect interest increased by 39,834 Ordinary Shares at a market price of 129 cent per share.

## Share Options - audited

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

MA Bogard	MG Bourke	AM Comerford	DT Kenny	FE Ryan	Date granted	Exercise price	Expiry date
-	-	100,000	-	-	31.08.2010	115c	30.08.2020
-	-	30,000	-	-	05.05.2009	65c	04.05.2019
250,000	-	-	-	-	16.04.2005	99c	15.04.2015
-	25,000	-	-	-	13.07.2004	102c	12.07.2014
-	-	-	50,000	20,000	16.04.2004	114c	15.04.2014
<b>250,000</b>	<b>25,000</b>	<b>130,000</b>	<b>50,000</b>	<b>20,000</b>	<b>Total at 31 December 2010</b>		
250,000	275,000	30,000	75,000	120,000	Total at 31 December 2009		

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 €1.45 per share and €1.30 per share respectively. During the year the market price per share ranged from €1.00 to €1.46.

The accounting charge calculated in line with the Group's accounting policy in respect of the Directors' Share Options for the year was €22,000 (2009: €nil).

On 30 March 2011, Mark Bourke received 250,000 stock options with an exercise price of €1.41 per share.

## Directors' 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, Gary Owens and Aidan Comerford 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. The Company has entered into a contract for services

# Report of the Directors

agreement with IFG Employment Limited which procures the services of Declan Kenny, an Executive Director, on terms which, *inter alia*, provides for fees and compensation commitments in the event of early termination. Mr. Kenny is also entitled to be a participant in the Group's LTIP.

Other than as disclosed in note 38 '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.

## 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 20 April 2011.

	Number of shares	% of issued share capital
Fiordland Investment Limited Partnership	24,166,504	19.30
Nordea Bank Danmark AS	8,816,278	7.04
Dexia Bank	7,358,104	5.88
Mawer Investment Management Limited	6,422,610	5.13
TS Capital Limited	5,575,000	4.45
Promethean Investment Fund LLP	4,469,658	3.57
Richard Hayes	4,129,986	3.30

## Annual General Meeting

Notice of the Company's Forty Seventh Annual General Meeting is set out on pages 14 to 17.

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 30 June 2010 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 8, the Directors are requesting renewal of authority in respect of the current authorised unissued share capital of the Company.

# Report of the Directors

Also at the Company's last Annual General Meeting the Directors were authorised to allot shares in the Company for cash up to a nominal value of €900,926 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 €1,492,663, being ten per cent of the nominal amount of the Company's issued share capital at 31 December 2010, 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 9 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 2012.

## Authority to Purchase Own Shares

At the Company's Annual General Meeting held on 30 June 2010, 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 7,507,722 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 10 and 11, which are special resolutions, the Directors are seeking approval for renewal of these authorities for 12,438,862 ordinary shares representing ten per cent of the issued share capital of the Company as at 31 December 2010. The Directors are seeking approval for renewal of this authority until 31 December 2012.

## Shareholders' Rights Regulation

The Shareholders' Rights (Directive 2007/36/EC) 2009 Regulations provide that Extraordinary General Meetings of the Company (except those convened for the purpose of passing special resolutions) may now be held on giving (at least) 14 days' notice only where (a) the Company has passed a special resolution at its next general meeting (and each subsequent Annual General Meeting) approving the holding of Extraordinary General Meetings on giving (at least) 14 days' notice and (b) the Company offers a facility to vote electronically (which the Articles already provide for through the appointment of proxies electronically).

The Directors consider that it is in the interests of the Company to retain the flexibility to call an Extraordinary General Meeting (except those convened for the purpose of passing special resolutions) on giving (at least) 14 days' notice. Resolution number 12 is a special resolution permitting the Company to call an Extraordinary General Meeting on giving (at least) 14 days' notice. Subject to the passing of the said special resolution, the approval will be effective until the Company's next Annual General Meeting.

# Report of the Directors

## Research and Development

The Group continues to research and develop new financial services products (and supporting computer systems) and to improve existing ones.

## Political and Charitable Donations

The Group made €25,000 in charitable donations and no political donations during the year.

## Regulation 21 of SI 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006'

For the purpose of Regulation 21 of Statutory Instruments 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given under the following headings on page 97 to 98 (Share capital and share premium), page 20 to 21 (Board of Directors), page 22 to 25 (Performance bonus and Long Term Incentive Plan), page 26 (Share options), page 26 to 27 (Directors service agreements and contracts) is deemed to be incorporated in the Report of the Directors.

## Subsidiary Undertakings

The Group's principal subsidiaries, associated undertakings and joint ventures as at the date of this document are listed in note 42 to the Group financial statements.

## Events since the year end

On 30 March 2011, the Company issued 833,334 Ordinary Shares to the Employee Benefit Trust on behalf of the Participants in the Long Term Incentive Plan. The market price of these Ordinary shares at date of issue was €1.39 per share.

On 29 March 2011 the Group has concluded refinancing its bank borrowings adding HSBC and Barclays to its syndicate of banks. The new facilities have the following key characteristics:

- margin 2.25% to 2.75%;
- 5 year term; and
- annual repayments of €9.0 million to €13.0 million per year.

This facility is shared equally between our banks and also includes in excess of €21,000,000 of headroom which may be used for acquisitions and general corporate purposes in our principal business areas.

The Board is recommending a final dividend of 2.65 cent per share on the enlarged share capital in issue, which will be considered by the shareholders at the Annual General Meeting.

# Report of the Directors

## 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 (IFRS) as adopted by the European Union and have elected to prepare the Company Balance Sheet in accordance with generally accepted accounting principles in Ireland, comprising applicable law and the Financial Reporting Standards 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 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 IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange, to prepare a Report of the Directors and reports relating to Director's 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 2009 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 Company's 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.

# Report of the Directors

## Directors' statements pursuant to the Transparency Regulations

Each of the directors, whose names and functions are listed on pages 20 to 21 of the Report of the Directors confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, prepared in accordance with generally accepted accounting principles in Ireland, give a true and fair view of the assets, liabilities and financial position of the parent company; and
- the Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

## Corporate Governance Statement

The Corporate Governance Statement on pages 32 to 40 is part of the Report of the Directors.

## Going Concern

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*

**A M Comerford**

*Executive Director - Finance & Risk*

20 April 2011

# Corporate Governance Statement

The Board of IFG Group plc is committed to maintaining high standards of corporate governance throughout the Group. This statement sets out in detail how IFG Group has applied the principles set out in section 1 of the Combined Code on Corporate Governance (June 2008) (the “Combined Code”), which was published by the Financial Reporting Council in the UK and adopted by the Irish Stock Exchange. The Combined Code is publically available on the FRC website [www.frc.gov.uk](http://www.frc.gov.uk).

## The Board of Directors

The Board provides leadership and maintains effective control over the activities of the IFG Group. The Board meets on a regular basis and has a formal schedule of matters reserved to it. 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 Board consists of five Executive Directors and six Non-Executive Directors (see biographical details on pages 20 to 21) and either directly or indirectly through the operation of Committees of Directors and delegated authority, brings an independent judgement on issues of strategy, resources and standards of conduct. The Board has delegated responsibility for the management of the Group to the Group Chief Executive and, through him, to Executive Directors and management. The Board has also delegated some additional responsibilities to Committees established by it whose powers, obligations and responsibilities are set out in written terms of reference.

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.

On appointment, and regularly thereafter, the Directors are briefed in writing and orally by the executive team. Papers are sent to each Director in sufficient time before Board Meetings. The Board is supplied on a timely basis with information in a form and of a quality to enable it to discharge its duties.

A Director may 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 full Board meets at least bi-monthly. In addition, the Board Committees established for specific purposes being Audit, Remuneration, Internal Control and Risk and Nomination meet as required.

# Corporate Governance Statement

The following table sets out the attendance by Directors at Meeting during the year ended 31 December 2010:

Director	Board	Audit	Remuneration	Internal control & risk	Nomination
Colm Barrington	8	3	8	-	3
Mark Bogard	8	-	-	-	-
Mark Bourke	8	-	-	-	-
Aidan Comerford (a)	2	-	-	1	-
Declan Kenny	8	-	-	-	-
John Lawrie	8	3	8	4	3
Donal Lynch (b)	4	1	2	2	1
Patrick Joseph Moran	8	3	8	-	3
Gary Owens	8	-	-	-	-
Peter Priestley (c)	3	-	-	-	-
Victor Quigley (d)	5	-	-	-	-
John Rowan	8	-	-	5	-
Frank Ryan (e)	5	-	-	-	-
Thomas Wacker	7	-	-	4	-
<b>Total Meetings held</b>	<b>8</b>	<b>3</b>	<b>8</b>	<b>5</b>	<b>3</b>

(a) Co-opted to the Board 31/08/2010 - attended all board meetings since his co-option

(b) Resigned as a director 30/03/2010 and Secretary 1/10/2010 - attended all board meetings in year up to date of resignation

(c) Co-opted to the Board 30/03/2010 and elected Director at AGM 30/06/2010 - attended 3 out of 4 board meetings since his co-option to the board

(d) Resigned as a Director 30/06/2010 - attended all board meetings in year up to date of resignation

(e) Resigned as a Director 30/06/2010 - attended all board meetings in year up to date of resignation

## Independence of Non-Executive Directors

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”.

Joe Moran, the Non-Executive Chairman, and John Lawrie, both Non-Executive Directors, have held the positions of Chairman and Non-Executive Director for more than nine years, respectively. In addition Mr. Moran holds ordinary shares representing 4.35% of the present issued share capital of the Company. Mr. Priestley, appointed to the Board on 30 March 2010, represents the interests of Fiordland Investment Limited Partnership, a major shareholder in the Company holding 19.39% of the present issued share capital. These are matters which may appear relevant to the

# Corporate Governance Statement

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. All Non-Executive Directors of the Company are considered by the Board to be independent.

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.

## Board Committees

The Board has established four Committees to assist in the execution of its responsibilities. There are:

- the Audit Committee;
- the Remuneration Committee;
- the Internal Control and Risk Committee; and
- the Nomination Committee.

Each of the Committees has written terms of reference that were approved by the Board which set out the Committee's powers, responsibilities and obligations.

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.

## Audit Committee

The Audit Committee is comprised solely of Non-Executive Directors. The Committee is chaired by John Lawrie and the members are Joe Moran and Colm Barrington. The Group Company Secretary acts as secretary to this Committee. The Group Chief Executive, the Finance Director, the Head of Internal Audit and the external auditors normally attend meetings of the Committee. The external auditors have unrestricted access to the Committee Chairman at all times and have the opportunity to meet with members of the Audit Committee without the presence of the Executive Directors at least once a year.

The Board has determined that members of the Audit Committee have recent and relevant financial experience and satisfy the requirements of the Code.

The Committee oversees the financial reporting and internal controls, the latter in conjunction with the Internal Control and Risk Committee, and provides a formal reporting link with the Auditors. In particular, it reviews the annual and interim financial statements, company announcements, internal control procedures, accounting policies, compliance with accounting standards, the appointment and fees of external auditors and such other related functions as may arise.

# Corporate Governance Statement

The Committee approves the external auditors' Terms of Engagement including the scope of the audit and assesses annually external auditor objectivity and independence taking into account relevant professional and regulatory requirements and the relationship with the audit firm as a whole, including the provision of non-audit services. In particular the Committee considers, annually, reports of the total audit and non-audit fees paid to the Company's external auditor. During the year ended 31 December 2010 remuneration for non-audit related services to the Company's external auditor PricewaterhouseCoopers in Ireland, totalled €503,000 (2009: €190,000) and to PricewaterhouseCoopers in other countries €255,000 (2009: €91,000).

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 shall recommend to the Board that the external auditors shall continue in office.

During the year and up to the date of approval of the Annual Accounts the Audit Committee achieved its responsibilities by working with a structured agenda of matters focused to coincide with key events of the Group's financial reporting cycle, together with standing items that the Committee is required to consider at each meeting. The Audit Committee met its responsibilities by:

- approving the accounting policies of the Group;
- by monitoring and reviewing the integrity of the financial statements and any announcements or judgements they contain including the half year report and the Annual Report, in each case recommending that these be approved by the Board;
- in conjunction with the Internal Control and Risk Committee, receiving reports from Group personnel relating to compliance, internal control and internal audit, such reports providing the Committee with the information required to oversee systems on internal control over financial reporting, overall internal control policies, corporate governance procedures, the system of risk management;
- reviewing the external Auditors' presentation of proposed audit plan and fee proposal, and confirmation of their independence; and
- considering management's report of related party matters.

## Remuneration Committee

The Remuneration Committee is comprised of three Non-Executive Directors. The Committee is chaired by Joe Moran and the members are John Lawrie and Colm Barrington. The Group Company Secretary is secretary to this Committee. The Group Chief Executive attends on the invitation of the Chairman.

The principal responsibilities of the Committee are to determine the remuneration of the Executive Directors and review that of other senior executives in the Group.

The Board determines the remuneration of the Chairman and the Non-Executive Directors. The remuneration of the Non-Executive Directors reflects the time commitment and responsibilities of the role.

# Corporate Governance Statement

The disclosure of Directors' remuneration is set out in the Report of the Directors in accordance with the requirements of the Irish Companies Acts, 1963 to 2009 and with the requirements of the Listing Rules of the Irish Stock Exchange.

It is the policy of the Company to grant share options under the terms of the Group's Share Option Schemes to Executive Directors and key employees of the Group to encourage identification with Shareholders' interests in general. Share options and membership of the LTIP are approved by the remuneration committee. The committee also reviews whether LTIP performance criteria have been met and if appropriate, approves the LTIP award for the period. The LTIP performance period expired on 31 December 2010.

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 number of shares subject to options which have been granted by the Company but not exercised by the Recipient is 3,480,682. The number of shares which have been earned under the company's Long term Incentive Plan, which ceased on 31 December 2010 is 3,312,500. The total of these two amounts equals 6,793,182 and this represents 5.5% of the total issued share capital of the Company.

## Internal Control and Risk Committee

The Internal Control and Risk Committee is comprised of three Non-Executive Directors. The Committee is chaired by John Rowan and the members are John Lawrie and Thomas Wacker. The Group Company Secretary acts as secretary to this Committee. The Group Chief Executive, the Executive Finance Director and the Head of Internal Audit attend meetings of the Committee.

The Committee assists 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 segments under risk headings, including, inter alia, strategic, regulatory, tax, legal, financial, business processes, and technology and management information systems.

# Corporate Governance Statement

## Nomination Committee

The Nomination Committee is comprised of three Non-Executive Directors. The Committee is chaired by Joe Moran and the members are John Lawrie and Colm Barrington. The Group Company Secretary acts as secretary to this Committee. The Group Chief Executive and Company Secretary attends by invitation of the Chairman.

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 and the Company Secretary).

The Nomination Committee normally meets annually, or as needed. During the year the nomination committee nominated the appointment of two Directors to join the board.

## Relations with Shareholders

The Company places considerable importance and puts significant effort into communications with shareholders. The Group Chief Executive and Executive Finance Director meet 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 Director 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. 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.

## Description of the operation of the Shareholders' Meeting

The Board of Directors use the Annual General Meeting ('AGM') to communicate with Shareholders and to provide the Shareholders with a mechanism for participation. Directors of the Company, including the Chairman and CEO, attend the AGM and address questions raised by the Shareholders.

The powers and rights of the Shareholders at the AGM include:

- receipt of the annual accounts;
- approval of the annual dividend recommended by the Directors;

# Corporate Governance Statement

- authorisation of the Directors to agree the remuneration of the auditors;
- approval of the election of members of the board of Directors; and
- approval of special and ordinary resolutions tabled by the Directors.

## Performance evaluation

In addition to their statutory responsibilities all Non-Executive Directors have specific responsibility of attending at Board Meetings and, where a member, the relevant Board sub-committee. 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-Executives colleagues. 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.

The Board through its Chairman is reviewing proposals relating to a formal performance evaluation of the Board, its committees and individual Directors. Evaluation will be based on a balanced score card.

## Internal Control and management of risk

The Board have established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the 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 2008). The Board notes also the current implementation of the 2010 update to the Combined Code.

The Board has overall responsibility for the Group’s system of internal control. The system is designed to provide reasonable assurance of the safeguarding of assets and of shareholders’ investment and the reliability of financial information. Any such system can, however, provide only reasonable and not absolute assurance of these matters.

The Group adopts a prudent risk strategy weighing opportunities for potential gain against threats to its overall business objectives and profitability. The senior management of the Group addresses the opportunities and uncertainties relating to the business activities of the Group. The risk management process consists of the identification, evaluation and control of risks, which could threaten the achievement of the Group’s strategic, operational and financial objectives. The Group 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 Group has an established system of internal control and risk management systems in relation to the Group’s financial reporting process and the Group’s process for preparation of consolidated accounts. These systems include

# Corporate Governance Statement

policies and procedures to facilitate the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS') and that require reported data to be reviewed and reconciled.

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 Executive Finance Director, the segmental Directors and the Head of Risk, 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 regular operational and financial risk reports.

The principal components of the internal control and risk management process are:

- (i) 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 and including the granting of security and approval of accounts.
- (ii) 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 Group finance 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.
- (iii) An organisational structure which defines authority limits and reporting procedures to management and the plc Board. Professional and experienced staff of the necessary calibre to fulfill their allotted responsibilities are appointed, both by recruitment and promotion.
- (iv) A central risk and internal audit function which carries out internal audit activities across the Group. It operates under an internal audit charter which covers (i) the purposes and objectives of the Group's internal audit function (ii) its authority and scope (iii) independence issues and (iv) standards of professionalism, performance monitoring, planning and reporting. The internal audit function also co-ordinates with a number of the segmental units who undertake control reviews on companies within their segments. At each meeting of the Internal Control and Risk Committee, and where appropriate to the Audit Committee, the Head of Internal Audit submits a formal report on segmental reviews carried out in the period, including an update on progress against completion of the annual plan and a summary of the findings of the reviews undertaken.
- (v) Management control regimes have been implemented at either segmental or subsidiary company level and govern all areas of internal control and risk management. These are supplemented by appropriate Group wide control processes. Under this regime performance is reviewed periodically. Segmental and subsidiary company Boards regularly review relevant and timely financial information that is produced from the management information systems across the Group. 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.

# Corporate Governance Statement

- (vi) The Group does not maintain common detailed accounting or operations manuals because of the diverse operations carried out by its segments, through guidance is issued from the Group finance team on the accounting policies to be followed for reporting to the centre which feeds into the consolidated accounts. Regular control review work is undertaken directly by the segments as part of their control process. Group defined policies applicable consistently across the Group segments are drafted, reviewed and maintained.
- (vii) Group finance department manages the financial reporting processes to ensure the information which enables the Board to discharge its responsibilities, including the production of interim and annual accounts, is provided on a timely basis. It is supported by a network of finance managers throughout the Group who have the responsibility and accountability to provide information in keeping with the Group policies, procedures and internal best practice. Throughout the year the Group produces 'latest estimates' to predict the likely year end position. The latest estimates are compared with the annual budget and enables the Board to check performance and, where appropriate, to challenge sections of the business if actual or anticipated performance varies significantly from the annual budget.

The Directors confirm they have reviewed the effectiveness of the Group's system of internal controls during the year ended 31 December 2010, and such controls remain in place to 20 April 2011. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board has not identified any significant failings or weaknesses during the review.

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 2010 and up to 20 April 2011, the approval date of the financial statements.

## Compliance with Code

The Directors confirm that the Company has reviewed the provisions of the Combined Code (June 2008) and is in compliance therewith save for:

- (i) Meetings with major shareholders have not been held with the senior Non-Executive Director present, such meetings being held with the Group Chief Executive, Finance Director and, to a limited extent, with the Chairman present, as explained above; and
- (ii) The Non-Executive Chairman Joe Moran, who has a 4.35% shareholding in the Company, has held the position of Chairman since 1989.

The Company considers these two exceptions as acceptable given the size of the Company and the composition of the Board as a whole.

This Corporate Governance statement forms part of the Report of the Directors.

# Independent Auditors' Report to the members of IFG Group plc

We have audited the group and company financial statements of IFG Group plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulation. We report to you our opinion as to whether the 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 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the company balance sheet is 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 Report of the Directors 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 company 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 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 are required by law to report to you our opinion as to whether the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing

# Independent Auditors' Report to the members of IFG Group plc (continued)

the group financial statements is consistent with the group financial statements. In addition, we review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2008 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 financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the unaudited parts 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 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

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

## *Opinion*

In our opinion:

- the 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 2010 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulation;
- the 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 2010; and
- the company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

# Independent Auditors' Report to the members of IFG Group plc (continued)

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 company balance sheet is 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 and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

The net assets of the company, as stated in the company 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 2010 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

20 April 2011

# Consolidated Income Statement

Year Ended 31 December 2010

	Notes	2010 €'000	2009 Restated €'000
<b>Continuing operations</b>			
Revenue	6	120,642	93,287
Cost of sales		(107,102)	(75,405)
<b>Gross profit</b>		13,540	17,882
Administrative expenses		(6,920)	(7,646)
Other gains		655	-
Other expenses		(2,844)	(1,215)
<b>Operating profit</b>	6	4,431	9,021
<b>Analysed as:</b>			
<b>Operating profit before exceptional items and salaries of employees laid off</b>		14,713	11,391
Exceptional items	7	(6,991)	(2,370)
Salaries of employees laid off	7	(3,291)	-
<b>Operating profit</b>		4,431	9,021
Finance income	12	605	713
Finance cost	12	(1,865)	(2,229)
Share of loss of associate and joint venture	19	(51)	(79)
<b>Profit before income tax</b>		3,120	7,426
Income tax credit/(expense)	14	1,890	(1,131)
<b>Profit for the year from continuing operations</b>		5,010	6,295
<b>Discontinued operations</b>			
Loss for the year from discontinued operations (net of income tax)	8	(694)	(1,102)
<b>Profit for the year</b>		4,316	5,193
<b>Profit for year attributable to:</b>			
Owners of the parent company		5,409	5,375
Non-controlling interest		(1,093)	(182)
		4,316	5,193
<b>Earnings per share from continuing and discontinued operations attributable to the owners of the company during the year:</b>			
		2010	2009
<b>Basic earnings per ordinary share (cent)</b>			
From continuing operations		5.31	8.66
From discontinued operations		(0.60)	(1.48)
<b>Total</b>	15	4.71	7.18
<b>Diluted earnings per ordinary share (cent)</b>			
From continuing operations		5.24	8.47
From discontinued operations		(0.60)	(1.44)
<b>Total</b>	15	4.64	7.03

**On behalf of the Board:**

**M G Bourke**  
(Chief Executive)

**A M Comerford**  
(Executive Director - Finance and Risk)

# Consolidated Statement of Comprehensive Income

Year Ended 31 December 2010

	Notes	2010 €'000	2009 Restated €'000
Profit for the year		4,316	5,193
<b>Other comprehensive income:</b>			
Currency translation differences	33	5,782	4,086
Actuarial losses on retirement benefit obligation recognised		(368)	(2,052)
Net investment hedge	33	-	(2,639)
Total other comprehensive income/(loss)		5,414	(605)
Total comprehensive income for the year		9,730	4,588
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent company		10,823	4,773
- Non-controlling interest		(1,093)	(185)
Total comprehensive income for the year		9,730	4,588

# Consolidated Balance Sheet

As at 31 December 2010

	Notes	2010 €'000	2009 Restated €'000	2008 Restated €'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property plant & equipment	17	6,873	4,977	4,507
Intangible assets	18	132,171	89,930	95,699
Investments in associates and joint ventures	19	49	-	-
Deferred income tax assets		-	1,003	1,315
Available-for-sale financial assets	22	116	113	105
Other non-current assets	23	1,645	2,360	-
<b>Total non-current assets</b>		<b>140,854</b>	<b>98,383</b>	<b>101,626</b>
<b>Current assets</b>				
Trade and other receivables	24	44,913	39,495	38,884
Current income tax asset		1,075	-	147
Restricted cash - held in escrow		-	6,662	12,211
Cash and cash equivalents	25	42,879	22,310	22,540
<b>Total current assets</b>		<b>88,867</b>	<b>68,467</b>	<b>73,782</b>
Assets of disposal group classified as held for sale		-	357	-
		<b>88,867</b>	<b>68,824</b>	<b>73,782</b>
<b>Total assets</b>		<b>229,721</b>	<b>167,207</b>	<b>175,408</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	26	-	54,723	56,619
Deferred income tax liabilities	20	8,795	4,393	4,992
Retirement benefit obligations	28	1,906	1,861	90
Other non-current liabilities	29	4,845	-	-
Provisions for other liabilities	30	443	860	10,314
<b>Total non-current liabilities</b>		<b>15,989</b>	<b>61,837</b>	<b>72,015</b>
<b>Current liabilities</b>				
Trade and other payables	31	44,667	35,741	29,371
Current income tax liabilities		501	1,252	1,440
Borrowings	26	57,677	11,691	12,730
Derivative financial instrument	27	16	-	-
Provisions for other liabilities	30	4,206	8,627	14,061
<b>Total current liabilities</b>		<b>107,067</b>	<b>57,311</b>	<b>57,602</b>
Liabilities of disposal group classified as held for sale		-	262	-
		<b>107,067</b>	<b>57,573</b>	<b>57,602</b>
<b>Total liabilities</b>		<b>123,056</b>	<b>119,410</b>	<b>129,617</b>
<b>Net Assets</b>		<b>106,665</b>	<b>47,797</b>	<b>45,791</b>
<b>EQUITY</b>				
Share capital	32	14,927	9,009	8,909
Share premium	32	103,039	57,668	60,025
Other reserves	33	(12,522)	(19,840)	(22,735)
Retained earnings		1,269	115	(1,438)
		<b>106,713</b>	<b>46,952</b>	<b>44,761</b>
Non-controlling interest	34	(48)	845	1,030
<b>Total equity</b>		<b>106,665</b>	<b>47,797</b>	<b>45,791</b>

On behalf of the Board:

**M G Bourke**  
(Chief Executive)

**A M Comerford**  
(Executive Director- Finance & Risk)

# Consolidated Cash Flow Statement

As at 31 December 2010

	Notes	2010 €'000	2009 €'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	17,232	17,112
Interest received		259	697
Income taxes paid		(3,500)	(1,453)
<b>Net cash generated from operating activities</b>		<b>13,991</b>	<b>16,356</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,511)	(1,953)
Sale of property, plant and equipment		19	2
Purchase of subsidiary undertakings net of cash acquired		(14,227)	-
Deferred and contingent consideration on prior year acquisitions		(1,335)	(3,499)
Purchase of intangibles		(767)	(976)
Cash outflow in respect of other non-current assets		(100)	(2,343)
<b>Net cash used in investing activities</b>		<b>(18,921)</b>	<b>(8,769)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(3,887)	(1,770)
Interest paid		(1,305)	(1,796)
Proceeds from issue of share capital		51,370	145
Share placing expenses		(2,613)	-
Proceeds from long-term borrowings		-	4,600
Repayment of debt		(20,368)	(9,145)
Payment of finance lease liabilities		(35)	(46)
<b>Net cash generated/(used) in financing activities</b>		<b>23,162</b>	<b>(8,012)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,232</b>	<b>(425)</b>
Cash and cash equivalents at the beginning of the year		21,948	21,284
Effect of foreign exchange rate changes		2,679	1,089
<b>Cash and cash equivalents at end of year</b>		<b>42,859</b>	<b>21,948</b>

Cash and cash equivalents for the purpose of the statement of cash flows are comprised of cash and short term deposits net of bank overdrafts. For the purpose of the cash flow statement cash and cash equivalents include the following:

	2010 €'000	2009 €'000
Cash and short term deposits		
- as disclosed on the balance sheet	42,879	22,310
- included in the assets of disposal group held for sale	-	165
<b>Bank overdrafts</b>	<b>(20)</b>	<b>(527)</b>
	38	42,859
		21,948

# Consolidated Statement of Changes in Equity

	Share capital	Share premium	Other reserves	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total equity
			Restated	Restated	Restated		Restated
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 31 December 2008	8,909	60,025	(22,735)	(1,579)	44,620	1,030	45,650
Change in accounting policy	-	-	-	141	141	-	141
<b>At 1 January 2009</b>	<b>8,909</b>	<b>60,025</b>	<b>(22,735)</b>	<b>(1,438)</b>	<b>44,761</b>	<b>1,030</b>	<b>45,791</b>
<b>Total comprehensive income for 2009</b>							
Profit/(loss) for the year	-	-	-	5,375	5,375	(182)	5,193
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	-	4,089	-	4,089	(3)	4,086
Net investment hedge	-	-	(2,639)	-	(2,639)	-	(2,639)
Actuarial losses on retirement benefit obligation	-	-	-	(2,052)	(2,052)	-	(2,052)
Other comprehensive income	-	-	1,450	(2,052)	(602)	(3)	(605)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,450</b>	<b>3,323</b>	<b>4,773</b>	<b>(185)</b>	<b>4,588</b>
Dividends	-	-	-	(1,770)	(1,770)	-	(1,770)
Issue of share capital	100	127	(82)	-	145	-	145
Write off of expenses relating to share placement post year end	-	(2,484)	-	-	(2,484)	-	(2,484)
Share based payment compensation							
- Value of employee services - share options - continuing	-	-	261	-	261	-	261
- Value of employee services - share options - discontinued	-	-	16	-	16	-	16
- Value of employee services - LTIP	-	-	1,250	-	1,250	-	1,250
<b>Transaction with owners</b>	<b>100</b>	<b>(2,357)</b>	<b>1,445</b>	<b>(1,770)</b>	<b>(2,582)</b>	<b>-</b>	<b>(2,582)</b>
<b>At 1 January 2010</b>	<b>9,009</b>	<b>57,668</b>	<b>(19,840)</b>	<b>115</b>	<b>46,952</b>	<b>845</b>	<b>47,797</b>
<b>Total comprehensive income for 2010</b>							
Profit/(loss) for year	-	-	-	5,409	5,409	(1,093)	4,316
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	-	5,782	-	5,782	-	5,782
Actuarial losses on retirement benefit obligation	-	-	-	(368)	(368)	-	(368)
Other comprehensive income	-	-	5,782	(368)	5,414	-	5,414
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>5,782</b>	<b>5,041</b>	<b>10,823</b>	<b>(1,093)</b>	<b>9,730</b>
Dividends	-	-	-	(3,887)	(3,887)	-	(3,887)
Issue of share capital	5,918	45,500	(48)	-	51,370	-	51,370
Write off of expenses relating to share placement	-	(129)	-	-	(129)	-	(129)
Share based payment compensation							
- Value of employee services - share options - continuing	-	-	312	-	312	-	312
- Value of employee services - share options - discontinued	-	-	22	-	22	-	22
- Value of employee services - LTIP	-	-	1,250	-	1,250	-	1,250
Investment by non-controlling interest	-	-	-	-	-	200	200
<b>Transaction with owners</b>	<b>5,918</b>	<b>45,371</b>	<b>1,536</b>	<b>(3,887)</b>	<b>48,938</b>	<b>200</b>	<b>49,138</b>
<b>At 31 December 2010</b>	<b>14,927</b>	<b>103,039</b>	<b>(12,522)</b>	<b>1,269</b>	<b>106,713</b>	<b>(48)</b>	<b>106,665</b>

# Notes to the Group Financial Statements

## 1. General information

IFG Group plc and its subsidiaries (together the Group) are engaged in the provision of financial services and corporate and trustee services. The Company is a public company, listed on the Irish and London Stock Exchanges 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 Group 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 Group financial statements of IFG Group plc for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), IFRIC interpretations and those parts of the Companies Acts 1963 to 2009 applicable to companies reporting under IFRS. The Group financial statements are prepared under the historical cost convention, as modified by fair value accounting for certain available-for-sale financial assets and derivative instruments at fair value through profit or loss.

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

#### *Changes to accounting policies*

Effective 1 January 2010, the Group changed its accounting policies concerning provisions for pensions and adopted the third option available under IAS 19 para 93A, which allows for actuarial gains and losses to be recognised directly in retained earnings in equity. This step is a voluntary change in accounting policies in accordance with IAS 8 par 14. The Group believes that fully recognising actuarial gains and losses when they occur better reflects the financial position of the Group's defined benefit obligation on the balance sheet and the financial statements thus provide more relevant information. The corresponding prior year comparatives have been adjusted accordingly.

Effective 1 January 2010, the Group changed its accounting policy for business combinations and transactions with non-controlling interest and the accounting for loss of control or significant influence when IFRS 3 (revised), 'Business combinations' and revised IAS 27 'Consolidated and separate financial statements' became effective. The revisions had consequential amendments to the Group's accounting policies for 'Business Combinations' and 'Investments in Associates and Joint Ventures'. The changes to the accounting policies have been accounted for prospectively to transactions occurring on or after 1 January 2010. The changes resulted in the write-off by way of a prior period adjustment of the €1,215,000 of acquisition related costs incurred in 2009 which were directly associated with the James Hay acquisition completed in March 2010. This resulted in a restatement of the 2009 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Shareholders' Equity, note supporting Consolidated Cashflow Statement, segmental information and Earnings per Share. Under the previous version of IFRS 3, 'Business Combinations', transaction costs directly related to a business combination ('acquisition related costs') were capitalised as part of the costs of the business combination.

# Notes to the Group Financial Statements

The Group has adopted an accounting policy of disclosing significant acquisition related costs arising on major acquisitions as exceptional in the Income Statement within operating profit.

The following tables highlight the impact of the change in accounting policies on profit for the year, total comprehensive income, total equity and retirement benefit obligation in prior years.

	<b>2009</b>
	<b>€'000</b>
Profit for the year before change in accounting policies	6,408
Acquisition related costs	(1,215)
<b>Profit for the year after change in accounting policies<sup>1</sup></b>	<b>5,193</b>

Total comprehensive income for the year before change in accounting policies	7,876
Acquisition related costs	(1,215)
Allocation of actuarial gains recognised in profit/loss to retained earnings <sup>1</sup>	21
Allocation of unrecognised actuarial losses to retained earnings	(2,052)
<b>Total comprehensive income for the year after change in accounting policies<sup>1</sup></b>	<b>4,630</b>

	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>€'000</b>	<b>€'000</b>
Total equity before change in accounting policies	50,941	45,650
Allocation of unrecognised actuarial gains at 31 December 2008 to 2008 retained earnings	141	141
Allocation of unrecognised actuarial losses at 31 December 2009 to 2009 retained earnings	(2,052)	-
Impact of not booking the reversal of gains through income statement <sup>1</sup>	(18)	-
Reversal of actuarial gains recognised in loss <sup>1</sup>	(19)	(2)
Allocation of actuarial gains recognised in profit/(loss) to retained earnings	19	2
Acquisition related costs	(1,215)	-
<b>Total equity after change in accounting policies</b>	<b>47,797</b>	<b>45,791</b>
Retirement benefit surplus/(obligation) before change in accounting policies	68	(231)
Cumulative actuarial (losses)/gains now recognised	(1,911)	141
Impact of not booking the reversal of gains through income statement <sup>1</sup>	(18)	-
<b>Retirement benefit obligation after change in accounting policies</b>	<b>(1,861)</b>	<b>(90)</b>

The impact of the above changes has resulted in a change of basic EPS from 8.81 cent to 7.18 cent restated for 2009. It has also resulted in a change in the diluted EPS from 8.61 cent to 7.03 cent restated for 2009. There was no impact on the figures disclosed for basic and diluted EPS for 2008. If the changes in accounting policies had not occurred, the profit for 2010 would be €198,000 higher.

# Notes to the Group Financial Statements

*<sup>1</sup>The profit after change in accounting policies outlined above do not reflect the impact of the reversal of actuarial gains recognised in profit/loss of €19,000 and €2,000 for 2009 and 2008 respectively, given the amounts involved. If these amounts had been taken into account the Profit after changes in accounting policies above would be €5,174,000 and €10,422,000 for 2009 and 2008 respectively. Basic EPS would have been 7.16 cent restated for 2009 while diluted EPS would have been 7.00 cent for 2009. There was no impact on the figures disclosed for basic and diluted EPS for 2008.*

## *Changes to the primary statements published in the Preliminary Announcement*

Since the publication of the Preliminary Announcement, there has been an adjustment to current income tax asset which has been reduced by €692,000 and the translation reserve has been reduced by the same amount. This adjustment had no impact on Profit for the year and earnings per share but reduced Other Comprehensive Income and Total Comprehensive Income for the year.

## **2.2 Consolidation**

These financial statements are the Group 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 acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, equity instruments issued and liabilities assumed by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition date fair value of any previous equity interest in the acquired entity 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 gains are eliminated in full. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *Transactions and non-controlling interests*

Non-controlling interests represent the proportion of the profit or loss and net assets of a subsidiary attributable

# Notes to the Group Financial Statements

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 non-controlling interests as transactions with equity owners of the Group.

For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss as appropriate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## *Associates*

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

Investments in associates are initially recorded at cost and are accounted for using the equity method of accounting.

The Group's share of its associates post-acquisition profits or losses is recognised in the Consolidated Income Statement.

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.

The results of associates are included from the effective date on which the Group's significant influence arises until the date on which such significant influence ceases.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 Consolidated Income Statement.

## *Joint Ventures*

A joint venture is an entity established to engage in economic activity, which the Group jointly controls with its fellow venturers.

# Notes to the Group Financial Statements

The Group financial statements incorporate a share of the results, assets and liabilities of joint ventures using the equity method of accounting, where the investment in the joint venture is carried at cost plus post-acquisition changes in the share of net assets of the joint venture, less any provision for impairment.

Losses in excess of the consolidated interest in joint ventures are not recognised, except where the Group has made a commitment to make good those losses.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results of joint ventures acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## 2.3 Segment reporting

A segment is a distinguishable component of the Group that is engaged in provision of services to earn revenue and incurs expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer as he makes the strategic decisions for the Group and allocates resources to each segment on the basis of segment information.

## 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 Group financial statements are presented in Euro (€), which is the company's functional and presentation currency rounded to the nearest thousand.

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 end of the reporting period. All translation differences are taken to the Consolidated Income Statement and are included within administration expenses 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 end of the reporting period. 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.

# Notes to the Group Financial Statements

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 Consolidated 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 Consolidated Income Statement during the financial period in which they are incurred.

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

Buildings and leasehold improvements	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 the end of each reporting period.

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 Consolidated Income Statement.

## 2.6 Contingent purchase consideration and earnout obligations

To the extent that contingent purchase and earnout obligations relating to business combinations are payable after the end of the reporting period, 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. For all business combinations since the date of transition to IFRS completed before the adoption of IFRS 3 (revised), 'Business combinations' adjustments to the present value of the obligation arising from changes in estimates are accounted for as changes to the cost of the acquisition and goodwill. For business combinations post the adoption of IFRS 3 (revised), 'Business combinations' adjustments to the present value of the obligation arising from changes in estimates are reflected in the Consolidated Income Statement in the period in which those changes occur.

# Notes to the Group Financial Statements

## 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. As at the acquisition date, any goodwill acquired is allocated to the group of cash-generating units expected to benefit from the business combination for the purposes of impairment testing. 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. Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Impairment losses on goodwill are not reversed.

Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is 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.

### *Computer software*

Computer software is stated at cost, less provisions for 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. The residual value and useful lives of computer software are reviewed and adjusted if appropriate at the end of each reporting period.

### *Other intangible assets*

Other 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 7 to 15 years. The residual value and useful lives of other intangible assets are reviewed and adjusted if appropriate at the end of each reporting period.

## 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).

# Notes to the Group Financial Statements

## 2.9 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

## 2.10 Financial assets

The Group classifies its financial assets in the following categories: loans and other receivables, held to maturity financial assets, available-for-sale and financial assets at fair value through the profit or loss (usually derivatives not designated as hedges). 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 other receivables*

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They normally 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 end of the reporting period. These are classified as non-current assets. Loans 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 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 counterparty, 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 Consolidated Income Statement in administrative expenses. When a trade receivable is uncollectable, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Consolidated Income Statement.

### *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.

### *Available-for-sale financial asset*

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 end of the reporting period.

### *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

# Notes to the Group Financial Statements

The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

Where derivatives are not designated as hedges they are classified as held for trading.

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 end of the reporting period. 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.

## *Options to acquire interests in other entities*

The Group assesses all options to acquire interests in an entity that, if exercisable would give control of the entity to the Group. Where such options are exercisable the Group consolidates the entity. Options to acquire an interest in an entity which are not currently exercisable are accounted for at fair value.

## **2.11 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 statement of cash flows. They are however shown as part of borrowings in current liabilities on the balance sheet.

## **2.12 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 Consolidated 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.

# Notes to the Group Financial Statements

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.

## 2.13 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 Consolidated 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 end of the reporting period in which case they are classified as non-current.

## 2.14 Current and deferred income tax

The income tax expense in the Consolidated 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 Consolidated 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 end of the reporting period. 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 end of the reporting period 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, joint ventures and associates 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 end of the reporting period 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 Group Financial Statements

## 2.15 Employee benefits

### (A) Pension assets/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 Consolidated 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 end of the reporting period 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. These gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

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 Consolidated Balance Sheet.

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 Consolidated Income Statement.

The amounts charged to the Consolidated Income Statement in respect of defined benefit plans consist of current service cost, interest cost, the expected return of any plan assets, the effect of any curtailments or settlements and past service costs.

# Notes to the Group Financial Statements

## (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 Consolidated 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 end of the reporting period, 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 Consolidated 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.

## 2.16 Provisions

A provision is recognised in the Consolidated 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. An increase in provision due to passage of time is recognised as an interest expense.

## 2.17 Revenue recognition

Revenue comprises commissions and fees from the intermediation of financial services, and the provision of trustee & corporate services and actuarial and pensions administration 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.

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.

# Notes to the Group Financial Statements

## 2.18 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 does 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 assets are 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.

## 2.19 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 Consolidated 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 Consolidated Income Statement on a time proportion basis, using the effective interest method.

## 2.20 Share capital

Ordinary shares 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 owners 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 owners.

## 2.21 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 end of the reporting period are disclosed in note 16 in the financial statements.

# Notes to the Group Financial Statements

## 2.22 Offset

Financial assets and liabilities are offset and the net amount reported in the Consolidated 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.

## 2.23 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 whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. At the year end no derivatives were designated as a hedging instrument.

### *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Consolidated Income Statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the Consolidated Income Statement within 'other gains' or 'other losses' where appropriate. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the Consolidated Income Statement within 'finance costs'. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within 'other gains' or 'other losses' where appropriate. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Consolidated Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation in the case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer

# Notes to the Group Financial Statements

expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement within 'other gains' or 'other losses' where appropriate.

## *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 Consolidated 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 Consolidated Income Statement as part of the overall gain or loss on sale.

## **2.24 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, profit or loss on disposal of investments and the acquisition and integration costs relating to major acquisitions. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the Consolidated Income Statement and/or notes as exceptional items. These items require separate disclosure in the financial statements to enable a better understanding of the Group's financial performance.

## **2.25 Discontinued Operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business of geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classifications as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

## **2.26 Updates to technical pronouncements**

### **(a) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting in the future transactions and events)**

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not adopted them early.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

# Notes to the Group Financial Statements

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

# Notes to the Group Financial Statements

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.
  - 'Improvements to IFRS', effective for financial periods beginning on or after 1 January 2010. The Group has adopted 'Improvements to IFRS' from 1 January 2010. The IASB has issued the standard which amends a number of standards, basis of conclusions and guidance. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. These amendments do not have a significant impact on this financial information.
- (b) **New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2010 and not adopted early.**
- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.
  - Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent company will need to disclose any transactions between its subsidiaries and its associates. The Group is in the process of designing and implementing processes to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.
  - Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning 1 January 2011 with early adoption permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments from the period commencing 1 January 2011.

# Notes to the Group Financial Statements

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group is yet to assess IFRS 9's full impact.
- IFRS 7 'Financial Instruments' is mandatory for periods beginning 1 January 2011. The standard emphasises the interaction between quantitative and qualitative disclosures about the nature and the extent of risks associated with financial instruments. The Group will apply these amendment from the period commencing 1 January 2011.
- IFRIC 13 "Customer loyalty programmes" is mandatory for periods beginning 1 January 2011. The standard clarifies the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. This will have no impact on the Group.

## 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.

#### (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 through the utilisation of interest rate swaps when conditions are favourable. The Group centrally manages the short-term cash surpluses or borrowing requirements of subsidiary companies. At 31 December 2010 if interest rates had increased/decreased by 1% with all other variables held constant, post tax profit for the year would have been €557,000 (2009: €664,000) 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 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 (primarily Sterling £ and US Dollar).

# Notes to the Group Financial Statements

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 foreign exchange 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 denominated assets. At the end of 2010 no foreign borrowings were used as a hedge of the Group's net investments in its subsidiaries.

At 31 December 2010, 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 €1,254,000 (2009: €1,545,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of Sterling £ denominated net assets.

## (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 judgements are made after taking into account the counterparty's credit rating and by regular monitoring of these ratings. Acceptable credit ratings are medium to high investment grade ratings for cash and cash equivalents. 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.

At the end of the reporting period, management believes that there were no concentrations of credit risk in respect of trade receivables due to the large number of customers spread across the Group's activities and areas of operation. An impairment provision amounting to 8% of the trade and other receivables (2009: 7%) has been made at year end. At year end 78% of the trade and other receivables balances were classified as neither past due or impaired (2009: 73%). The maximum exposure to credit risk is represented by the carrying value of each receivable in the balance sheet.

Management monitor credit ratings of banks and financial institutions to which the Group has exposure and where necessary addresses concentration risk by reducing its exposure to individual banks. The Group's maximum exposure to credit risk in respect of cash and cash equivalents during the year end is the carrying value of the balance.

## (c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions. The Group maintains long-term committed facilities that are managed to ensure it has sufficient available funds for operations and planned expansions.

# Notes to the Group Financial Statements

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 end of the reporting period are quantified in note 26. On 29 March 2011 the Group agreed a refinancing arrangement with a syndicate of banks for a facility of €81.0 million repayable over 5 years. These facilities are available to meet current foreseeable borrowing requirements.

The following is an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities and derivative financial liabilities on an undiscounted basis. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. 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 end of the reporting period. Cash flows in foreign currencies are translated using spot rates at 31 December.

Comparative information has been restated as permitted by the amendments to IFRS 7 for the liquidity risk disclosures.

	Debt	Interest on debt	Trade payables	Other liabilities	Derivative financial instruments	Obligations under finance leases	Finance charge on finance lease obligations	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>At 31 December 2010</b>								
<b>Due less than one year</b>	<b>57,662</b>	<b>1,009</b>	<b>44,667</b>	-	16 <sup>1</sup>	15	1	<b>103,370</b>
<b>Between one and two years</b>	-	-	-	4,845	-	-	-	<b>4,845</b>
<b>Total</b>	<b>57,662</b>	<b>1,009</b>	<b>44,667</b>	<b>4,845</b>	<b>16</b>	<b>15</b>	<b>1</b>	<b>108,215</b>
<b>At 31 December 2009</b>								
Due less than one year	11,688	1,328	35,999	-	-	7	1	49,023
Between one and two years	54,723	958	-	-	-	-	-	55,681
Total	66,411	2,286	35,999	-	-	7	1	104,704
Allocated to disposal group	-	-	(258)	-	-	(4)	-	(262)
Total 2009	66,411	2,286	35,741	-	-	3	1	104,442

<sup>1</sup> Trading derivatives are included at their fair value because the contractual cashflows are not essential for an understanding of the timing of cashflows.

# Notes to the Group Financial Statements

## 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 commitment divided by total capital. Net commitment is calculated as the sum of total borrowings and contingent consideration on acquisitions less cash and cash equivalents. Total capital is calculated as the market value of ordinary shares in issue plus net debt.

At year end, the gearing ratio was 9% (2009: 31%). The decrease in the gearing ratio of 22% is primarily a result of the share placing during the year.

The Group's bank facilities require the Group to maintain its consolidated EBITDA/net commitment (excluding share of joint ventures) at no lower than 2.5 times for twelve-month periods ending 30 June and 31 December. 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. Group monitors compliance with financial covenants on a quarterly basis and the consolidated net debt position is reviewed regularly by the Board. At the balance sheet date the Group is in compliance with the financial covenants.

## Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires the disclosure of fair value measurements by valuation method of the following fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Group Financial Statements

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010 and 31 December 2009.

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<b>Assets</b>				
<b>31 December 2010</b>				
Available-for-sale financial assets	-	-	116	116
<b>31 December 2009</b>				
Available-for-sale financial assets	-	-	113	113
<b>Liabilities</b>				
<b>31 December 2010</b>				
Financial derivative liability	-	16	-	-
<b>31 December 2009</b>				
Financial derivative liability	-	-	-	-

The available-for-sale financial instrument relates to unquoted shares held by the Group. Movement in available-for-sale is due to foreign exchange movement during the year. The financial derivative liability relates to a forward foreign exchange contract outstanding at the year end (note 27). There have been no transfers from Level 3 in 2010 (2009: no transfers in either direction). The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

## 4. Critical accounting estimates and judgements

Estimates and judgements 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.

### (a) 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 28 to the financial statements.

# Notes to the Group Financial Statements

If the discount rate used in the calculation of the obligation increased by 1%, then the defined benefit obligation would decrease by €1,346,000 at 31 December 2010. If the discount rate decreased by 1% then the obligation at 31 December 2010 would have increased by €1,854,000. If inflation rates increased by 1% then the defined obligation would have increased by €1,480,000 and a 1% decrease in inflation rates would have decreased the obligation by €1,116,000.

## (b) Goodwill impairment

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of groups of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 18).

If the revised estimated long term growth rates for all businesses were lowered by 1% from management's estimate at 31 December 2010, the Group would not have recognised impairment against goodwill. If the discount rate used increased by 1% an impairment charge of €nil would have been recorded at 31 December 2010. 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 2011-2014 reduced by 3%, then an impairment charge of €nil would have been recorded at 31 December 2010.

## (c) Non goodwill intangible assets

The estimated useful lives of intangibles are determined at acquisition date and reviewed at each balance sheet date. The estimated useful lives currently range from 6 to 15 years. Intangibles are tested for impairment if impairment indicators are identified. In 2010 the amortisation charge was €8,129,000 (2009: €5,076,000), inclusive of €17,000 allocated to discontinued operations (2009: €15,000). If the amortisation period was shortened by 1 year for all categories of intangibles, other than goodwill, in 2010 it would have resulted in an additional amortisation charge of €3,780,000.

## (d) Provisions

The financial statements include provisions to cover certain legal and other claims brought against some subsidiaries of the Group. The provisions recorded represent management's best estimate of the exposures based on information available at the time of the approval of the accounts. These estimates will, by definition, differ from the related actual outcome.

Management also exercise judgment in determining the revenue and expenses disclosed as exceptional items. Note 7 of the financial statements include a table outlining details of the items classified as exceptional for the current year.

# Notes to the Group Financial Statements

## 5. Business combinations

### *James Hay acquisition*

On 10 March 2010, the Group acquired 100% of the issued shares in James Hay, a leading UK SIPP provider. This acquisition has increased the Group's market share in the UK SIPP market and will reduce costs through economies of scale. James Hay now forms part of the UK segment.

The purchase consideration of £38,900,000 (approximately €42,682,000) was paid in cash. There is no contingent consideration payable as part of the purchase agreement. Acquisition related costs of €1,541,000 have been recognised in the Consolidated Income Statement. €1,215,000 has been expensed in 2009 as the costs were incurred in 2009 with the balance of €326,000 recognised in 2010. Both amounts have been classified as "Other expenses".

The accounting for this business combination is now complete. The table below summarises the consideration paid and the amounts of net assets acquired and liabilities assumed recognised at the acquisition date:

### Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair Value €'000
Plant & equipment	1,245
Computer software (included in intangibles)	2,930
Trade and other receivables	3,325
Payables	(15,445)
Provisions	(1,728)
Borrowings	(10,972)
Cash	28,455
Other intangibles on acquisition (including customer relationships and brand)	27,998
Deferred tax liabilities	(7,127)
Total identifiable net assets acquired	28,681
Goodwill on acquisition	14,001
	<b>42,682</b>
<b>Satisfied by:</b>	
Cash payments	42,682
Cash acquired	(28,455)
	14,227
Acquisition related costs	1,541
Net cash outflow for acquisition	<b>15,768</b>

Management estimates that the carrying value of plant & equipment, computer software, receivables and payables acquired approximate fair value and no adjustment was required upon completion of the accounting for the business combination. The contractual value of the receivables acquired was €3,505,000 excluding a provision for impairment of €180,000.

# Notes to the Group Financial Statements

A provision of €1,761,000 has been recognised in accordance with IFRS 3 in relation to contractual obligations arising from transactions entered into by James Hay prior to its acquisition by the Group. The movement on the provision between the date of acquisition and the balance sheet date relates to the unwinding of the discount on these liabilities.

The goodwill acquired is attributable to the increased economies of scale and synergies the acquired business is expected to contribute to the Group and the dominant position of James Hay in the UK SIPP market.

The acquired business contributed revenue of €29,371,000 and loss before tax of €2,694,000 (including exceptional costs and the salaries of employees laid off of €9,062,000) for the period since the acquisition. If the acquisition had occurred on 1 January 2010, Group revenue would have been €127,199,000 and the profit before tax would have been €2,307,000.

During 2010, an amortisation charge of €2,647,000 has been recorded in the Consolidated Income Statement since the date of acquisition in relation to intangibles acquired.

## *Prior year acquisitions*

In 2008, the Group acquired 100% of Pensco Limited, an Irish legal entity. Initial consideration was satisfied in cash and contingent consideration was payable by reference to growth in future revenue and profits. The targets for this growth have not been achieved and no contingent consideration is payable. An adjustment of €370,000 has been made to goodwill and contingent consideration.

## 6. Segmental information

In line with the requirements of IFRS 8, “Operating Segments”, the Group has identified its Chief Operating Decision Maker (CODM). The Group has identified the Chief Executive Officer (CEO) of the company as its CODM. The CEO reviews the Group’s internal reporting in order to assess the performance of the Group and allocates resources. The operating segments have been identified based on these reports.

The CEO considers the business from a largely geographic perspective based on 3 reporting segments: UK, International and Ireland. Each segment is managed by an Executive Director who reports to the CEO and the Board of Directors.

The CEO assesses the performance of the segments based on a measure of adjusted earnings. He reviews working capital and overall balance sheet performance on a Group wide basis.

The Group earns its revenues in these segments from two sources:

- fees from the provision of services including Trustee & Corporate Services and Pensions Administration Services (formerly referred to as “Pensioner Trustee Services”) and
- commissions earned in the intermediation of financial services products (“Financial Services”).

Goodwill is allocated by management to cash-generating units on a reporting segment level. There has been no change to the allocation of goodwill relating to prior period combinations.

Comparatives have been restated to reflect the impact of the change in accounting policies as outlined in note 2.

# Notes to the Group Financial Statements

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2010 is as follows:

	International €'000	UK €'000	Ireland €'000	Total €'000
<b>Revenue</b>	<b>38,799</b>	<b>66,313</b>	<b>15,530</b>	<b>120,642</b>
<b>Adjusted operating profit</b>	<b>11,009</b>	<b>14,775</b>	<b>(1,397)</b>	<b>24,387</b>
Share based payment charges				(1,562)
Amortisation of intangibles				(8,112)
Exceptional costs				(6,991)
Salaries of employees laid off				(3,291)
<b>Operating profit</b>				<b>4,431</b>
<b>Finance income</b>				<b>605</b>
<b>Finance costs</b>				<b>(1,865)</b>
<b>Share of loss of associate and joint venture</b>				<b>(51)</b>
<b>Profit before income tax</b>				<b>3,120</b>
<b>Income tax credit</b>				<b>1,890</b>
				<b>5,010</b>
<b>Loss for the year from discontinued operations (net of income tax)</b>				<b>(694)</b>
<b>Profit for the year</b>				<b>4,316</b>

The 2009 comparatives are as follows:

	International €'000	UK €'000	Ireland €'000	Total €'000
<b>Revenue</b>	<b>39,826</b>	<b>34,602</b>	<b>18,859</b>	<b>93,287</b>
<b>Adjusted operating profit</b>	<b>12,152</b>	<b>5,218</b>	<b>593</b>	<b>17,963</b>
Share based payment charges				(1,511)
Amortisation of intangibles				(5,061)
Exceptional costs				(2,370)
<b>Operating profit</b>				<b>9,021</b>
<b>Finance income</b>				<b>713</b>
<b>Finance costs</b>				<b>(2,229)</b>
<b>Share of loss of associate</b>				<b>(79)</b>
<b>Profit before income tax</b>				<b>7,426</b>
<b>Income tax expense</b>				<b>(1,131)</b>
				<b>6,295</b>
<b>Loss for the year from discontinued operations (net of income tax)</b>				<b>(1,102)</b>
<b>Profit for the year</b>				<b>5,193</b>

# Notes to the Group Financial Statements

## Breakdown of revenue by country of operation is as follows:

The home country of IFG Group plc is Ireland. The Group's revenues are derived from the following countries:

	2010 €'000	2009 €'000
Ireland	16,296	20,140
United Kingdom	66,483	34,574
Isle of Man	17,849	17,522
Jersey	9,344	9,278
Cyprus	5,731	6,489
Other	4,939	5,284
<b>Total</b>	<b>120,642</b>	<b>93,287</b>

Revenue in the table above has been allocated based on the country where the customer is located.

## Analysis of revenue by category:

	2010 €'000	2009 €'000
Trustee & Corporate Services and Pension Administration Services	77,080	48,955
Financial Services	43,562	44,332
<b>Total</b>	<b>120,642</b>	<b>93,287</b>

During the year there were no revenues derived from a single customer that represent 10% or more of total revenues.

The total non-current assets at year end split by geographic region for the year then ended are as follows:

	2010 €'000	2009 €'000
Ireland	14,924	17,485
United Kingdom	76,622	31,933
Isle of Man	3,355	4,646
Jersey	19,645	19,059
Cyprus	18,914	19,280
Other	5,384	2,504
<b>Total</b>	<b>139,044</b>	<b>94,907</b>

The non-current assets exclude financial instruments and deferred tax assets. The Group has no rights arising under insurance contracts.

# Notes to the Group Financial Statements

## 7. Exceptional items and salaries of employees laid off

### Exceptional items

The table below highlights the exceptional items for the year:

	2010	2009
	€'000	Restated €'000
Acquisition related costs	(326)	(1,215)
Redundancy costs	(3,315)	(1,155)
Integration costs	(2,503)	-
Other	(847)	-
<b>Total</b>	<b>(6,991)</b>	<b>(2,370)</b>

### *James Hay related exceptional items*

IFRS 3 Revised "Business combinations" requires acquisition related costs to be expensed. In 2009 costs related to the James Hay acquisition which was completed in March 2010, were capitalised under the Group's accounting policy applicable to that year (disclosed in prepayments). Following the adoption of IFRS 3 Revised "Business combinations" effective 1 January 2010, the Group has written off those costs of €1,215,000 to the Consolidated Income Statement by way of a prior period adjustment resulting in the restatement of the comparatives for the year ended 31 December 2009. Additional acquisition related costs of €326,000 relating to the acquisition were incurred and recorded in the Consolidated Income Statement for the year ended 31 December 2010.

A redundancy programme has been implemented in James Hay post acquisition with the resultant reductions in employee numbers from 520 to 348.

James Hay integration costs amounted to €2,503,000 which consists of costs associated with the migration of Information Technology systems, sales, accounting and human resources.

The above items have been separately identified as exceptional given the scale of the James Hay acquisition relative to the size of IFG Group and management's assessment that the above costs are non-recurring and of such size that their separate disclosure is relevant to an understanding of the performance of the Group for the year.

### *Other exceptional items*

In the current year management decided not to avail of an option to acquire an interest in a company based in Cyprus and as a result the non refundable deposit of €500,000 made in respect of that acquisition has been written off in the current year. The option could only be exercised in January 2011 or it would lapse.

The Financial Services Compensation Scheme (FSCS) in the UK levied the industry in 2010 to cover the cost of investment failures in certain firms. In keeping with this practice the UK entities, regulated by the FSA, were imposed with an additional levy of €347,000 over and above the amount charged in prior periods.

### Salaries of employees laid off

Salary costs associated with the employees who were made redundant following the James Hay acquisition amounted to €3,291,000. These costs were incurred in the period from date of acquisition to date of redundancy or 31 December 2010 (whichever earlier) and are disclosed to provide further information about the performance of the Group for the year.

# Notes to the Group Financial Statements

## 8. Discontinued operations

In June 2009 the Directors approved the plan to sell the trade of a subsidiary, Title Underwriting Ireland Limited (TUIL) which formed part of the Ireland reporting segment. The business of the subsidiary was sold on 31 December 2010 as part of a plan to focus on the core businesses within the Ireland segment and across the Group. Management has classified TUIL as discontinued as;

- its revenue and a majority of its operating expenses are clearly distinguishable for financial reporting purposes from the rest of the Group's activities;
- following the sale of its business, the subsidiary has been disposed of by way of closure with staff made redundant or reassigned and fixed assets written off; and
- the closure of TUIL is part of management's plan to exit the non-core businesses within the Ireland segment.

As the net assets of TUIL are not going to be recovered principally by way of sale they do not meet the definition of "Assets Held For Sale".

The results of this subsidiary are presented in the financial statements as discontinued operations.

Financial information relating to this discontinued operation is set out below. The Consolidated Income Statement distinguishes discontinued operations from continuing operations.

<b>Income Statement</b>	<b>2010 €'000</b>	<b>2009 €'000</b>
Revenue	700	1,063
Cost of sales	(1,423)	(2,047)
<b>Gross loss</b>	<b>(723)</b>	<b>(984)</b>
Administrative expenses	(48)	(115)
<b>Operating loss</b>	<b>(771)</b>	<b>(1,099)</b>
Finance costs	(1)	(3)
<b>Loss before income tax</b>	<b>(772)</b>	<b>(1,102)</b>
Income tax credit	78	-
<b>Loss after income tax</b>	<b>(694)</b>	<b>(1,102)</b>
<b>Total cashflows</b>	<b>2010 €'000</b>	<b>2009 €'000</b>
Operating cash flows	(476)	(843)
Investing cash flows	(7)	-
Financing cash flows	(4)	(4)
	<b>(487)</b>	<b>(847)</b>

# Notes to the Group Financial Statements

## 9. Expenses by nature

	2010 €'000	2009 Restated €'000
Depreciation and amortisation	10,131	6,714
Acquisition related costs	326	1,215
Integration costs	2,503	-
Redundancy costs	3,315	1,155
Employee benefit expense	69,229	52,582
Advertising costs	1,226	869
Operating lease rentals	4,013	3,342
Professional Fees	3,289	2,928
Software support	2,396	2,211
Commissions	4,615	4,033
Foreign exchange gain	(539)	(277)
Other expenses	17,833	11,656
<b>Total</b>	<b>118,337</b>	<b>86,428</b>
Relating to discontinued operations	(1,471)	(2,162)
<b>Total relating to continuing operations</b>	<b>116,866</b>	<b>84,266</b>

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

## 10. Directors' remuneration

	2010 €'000	2009 €'000
<b>Emoluments:</b>		
For services as a director	283	259
For other services	2,226	2,859
	<b>2,509</b>	<b>3,118</b>

The amounts above do not include charges in respect of the share based compensation payments of €947,000 (2009: €1,197,000).

# Notes to the Group Financial Statements

## 11. Employee benefit expense

The average number of persons employed by the Group during the year was 1,173 (2009: 763). The actual number of persons employed by the Group as at 31 December 2010 was 1,089 (2009: 737).

The average number of persons employed by the Group (including Non-Executive Directors) during the year, analysed by category, was as follows:

	2010	2009
International	326	331
UK	697	256
Ireland	137	163
Head office	13	13
	<b>1,173</b>	<b>763</b>

The aggregate remuneration costs of these employees can be analysed as follows:

	2010 €'000	2009 €'000
Wages and salaries	60,728	44,681
Social welfare costs	4,059	3,414
Redundancy costs	3,315	1,155
Pension costs - defined contribution plans	2,915	2,826
Pension costs - defined benefit plan	317	134
Share based payment compensation - share options	334	277
Share based payment compensation - LTIP	1,250	1,250
	<b>72,918</b>	<b>53,737</b>

## 12. Finance income and costs

	2010 €'000	2009 €'000
Interest expense - bank borrowings	(1,275)	(1,731)
Interest expense - senior unsecured notes	-	(2)
Unwinding of discount	(586)	(491)
Finance lease interest	(5)	(8)
Total finance costs	<b>(1,866)</b>	<b>(2,232)</b>
Relating to discontinued operations	<b>1</b>	<b>3</b>
Finance cost allocated to continuing operations	<b>(1,865)</b>	<b>(2,229)</b>
<b>Finance income</b>		
Interest income on short-term bank deposits	<b>605</b>	<b>713</b>
<b>Net finance costs</b>	<b>(1,260)</b>	<b>(1,516)</b>

# Notes to the Group Financial Statements

## 13. Operating profit

	2010 €'000	2009 €'000
The following items have been charged in operating profit:		
Depreciation	1,966	1,638
Amortisation of intangible assets	8,112	5,076
Operating lease rentals	4,013	3,342
Net foreign exchange gain	(539)	(277)
Employee costs (note 11)	72,918	53,737

During the year the Group obtained the following services from the Group's auditors (PricewaterhouseCoopers in Ireland):

	2010 €'000	2009 €'000
<b>Auditors' remuneration - Group</b>		
Statutory audit of group accounts	293	221
Other assurance services	67	60
Tax advisory services	162	123
Other non-audit services	341	67
<b>Total remuneration</b>	<b>863</b>	<b>471</b>

# Notes to the Group Financial Statements

## 14. Income tax (credit)/expense

	2010 Before exceptional €'000	2010 Exceptional €'000	2010 Total €'000	2009 Total €'000
<b>Current tax</b>				
Irish (at 12.5%):				
- current year	636	-	636	-
- prior year	(125)	-	(125)	30
UK and other (primarily at 28%):				
- current year	2,091	(1,768)	323	1,699
- prior year	(612)	-	(612)	(324)
	1,990	(1,768)	222	1,405
<b>Deferred tax</b>				
Irish:				
- current year	(283)	-	(283)	33
UK and other:				
- current year	(1,829)	-	(1,829)	(307)
	(2,112)	-	(2,112)	(274)
<b>Income tax (credit)/expense</b>	<b>(122)</b>	<b>(1,768)</b>	<b>(1,890)</b>	<b>1,131</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:

	2010 €'000	2009 Restated €'000
Profit before income tax	3,120	7,426
Tax calculated at domestic tax rates applicable to profits in the respective countries	(2,438)	837
Adjustment in respect of prior years	(737)	(294)
Impact of double taxation on intergroup dividends	142	-
Impact of change in UK tax rate on deferred tax	(177)	-
Tax losses forward on which deferred tax asset not recognised	1,147	-
Utilisation of previously unrecognised tax losses	(47)	(176)
Others including expenses not deductible for tax purposes	220	764
<b>Income tax (credit)/expense</b>	<b>(1,890)</b>	<b>1,131</b>

The weighted average applicable tax rate for the year was (78%) (2009:11%). The negative tax rate is due to the fact that the Group have incurred/generated tax credits in respect of losses in higher tax jurisdictions which exceed the tax charges on profits earned in lower tax jurisdictions. The losses incurred are primarily due to exceptional and other costs related to the James Hay acquisition in the UK and other tax deductions in the UK.

# Notes to the Group Financial Statements

## 15. Earnings per ordinary share

	2010	2009 Restated
<b>Basic</b>		
Profit after income tax and non-controlling interest (€'000)	5,409	5,375
Weighted average number of ordinary shares in issue for the calculation of earnings per share	114,946,189	74,824,467
Basic earnings per share (cent)	4.71	7.18
<b>Diluted</b>		
Profit after income tax and non-controlling interest (€'000)	5,409	5,375
Weighted average number of ordinary shares in issue for the calculation of earnings per share	114,946,189	74,824,467
Dilutive effect of share options	378,460	36,571
Dilutive effect of long term incentive plan	1,250,000	1,645,832
Weighted average number of ordinary shares for the calculation of diluted earnings per share	116,574,649	76,506,870
Diluted earnings per share (cent)	4.64	7.03

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

At 31 December 2010, shares earned by participants under the LTIP, approved by the shareholders on 28 September 2006 but not yet issued amount to 1,250,000 shares (31 December 2009: 1,645,832 shares).

## 16. Dividends

Dividends paid and approved during 2010 were €3,887,000 (2009: €1,770,000) amounting to 3.63 (2009: 3.63) cent per share. A final dividend in respect of 2010 of 2.65 cent per share is to be proposed at the annual general meeting on 29 June 2011. These financial statements do not reflect this dividend payable. The 2010 interim dividend of 1.35 was paid on 27 January 2011.

# Notes to the Group Financial Statements

## 17. Property, plant & equipment

	Buildings & leasehold improvements €'000	Computer equipment €'000	Fixtures & fittings €'000	Motor vehicles €'000	Total €'000
<b>Cost</b>					
At 31 December 2008	2,801	4,699	3,716	240	<b>11,456</b>
Additions	1,067	559	291	36	<b>1,953</b>
Disposals	-	-	(80)	-	<b>(80)</b>
Transferred to disposal group	-	-	(734)	-	<b>(734)</b>
Exchange adjustment	96	221	125	2	<b>444</b>
At 31 December 2009	3,964	5,479	3,318	278	<b>13,039</b>
Additions	279	1,924	210	98	<b>2,511</b>
Disposals	(10)	(311)	(178)	-	<b>(499)</b>
Business combinations	612	676	(43)	-	<b>1,245</b>
Exchange adjustment	331	250	53	1	<b>635</b>
<b>At 31 December 2010</b>	<b>5,176</b>	<b>8,018</b>	<b>3,360</b>	<b>377</b>	<b>16,931</b>
<b>Accumulated depreciation</b>					
At 31 December 2008	(645)	(3,381)	(2,771)	(152)	<b>(6,949)</b>
Charge for year	(193)	(1,295)	(97)	(53)	<b>(1,638)</b>
Disposals	-	-	72	-	<b>72</b>
Transferred to disposal group	-	-	705	-	<b>705</b>
Exchange adjustment	(28)	(150)	(73)	(1)	<b>(252)</b>
At 31 December 2009	(866)	(4,826)	(2,164)	(206)	<b>(8,062)</b>
Charge for year	(639)	(1,160)	(193)	(10)	<b>(2,002)</b>
Disposals	8	310	178	-	<b>496</b>
Exchange adjustment	(134)	(238)	(109)	(9)	<b>(490)</b>
<b>At 31 December 2010</b>	<b>(1,631)</b>	<b>(5,914)</b>	<b>(2,288)</b>	<b>(225)</b>	<b>(10,058)</b>
<b>Net book amounts</b>					
At 31 December 2009	3,098	653	1,154	72	4,977
<b>At 31 December 2010</b>					
- cost	<b>5,176</b>	<b>8,018</b>	<b>3,360</b>	<b>377</b>	<b>16,931</b>
- accumulated depreciation	<b>(1,631)</b>	<b>(5,914)</b>	<b>(2,288)</b>	<b>(225)</b>	<b>(10,058)</b>
	<b>3,545</b>	<b>2,104</b>	<b>1,072</b>	<b>152</b>	<b>6,873</b>

# Notes to the Group Financial Statements

The depreciation charge for the year of €2,002,000 (2009: €1,638,000) is included in the Consolidated Income Statement with €1,966,000 included in Cost of Sales and €36,000 included in discontinued operations.

## Capital commitments

At 31 December 2010 amounts authorised by the Directors, but not contracted for, were €nil (2009: €nil). Capital commitments contracted for were €50,000 (2009: €21,000).

## Finance Leases

As at 31 December 2010, the capitalised cost of assets held under finance lease was €1,196,000 (2009: €1,148,000) and consists primarily of office equipment. The net book value of these assets was €nil (2009: €20,000).

## 18. Intangible assets

	Goodwill	Customer relationship and brands <sup>1</sup>	Computer software	Total
	€'000	€'000	€'000	€'000
<b>Year ended 31 December 2010</b>				
Opening net book amount	56,367	28,795	4,768	89,930
Business combinations	13,631	27,998	2,930	44,559
Additions	-	475	514	989
Disposals	-	(538)	(44)	(582)
Internal development additions	-	-	253	253
Amortisation charge	-	(5,587)	(2,542)	(8,129)
Reclassification from disposal group	-	-	17	17
Exchange adjustment	2,321	2,576	237	5,134
<b>Closing net book amount 2010</b>	<b>72,319</b>	<b>53,719</b>	<b>6,133</b>	<b>132,171</b>
<b>At 31 December 2010</b>				
<b>Cost</b>	<b>84,312</b>	<b>68,641</b>	<b>10,568</b>	<b>163,521</b>
<b>Accumulated amortisation</b>	<b>(11,993)</b>	<b>(14,922)</b>	<b>(4,435)</b>	<b>(31,350)</b>
<b>Net book amount</b>	<b>72,319</b>	<b>53,719</b>	<b>6,133</b>	<b>132,171</b>
<b>Year ended 31 December 2009</b>				
Opening net book amount	59,112	31,741	4,846	95,699
Business combinations	(4,814)	-	-	(4,814)
Additions	-	100	190	290
Internal development additions	-	-	686	686
Reclassification	(302)	302	-	-
Amortisation charge	-	(4,091)	(985)	(5,076)
Transferred to disposal group	-	-	(17)	(17)
Exchange adjustment	2,371	743	48	3,162
<b>Closing net book amount 2009</b>	<b>56,367</b>	<b>28,795</b>	<b>4,768</b>	<b>89,930</b>
<b>At 31 December 2009</b>				
<b>Cost</b>	<b>68,360</b>	<b>38,130</b>	<b>6,661</b>	<b>113,151</b>
<b>Accumulated amortisation</b>	<b>(11,993)</b>	<b>(9,335)</b>	<b>(1,893)</b>	<b>(23,221)</b>
<b>Net book amount</b>	<b>56,367</b>	<b>28,795</b>	<b>4,768</b>	<b>89,930</b>

# Notes to the Group Financial Statements

<sup>1</sup> includes the cost of intangibles that were identified and valued as part of the purchase price allocation that resulted from business combinations. These intangibles are primarily customer relationships acquired as part of recent business combinations of the Group. Useful lives range from 7 to 15 years. Management estimates that the James Hay brand and customer relationship intangibles acquired during the year (net book value of €26,299,000) have approximately 14 years and 2 months left in their useful lives as of 31 December 2010.

Computer software is amortised over 3 to 6 years.

The amortisation charge of €8,129,000 (2009: €5,076,000) is included in the Consolidated Income Statement. The continuing operations charge of €8,112,000 (2009: €5,060,000) is included in Cost of Sales with the remaining charge of €17,000 (2009: €15,000) included in discontinued operations.

Goodwill as allocated to segments - group of cash generating units	At 31 December	At 31 December
	2010	2009
	€'000	€'000
International	21,301	20,555
United Kingdom	42,070	26,505
Ireland	8,948	9,307
<b>Total Goodwill</b>	<b>72,319</b>	<b>56,367</b>

## Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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 pre-tax cash flows of the group of 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. Cash flows beyond the five-year period are extrapolated using the estimated growth rates as stated below. Forecasts are generally based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business.

Growth rates:

	2010	2009
International	2.0%	2.0%
UK	2.0%	2.0%
Ireland	1.0%	1.0%

Net present value of cash flows is achieved by applying a discount rate of the Group pre-tax weighted average cost of capital (WACC) of 8.4% (2009: 9.3%). In the current year the Group has included a risk factor of 1.5% on the Group WACC in order to arrive at the discount rate to be used for Ireland.

Management determined budgeted growth rates and gross margin based on its expectations of market development and past performance.

# Notes to the Group Financial Statements

## 19. Investments in associates and joint ventures

	2010 €'000	2009 €'000
Investment in associate and joint venture	100	79
Share of loss for the year	(51)	(79)
	49	-

In 2010, the Group acquired a 50% interest in IFG McGivern Flynn Teoranta for €100,000, an Irish entity trading as 'Insure4less'. In addition, it also sold an insurance renewal book to IFG McGivern Flynn Teoranta for €475,000 which is outstanding at year end. The current portion of this balance is classified within "Trade and other receivables". The portion greater than one year is classified in "Other non-current assets".

The Group's investments in associates comprise shareholdings in Rayband Limited (shareholding 35% (2009: 35%)).

The Group has not recognised losses of €6,000 (2009:€30,000) for Rayband Limited as the carrying value of its investment in the associate is nil.

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	Profit/(loss) €'000	Share of profit/ (loss) recognised by IFG €'000
2010	2,007	(885)	86	(57)	(51)
2009	1,033	(1,055)	272	1	(79)

There were no capital commitments or contingencies for 2010 associated with IFG McGivern Flynn Teoranta.

## 20. 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.

	2010 €'000	2009 €'000
Deferred tax asset	-	1,003
Deferred tax liability not subject to offset	(8,795)	(4,393)
	(8,795)	(3,390)
The gross movement on the deferred income tax account is as follows:		
Beginning of year	(3,390)	(3,677)
Exchange movement	(390)	33
Business combination	(7,127)	-
Income statement credit	2,112	274
Reclassification to disposal group	-	(20)
End of year	(8,795)	(3,390)

# Notes to the Group 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 capital allowances €'000	Past business review €'000	Intangibles assets €'000	Tax losses €'000	Other temporary differences €'000	Total €'000
Deferred tax assets at 1 January 2009	161	263	-	510	381	1,315
Deferred tax liability at 1 January 2009	-	-	(4,992)	-	-	(4,992)
Net deferred tax balance at 1 January 2009	161	263	(4,992)	510	381	(3,677)
At 1 January 2009	161	263	(4,992)	510	381	(3,677)
Exchange movement	3	15	-	15	-	33
(Charge)/credit to income statement	(25)	(103)	599	(143)	(54)	274
Reclassification to disposal group	(20)	-	-	-	-	(20)
Net deferred tax balance at 31 December 2009	119	175	(4,393)	382	327	(3,390)
Deferred tax assets at 31 December 2009	119	175	-	382	327	1,003
Deferred tax liabilities at 31 December 2009	-	-	(4,393)	-	-	(4,393)
Net deferred tax balance at December 2009	119	175	(4,393)	382	327	(3,390)
At 1 January 2010	119	175	(4,393)	382	327	(3,390)
Exchange movement	18	4	(465)	5	48	(390)
Business combination	252	-	(7,839)	-	460	(7,127)
Credit/(charged) to income statement	99	(21)	1,277	227	530	2,112
<b>Net deferred tax balances at 31 December 2010</b>	<b>488</b>	<b>158</b>	<b>(11,420)</b>	<b>614</b>	<b>1,365</b>	<b>(8,795)</b>
<b>Deferred tax assets at 31 December 2010</b>	<b>488</b>	<b>158</b>	<b>-</b>	<b>614</b>	<b>1,365</b>	<b>2,625</b>
<b>Deferred tax liabilities at 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>(11,420)</b>	<b>-</b>	<b>-</b>	<b>(11,420)</b>
<b>Net deferred tax balances at 31 December 2010</b>	<b>488</b>	<b>158</b>	<b>(11,420)</b>	<b>614</b>	<b>1,365</b>	<b>(8,795)</b>

Deferred tax assets of €2,085,000 (2009: €1,022,000) in respect of tax losses of €9,457,000 (2009: €5,498,000) have not been recognised. 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 Group Financial Statements

## 21. Financial instruments by category

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

	Held to maturity	Loans and receivables	Available-for-sale financial assets	Total
	€'000	€'000	€'000	€'000
<b>31 December 2010</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	116	<b>116</b>
Other non-current assets	-	1,645	-	<b>1,645</b>
Trade & other receivables	-	39,381	-	<b>39,381</b>
Loans to associates and joint venture	-	1,725	-	<b>1,725</b>
Cash & cash equivalents	-	42,879	-	<b>42,879</b>
<b>Total</b>	<b>-</b>	<b>85,630</b>	<b>116</b>	<b>85,746</b>

	Held to maturity	Loans and receivables	Available-for-sale financial assets	Total
	€'000	€'000	€'000	€'000
<b>31 December 2009</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	113	<b>113</b>
Other non-current assets	-	2,360	-	<b>2,360</b>
Trade & other receivables	-	35,315	-	<b>35,315</b>
Loans to associates	-	1,291	-	<b>1,291</b>
Restricted cash	6,662	-	-	<b>6,662</b>
Cash & cash equivalents	-	22,310	-	<b>22,310</b>
<b>Total</b>	<b>6,662</b>	<b>61,276</b>	<b>113</b>	<b>68,051</b>

	Other financial liabilities
	€'000
<b>31 December 2010</b>	
<b>Liabilities as per balance sheet</b>	
Borrowings	<b>57,677</b>
Derivative financial instrument	<b>16</b>
Trade & other payables	<b>6,179</b>
Accruals & deferred income	<b>35,954</b>
<b>Total</b>	<b>99,826</b>

	Other financial liabilities
	€'000
<b>31 December 2009</b>	
<b>Liabilities as per balance sheet</b>	
Borrowings	<b>66,414</b>
Trade & other payables	<b>4,486</b>
Accruals & deferred income	<b>28,769</b>
<b>Total</b>	<b>99,669</b>

See note 24 for commentary on the credit quality of trade and other receivables and note 23 for the credit quality of other non-current assets.

# Notes to the Group Financial Statements

## 22. Available-for-sale financial assets

	Unquoted investments 2010 €'000	Unquoted investments 2009 €'000
At 1 January	113	105
Exchange differences	3	8
At 31 December	116	113

Fair value of unquoted investments is based on the net assets of underlying investments and the assets are denominated in sterling. The maximum exposure at the reporting date is the carrying value of securities classified as available-for-sale. None of the financial assets are impaired.

## 23. Other non-current assets

	2010 €'000	2009 €'000
Other loans	1,287	1,343
Loan and receivables due from associates and joint ventures	258	417
Other assets	100	600
At 31 December	1,645	2,360

Loans are recorded at cost and are repayable at dates between 2012 - 2014.

Included in the balance above are amounts of €1,287,000 (2009: €1,343,000) which are denominated in USD.

The classes above do not contain impaired assets. Maximum exposure to credit risk in respect of the above assets is their carrying value.

## 24. Trade and other receivables

	2010 €'000	2009 Restated €'000
Trade receivables and other receivables	42,845	37,979
Less provision for impairment	(3,464)	(2,664)
Trade receivables and other receivables - net	39,381	35,315
Prepayments	3,649	2,889
Receivables from joint ventures	422	-
Loans to associates	1,303	1,291
Value added tax	158	-
	44,913	39,495

The Consolidated Income Statement charge in respect of the provision for impairment of trade receivables was €1,147,000 (2009: €656,000).

# Notes to the Group Financial Statements

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 2010, trade receivables of €25,492,000 (2009: €18,715,000) were fully performing. There is no history of default with any of these clients.

Trade receivables that are less than three months past due have been reviewed and are not considered impaired. As of 31 December 2010, trade receivables of €7,849,000 (2009: €9,031,000) 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:

	2010 €'000	2009 €'000
Less than 3 months	6,911	7,715
3 to 6 months	938	1,316
	<b>7,849</b>	<b>9,031</b>

As of 31 December 2010, trade receivables of €9,504,000 (2009: €10,233,000) were more than three months past due and were impaired. The amount of the provision was €3,464,000 (2009: €2,664,000). Management assesses that, at least, the receivable amount net of provision will be recovered. The ageing of these receivables is as follows:

	2010 €'000	2009 €'000
6 months to one year	6,245	8,147
More than one year	3,259	2,086
	<b>9,504</b>	<b>10,233</b>

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

	2010 €'000	2009 €'000
Euro	11,842	12,671
Sterling	29,316	24,244
USD	1,209	417
Other currencies	478	647
	<b>42,845</b>	<b>37,979</b>

# Notes to the Group Financial Statements

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

	2010 €'000	2009 €'000
At 1 January	2,664	2,667
Provision for receivables impairment	1,147	656
Receivables written off during year as uncollectible	(296)	(737)
Unused amounts reversed	(99)	-
Exchange adjustment	48	78
	<b>3,464</b>	<b>2,664</b>

The creation and release of the provision for impaired receivables has been included within cost of sales and administration expenses in the Consolidates 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 carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 25. Cash and cash equivalents

	2010 €'000	2009 €'000
Cash at bank and in hand	31,325	12,913
Short-term bank deposits	11,554	9,562
	<b>42,879</b>	<b>22,475</b>
Total allocated to disposal group	-	(165)
Total cash and cash equivalents	<b>42,879</b>	<b>22,310</b>

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.

### Currency rate profile of cash and cash equivalents

	2010			2009		
	Cash at bank and in hand	Short term deposits	Total	Cash at bank and in hand	Short term deposits	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Euro	1,280	1,340	2,620	4,536	42	4,578
Sterling	27,136	10,214	37,350	6,743	9,520	16,263
US Dollar	2,437	-	2,437	1,422	-	1,422
Swiss Franc	387	-	387	150	-	150
Yen	85	-	85	62	-	62
	<b>31,325</b>	<b>11,554</b>	<b>42,879</b>	<b>12,913</b>	<b>9,562</b>	<b>22,475</b>

The majority of cash balances denominated in Euro belong to a cash pooling arrangement. Floating rate cash earns interest based on relevant national bank deposit rates.

# Notes to the Group Financial Statements

## 26. Borrowings

	2010 €'000	2009 €'000
<b>Non-current</b>		
Bank borrowings	-	54,723
	-	54,723
<b>Current</b>		
Bank overdrafts	20	527
Bank borrowings	57,642	11,161
Leasing finance	15	3
	57,677	11,691
Total borrowings	57,677	66,414
Leasing finance allocated to "liabilities of disposal group classified as held for sale"	-	4
Total borrowings	57,677	66,418

### Bank borrowings

Bank borrowings mature in 2011 and bear average coupons of 2.0% annually (2009: 2.0% 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	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Bank borrowings	-	54,723	-	53,650
	-	54,723	-	53,650

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.0% (2009: 2.0%).

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

	2010 €'000	2009 €'000
Euro	40,240	66,101
Sterling	17,437	317
	57,677	66,418

The Group has the following undrawn committed borrowing facilities available:

	2010 €'000	2009 €'000
Expiring within one year	2,453	-
Expiring between one and two years	-	1,010
	2,453	1,010

# Notes to the Group Financial Statements

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 2010 are denominated in Euro with the exception of £15,000,000 of sterling facilities. In March 2011, the Group agreed a refinancing arrangement. Please refer to note 40 in relation to refinancing.

Group bank advances totalling €55,231,000 (2009: €66,639,000) 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.

Group bank advances totalling €2,936,000 (2009: €2,936,000) are secured on the Group's 35% investment in the share capital of Rayband Limited and a first legal charge over property owned by the Group in the United Kingdom.

## 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:

	2010 €'000	2009 €'000
Within one year	15	8
Between one and two years	-	-
	15	8
Future finance charges on finance leases	-	(1)
Present value of leasing finance	15	7

The present value of finance lease liabilities is as follows:

	2010 €'000	2009 €'000
Within one year	15	7
Between one and two years	-	-
	15	7

## 27. Derivative financial instrument

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were \$7,500,000 (2009: \$nil). The fair value of this contract at year end was €16,000. Gains and losses recognised on forward foreign exchange contracts not designated as hedges as of 31 December 2010 are recognised in the Consolidated Income Statement in "other gains" or "other expenses" as appropriate.

# Notes to the Group Financial Statements

## 28. Retirement benefit obligations

Defined benefit schemes	2010 €'000	2009 Restated €'000	2008 Restated €'000
<b>Balance sheet</b>			
Pension benefit obligation	1,906	1,861	90
<b>Income statement</b>			
Pension benefits (note 11)	317	134	180

The Group operates a defined benefit pension scheme via its subsidiary IFG Management Limited for eligible employees based on employee pensionable remuneration and length of service. 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 2009 and the results have been projected to 31 December 2010 and are available for inspection by the scheme members but are not available for public inspection.

The following information relates to the Group's defined benefit pension scheme. The 2008 comparatives have been disclosed in accordance with the requirements of IAS 1 (Revised).

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

	2010 €'000	2009 Restated €'000	2008 Restated €'000
Present value of funded obligations	6,328	5,183	2,740
Fair value of plan assets	(4,422)	(3,322)	(2,650)
Liability in the balance sheet	1,906	1,861	90

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

	2010 €'000	2009 €'000	2008 €'000
At beginning of the year	5,183	2,740	4,059
Interest cost	316	193	226
Current service cost	217	135	177
Contributions by members	28	28	29
Benefits paid	(69)	(42)	(50)
Actuarial losses/(gains)	493	1,923	(844)
Exchange movement	160	206	(857)
At end of the year	6,328	5,183	2,740

# Notes to the Group Financial Statements

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

	2010 €'000	2009 €'000	2008 €'000
At beginning of the year	3,322	2,650	4,040
Expected return on plan assets	216	175	221
Contributions by employer	700	447	244
Contributions by members	28	28	29
Benefits paid	(69)	(43)	(50)
Actuarial gains/ (losses)	125	(129)	(997)
Exchange movement	100	194	(837)
At end of the year	4,422	3,322	2,650

The amounts recognised in the Consolidated Income Statement are as follows:

	2010 €'000	2009 €'000	2008 €'000
Interest cost	316	174	224
Current service cost	217	135	177
Expected return on plan assets	(216)	(175)	(221)
The total charge has been included in cost of sales in the Consolidated Income Statement	317	134	180

The actual return/(loss) on plan assets was €339,000 (2009: €46,000 and 2008: (€776,000)).

The principal actuarial assumptions used were as follows:

	2010	2009	2008
Discount rate	5.3%	5.8%	6.5%
Expected return on plan assets	5.8%	5.8%	5.8%
Future salary increases	5.0%	5.1%	4.2%
Inflation	3.8%	3.8%	2.7%
Future pension increase	3.6%	3.6%	2.7%

Assumed life expectancy in years, on retirement at 65

Retiring today:

Male	23.8 years	23.7 years	21.5 years
Female	25.9 years	25.8 years	23.5 years

Retiring in 20 years:

Male	25.9 years	25.8 years	23.5 years
Female	27.1 years	27.1 years	26.5 years

Contributions expected to be made to the scheme in 2011 are €417,000.

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.

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income at 31 December 2010 was (€1,911,000) (2009: €141,000).

# Notes to the Group Financial Statements

## History of experience gains and losses:

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
As at 31 December					
Present value of defined benefit obligation	6,329	5,183	2,740	4,059	5,797
Fair value of plan assets	4,423	3,322	2,650	4,040	4,043
Deficit	1,906	1,861	90	19	1,754
Experience adjustments on plan liabilities	181	(33)	49	(121)	(34)
Experience adjustments on plan assets	123	(129)	(997)	301	177

## Defined contribution schemes

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.

## 29. Other non-current liabilities

The non-current liabilities balance represents the non-current element of an amount refundable to a customer of one of the subsidiaries in the International segment.

## 30. Provisions for other liabilities

	Contingent/ deferred consideration €'000	Others €'000	Total €'000
At 31 December 2009	7,200	2,287	9,487
Additions	-	1,199	1,199
Business combinations	(370)	1,728	1,358
Utilisations	(6,991)	(627)	(7,618)
Unwinding of discount	161	33	194
Exchange movement	-	29	29
<b>At 31 December 2010</b>	<b>-</b>	<b>4,649</b>	<b>4,649</b>

Analysis of provisions at 31 December 2010:

	€'000
Current	4,206
Non-current	443
	<b>4,649</b>

### Others

Provision against existing complaints and legal claims across the Group. It also includes provisions for the cost of claims incurred but not yet reported (IBNR) and the provision in relation to past business reviews of business practices at Berkerley Jacobs Financial Services Limited.

# Notes to the Group Financial Statements

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

	2009 €'000	2010 €'000
Trade and other payables	6,179	4,486
Accruals and deferred income	35,954	28,769
PAYE and social welfare	1,443	687
Value added tax	1,090	1,798
Amounts due to associates	1	1
	<b>44,667</b>	<b>35,741</b>

Creditors for taxation and social welfare included above **2,533** 2,485

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

## 32. Share capital and share premium

Authorised	2010 No. of shares	2010 €'000	2009 No. of shares	2009 €'000
Ordinary shares of 12c each	140,187,210	16,822	85,187,210	10,222
"A" ordinary shares of €1.27 each	8,200	10	8,200	10
		<b>16,832</b>		<b>10,232</b>

### Allotted and fully paid up

	No. of shares	Ordinary shares €'000	Share premium €'000
At 1 January 2009	74,244,727	8,909	60,025
Share options exercised during year	145,000	18	127
LTIP shares issued during year	687,501	82	-
Write off of expenses relating to share placement post year end	-	-	(2,484)
At 31 December 2009	75,077,228	9,009	57,668
Issue of new shares	48,715,555	5,846	45,305
Share options exercised during year	200,000	24	195
LTIP shares issued during year	395,832	48	-
Write off of expenses relating to share placement	-	-	(129)
<b>At 31 December 2010</b>	<b>124,388,615</b>	<b>14,927</b>	<b>103,039</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 2010 share options were outstanding over 3,480,682 (2009: 4,077,182) ordinary shares under the Company's Share Option Schemes.

# Notes to the Group Financial Statements

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

	2010 Weighted exercise price in € per share	2010 Options '000	2009 Weighted exercise price in € per share	2009 Options '000
At 1 January	1.46	4,077	1.56	3,538
Granted	1.18	647	1.05	873
Expired	1.49	(1,043)	1.71	(189)
Exercised	1.10	(200)	1.00	(145)
At 31 December	1.42	3,481	1.46	4,077
Options exercisable	1.60	2,296	1.47	2,579

The weighted average share price at the date of exercise for options exercised during the year was €1.23 (2009: €1.19).

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

Number	Exercise Price in cent	Period normally exercisable	
		From	To
75,000	300.00	10.10.2004	09.10.2011
120,000	275.00	17.04.2005	16.04.2012
85,000	190.00	09.07.2005	08.07.2012
390,000	114.00	16.04.2007	15.04.2014
25,000	102.00	13.07.2007	12.07.2014
466,682	99.00	16.04.2008	15.04.2015
205,500	205.00	10.05.2009	09.05.2016
241,000	208.00	12.04.2010	11.04.2017
352,500	197.00	14.04.2011	11.04.2018
335,000	65.00	06.05.2012	05.05.2019
538,000	130.00	07.09.2012	08.09.2019
472,000	115.00	31.08.2013	30.08.2020
175,000	126.00	11.10.2013	10.10.2020

## 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 €1.15 and €1.26 respectively in 2010, (2009: €0.65 and €1.30) at the grant dates, standard deviation of expected share price returns of 50%, (2009: 54%), option life of 5 years (2009: 5 years) disclosed above and annual risk-free rate of 5.8%. 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. The expected dividend yield input assumption for all years was zero. The fair value of share options granted in the year was €0.55 and €0.60 (2009: €0.66 and €0.33).

# Notes to the Group Financial Statements

## 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 outlines the total number of shares earned as of 31 December 2010 which equals 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 2010	Shares earned in year	Shares earned as at 31 December 2010
		€	Number	Number	Number
31.12.2010	28.09.2006	2.10	1,500,000	-	1,500,000
31.12.2010	14.07.2007	2.22	400,000	-	400,000
31.12.2010	20.11.2007	1.52	562,500	-	562,500

The share based payment compensation charge for the year has been disclosed in note 11.

## 33. Other reserves

	Capital conversion reserve €'000	Convertible bond €'000	Equity settled share transactions €'000	Translation reserve €'000	Total €'000
At 1 January 2009	414	338	6,016	(29,503)	(22,735)
Currency translation difference	-	-	-	4,089	4,089
Net investment hedge	-	-	-	(2,639)	(2,639)
Share based payment compensation					
-Value of employee services - LTIP	-	-	1,250	-	1,250
-Value of employee services - share options - continuing	-	-	261	-	261
-Value of employee services - share options - discontinued	-	-	16	-	16
- Shares issued under LTIP	-	-	(82)	-	(82)
At 31 December 2009 - restated	414	338	7,461	(28,053)	(19,840)
Currency translation difference	-	-	-	5,782	5,782
Share based payment compensation					
-Value of employee services - LTIP	-	-	1,250	-	1,250
-Value of employee services - share options - continuing	-	-	312	-	312
-Value of employee services - share options - discontinued	-	-	22	-	22
- Shares issued under LTIP	-	-	(48)	-	(48)
At 31 December 2010	414	338	8,997	(22,271)	(12,522)

# Notes to the Group Financial Statements

Capital conversion reserve arose on the redenomination of the shares from Irish pounds to Euro in Year 2001 and the renominatisation 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 Groups 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.

## 34. Equity non-controlling interests

At 31 December 2010, equity non-controlling interest is represented by non-controlling interests in IFG Investment and Mortgage Services Limited, Mortgage & Assurance Services Limited and FNTC Finance Limited. IFG Investment and Mortgage Services Limited and Mortgage & Assurance Services Limited are both 50% holdings but are consolidated as subsidiaries as the casting vote on the boards of the companies lies with the Group. During 2010, a capital contribution of €200,000 was made to IFG Investment and Mortgage Services Limited. An additional amount was contributed by GE Capital Woodchester Limited of €200,000. This amount has been reflected within the non-controlling interests in the Statement of Changes in Equity.

## 35. Operating lease commitments

The Group leases various properties and equipment under non-cancellable operating lease agreements. The lease expenditure charged to the Consolidated Income Statement during the year is disclosed in note 9. The leases have varying conditions and terms.

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

	2010 €'000	2009 €'000
- within one year	3,487	2,644
- in the second to fifth year	10,482	8,304
- over five years	15,999	19,291
	<b>29,968</b>	<b>30,239</b>

## 36. Commitments and contingencies

Given the nature of the business the Group has a number of claims against it. The Group has procedures in place to assess the veracity of the claims and provision has been made to cover its best estimate of the exposure in respect of these matters.

# Notes to the Group Financial Statements

## 37. Cash generated from operations

	2010 €'000	2009 Restated €'000
<b>Continuing operations</b>		
Profit before income tax	3,120	7,426
Depreciation & amortisation	10,078	6,622
Loss on sale of property, plant and equipment	28	6
Finance costs	1,865	2,229
Finance income	(605)	(713)
Group share of loss of associates & joint ventures	51	79
Foreign exchange gain	(539)	(277)
Non-cash share based payment compensation charges	1,562	1,511
(Increase)/decrease in trade & other receivables	(274)	1,138
Loan & other payments to associates	(47)	(11)
Increase/(decrease) in trade & other payables	2,469	(55)
<b>Cash generated from continuing operations</b>	<b>17,708</b>	<b>17,955</b>
<b>Discontinued operations</b>		
Loss before income tax	(772)	(1,102)
Depreciation & amortisation	53	92
Finance costs	1	3
Non-cash share based payments compensation charges	22	16
Decrease in trade & other receivables	120	249
Loan to associates	(115)	-
Increase/(decrease) in trade & other payables	215	(101)
<b>Cash flow from discontinued operations</b>	<b>(476)</b>	<b>(843)</b>
<b>Cash generated from operations - net</b>	<b>17,232</b>	<b>17,112</b>

## 38. Analysis of net debt

	Opening balance €'000	Cash flow €'000	Acquisition €'000	Other non-cash movement €'000	Closing balance €'000
Cash and short term deposits	22,475	33,370	(15,768)	2,801	42,879
Overdrafts	(527)	630	-	(122)	(20)
	21,948	34,000	(15,768)	2,679	42,859
Loans due within one year	(11,161)	20,368	(10,972)	(55,877)	(57,642)
Loans due after one year	(54,723)	-	-	54,723	-
Finance leases	(7)	35	-	(43)	(15)
<b>Total</b>	<b>(43,943)</b>	<b>54,403</b>	<b>(26,740)</b>	<b>1,482</b>	<b>(14,798)</b>

# Notes to the Group Financial Statements

## Significant other non-cash movements

Included in the non-cash movements of €1,482,000 are exchange rate movements of €1,752,000 arising on balances denominated in currencies other than Euro, the non-cash amortisation of capitalised debt facility costs of (€227,000) and lease repayments of (€43,000). The Group's borrowings at 31 December 2010 were all payable within a year while in the prior year €54,723,000 was payable in over a year.

## 39. Related party transactions

### Key management personnel compensation

For the purposes of the disclosure requirements of IAS 24, IFG Group has defined the term “key management personnel”, as its Directors. In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to post-employment plans on certain Directors behalf. Executive Directors also participate in the Group's share option programme.

	2010 €'000	2009 €'000
Salaries and other short term benefits	2,164	2,663
Post employment benefit	372	455
Share based payment compensation	947	1,197
<b>Charged to Income Statement</b>	<b>3,483</b>	<b>4,315</b>

### Transactions and balances with joint venture and associates

At 31 December 2010, Group companies were owed €1,303,000 (2009: €1,291,000) by Rayband Limited, an Irish unlisted company and an associate of the Group. During the year the Group paid €12,000 in expenses on behalf of 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.

During 2010, IFG acquired an interest of 50% in IFG McGivern Flynn Teoranta, an Irish unlisted entity and a joint venture of the Group. IFG McGivern Flynn Teoranta is engaged in the sale and marketing of insurance policies for general personal lines of insurance. At 31 December 2010, Group companies were owed €205,000 from the joint venture for services rendered during the year. In addition the Group also sold an insurance renewal book to IFG McGivern Flynn Teoranta for €475,000 payable in installments over 5 years. €217,000 of this balance is classified within “Trade and other receivables” as payable to IFG within one year. The remaining balance of €258,000 is included in “Other non-current assets”

In 2009, the Group acquired a 26% interest in Simply Mortgages Holdings Limited, an Irish unlisted entity. During 2010 an amount of €437,000 advanced, which was secured on the insurance renewal book of Simply Mortgages Holdings Limited, was written off.

### Transactions involving entities in which key management have an interest

During 2010 Bosberg Limited, a company owned by Victor Quigley, a Non-Executive Director who resigned on the 30 June 2010, earned €150,000 from Group companies in respect of the provision of services.

# Notes to the Group Financial Statements

During 2010 Group companies earned €84,000 (2009: €85,000) from TFC Limited, a company based in the Isle of Man and with whom Declan Kenny, Chief Executive of the International segment is a Director. This related to the provision of services to TFC from Group companies. In addition €93,000 was received as payment for services provided during 2010 and prior years. Additionally, Group companies earned €15,000 from TFC's parent Tanyl Limited of which Declan Kenny is also a director and is a shareholder of Tanyl Limited.

During 2010, Thomas Wacker, a Non-Executive Director of Group, invoiced €17,000 to Saunderson House Limited, a direct subsidiary of the Group, for services rendered during the year.

During 2010, three company cars were sold to three Executives at commercial terms.

During 2010, Richard Hayes, former Chief Executive of IFG Group plc was paid €20,000 (2009: €40,000) for services rendered as a Non-Executive Director of an IFG subsidiary. He resigned this position in June 2010.

## 40. Events since the year end

On 29 March 2011 the Group concluded a refinancing of its bank borrowings adding HSBC and Barclays to its syndicate of banks. The new facilities have the following key characteristics:

- margin 2.25% to 2.75%;
- term - 5 years; and
- annual repayments of €9 million to €13 million per year.

This facility is shared equally between our banks and also includes in excess of €21,000,000 of headroom which may be used for acquisitions and general corporate purposes in our principal business areas.

The Board is recommending a final dividend of 2.65 cent per share on the enlarged share capital in issue, which will be considered by the Shareholders at the Annual General Meeting.

## 41. Profit 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 profit for the year determined in accordance with Irish GAAP is €12,523,000 (2009: Loss €3,072,000).

# Notes to the Group Financial Statements

## 42. Principal Operating Subsidiaries, Associated Undertakings and Joint Ventures

COMPANY	PRINCIPAL ACTIVITIES	SHAREHOLDING AND VOTING RIGHTS %
---------	----------------------	--

### PRINCIPAL OPERATING SUBSIDIARIES (INCORPORATED IN IRELAND)

IFG Holdings Limited	Holding company	100
IFG Securities Limited	Group administration services	100
IFG Investment and Mortgage Services Limited	General brokering	50
IFG Quigley Limited	Pension and investment consultants	100
Mortgage and Assurance Services Limited	Life assurance and mortgage broker	50
Planlife Advisory Services Limited	Corporate pension administration	100
IFG Pensco Limited	Corporate pension administration	100
The Endowment Policy Purchasing Company Limited	Purchase and sale of marketable endowment policies	100
Trade Credit Brokers Limited	Credit 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 and corporate services	100
<i>Universal House, Shannon, Co Clare telephone (353-61) 364 350 fax (353-61) 703 440</i>		

### (INCORPORATED IN THE ISLE OF MAN)

IFG Holdings (IOM) Limited	Holding company	100
IFG International Limited	Trustee and 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>		

# Notes to the Group Financial Statements

## (INCORPORATED IN JERSEY)

IFG Trust (Jersey) Limited	Trustee and corporate services	100
IFG Fund Administration (Jersey) Limited	Fund administrators	100
James Hay Insurance Company Limited	Provision of SIPPs	100

*Wellington House, 15 Union Street, St Helier, telephone (44 1534) 714 500 fax (44 1534) 767 787*

## (INCORPORATED IN SWITZERLAND)

IFG Suisse S.A.	Trustee and corporate services	100
IFG Treuhand	Trustee and corporate services	100

*7 Rue du Mont-Blanc, PO Box 1069, 1211 Geneva 1 telephone (41 22) 716 3220 fax (41 22) 716 3239*

## (INCORPORATED IN CYPRUS)

IFG Trust (Cyprus) Limited	Trustee and corporate services	100
----------------------------	--------------------------------	-----

*Chapo Central Building, 3rd Floor, 20 Spyrou Kyrianou Avenue, 1075 Nicosia telephone (357) 22 749 000 fax (357) 22 749 100*

## (INCORPORATED IN BVI)

IFG Asia Limited	Independent financial advisor	100
------------------	-------------------------------	-----

*8F Shimbashi Kato Building, 5-26-8 Shimbashi, Minato-ku, Toyko 105-0004, Japan telephone (813) 3436 2001 fax (813) 4496 4665*

## (INCORPORATED IN U.K.)

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 plc	Pension administration services	100

# Notes to the Group Financial Statements

Associated Risk Consultants Limited	Credit insurance services	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	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>		
James Hay Holdings Limited	Holding Company	100
James Hay Administration Company Limited	Pension administration services	100
<i>Dunn's House St Paul's Road Salisbury SP2 7BF telephone (0044) 0845 850 4455 fax (0044) 0845 850 4466</i>		
James Hay Pension Trustees Limited	Pension Trustee services	100
James Hay Wrap Managers Limited	Portfolio administrative services	100
<i>Trinity House, Anderson Road, Swavesey, Cambridge telephone (0044)0845 850 4455 fax (0044) 845 850 4466</i>		
<b>(INCORPORATED IN FRANCE)</b>		
Siddalls France SASU	Independent financial advisor	100
<i>Parc Innolin, 3 Rue de Golf, 33700 Merigneac, telephone (00 33) 55 6 34 75 51 fax (33) 5 56 34 75 52</i>		
<b>(INCORPORATED IN U.S.A.)</b>		
FNTC America Limited	Independent financial advisor	100
<i>Birch Pond Park, Suite 349, Amherst St, Nashua, New Hampshire, 03063 (00 1) 866 978 2571 fax (1)603 595 7220</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 to the Group Financial Statements

## **JOINT VENTURE - (INCORPORATED IN IRELAND)**

IFG McGivern Flynn Teoranta	Insurance services	50
-----------------------------	--------------------	----

*IFG House, Booterstown Hall, Booterstown, Co Dublin telephone (353-1) 2752800 fax (353-1) 2752801*

### Notes

1. The companies operate principally in their countries of incorporation.
2. Pursuant to Section 16 of the Companies Act, 1986, a full list of subsidiaries and associates will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

## **43. Approval of financial statements**

The Directors approved the financial statements on 20 April 2011.

# Company Balance Sheet - Irish GAAP

As at 31 December 2010

	Notes	2010 €'000	2009 €'000
<b>Financial Assets</b>			
Investments in subsidiaries	1	79,289	79,564
<b>Current assets</b>			
Debtors	2	179,245	69,796
Restricted cash - held in escrow		-	1,200
Cash at bank and in hand		26	-
		<b>179,271</b>	<b>70,996</b>
<b>Creditors (amounts falling due within one year)</b>	3	<b>(120,163)</b>	<b>(73,254)</b>
<b>Net current assets</b>		<b>59,108</b>	<b>(2,258)</b>
<b>Total assets less current liabilities</b>		<b>138,397</b>	<b>77,306</b>
<b>Provisions for liabilities</b>	4	-	(370)
		<b>138,397</b>	<b>76,936</b>
<b>Capital and reserves</b>			
Share capital	5	14,927	9,009
Share premium	6	103,039	57,668
Capital conversion reserve fund	6	414	414
Other reserves	6	8,997	7,461
Retained earnings	6	11,020	2,384
<b>Total shareholders' funds</b>	7	<b>138,397</b>	<b>76,936</b>

On behalf of the Board:

**A M Comerford**  
(Executive Director - Finance & Risk)

**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 2009. 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 profit for the year determined in accordance with Irish GAAP is €12,523,000 (2009: loss €3,072,000).

## Basis of Accounting

The financial statements are prepared under the historical cost convention.

## 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 debtors 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 receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, 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 loss is recognised in administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

# Accounting Policies - Company

## 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 end 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 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 profit and loss 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 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 profit and loss.

## 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 end of the reporting period are disclosed in note 16 in the Group financial statements.

# Accounting Policies - Company

## 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 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 profit and loss 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 is 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 2010	87,583
Additions	1,326
Reversal of contingent consideration	(370)
Capital contribution in respect of share based payment compensation	1,584
<b>At 31 December 2010</b>	<b>90,123</b>
<b>Impairment provision</b>	
At 1 January 2010	(8,019)
Impairment charge	(2,815)
<b>At 31 December 2010</b>	<b>(10,834)</b>
<b>Net book amount</b>	
At 31 December 2009	79,564
<b>At 31 December 2010</b>	<b>79,289</b>

Principal subsidiaries are listed in note 42 to the Group financial statements.

## 2. Debtors

	2010 €'000	2009 €'000
<b>Amounts receivable within one year</b>		
Amounts due from subsidiaries	172,766	63,536
Loans to associates	1,303	1,291
Other debtors	1,745	1,542
Prepayments	8	4
	<b>175,822</b>	<b>66,373</b>
<b>Amounts receivable after one year</b>		
Amounts due from subsidiaries	3,423	3,423
	<b>179,245</b>	<b>69,796</b>

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

# Notes to the company balance sheet - Irish GAAP

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

	2010 €'000	2009 €'000
Bank advances	2,936	2,936
Trade and other creditors	64	762
Accruals and deferred income	102	2,560
Amounts due to subsidiaries	117,061	66,996
	<b>120,163</b>	<b>73,254</b>

**Creditors for taxation and social welfare included above** 26 17

The carrying amount of creditors approximates fair value.

## 4. Provisions for liabilities

	2010 €'000	2009 €'000
At 31 December 2009	370	4,713
Reversal of contingent consideration	(370)	(4,343)
<b>At 31 December 2010</b>	<b>-</b>	<b>370</b>

### Reversal of contingent consideration

In 2008, the Group acquired 100% of Pensco Limited, an Irish legal entity. Initial consideration was satisfied in cash and contingent consideration was payable by reference to growth in future revenue and profits. The targets for this growth have not been achieved and no contingent consideration is payable. An adjustment of €370,000 has been made to investment in subsidiaries and contingent consideration.

## 5. Share capital

Authorised	2010 No. of shares	2010 €'000	2009 No. of shares	2009 €'000
Ordinary shares of 12c each	140,187,210	16,822	85,187,210	10,222
"A" ordinary shares of €1.27 each	8,200	10	8,200	10
		<b>16,832</b>		<b>10,232</b>

# Notes to the company balance sheet - Irish GAAP

## Share capital (continued)

### Allotted and fully paid up

	No. of shares	€'000
At 1 January 2009	74,244,727	8,909
Share options exercised during year	145,000	18
Shares issued under LTIP during year	687,501	82
At 31 December 2009	75,077,228	9,009
Issue of new shares	48,715,555	5,846
Share options exercised during year	200,000	24
Shares issued under LTIP during year	395,832	48
At 31 December 2010	124,388,615	14,927

## 6. Retained earnings and other reserves

	Share premium €'000	Capital conversion reserve fund €'000	Other reserves €'000	Retained earnings €'000	Total €'000
At 31 December 2008	60,025	414	6,016	7,226	73,681
Value of employee services					
- Share options	-	-	277	-	277
- LTIP	-	-	1,250	-	1,250
Equity shares issued for the LTIP	-	-	(82)	-	(82)
Write off of expenses relating to share placement	(2,484)	-	-	-	(2,484)
Exercise of equity share options	127	-	-	-	127
Loss for the year	-	-	-	(3,072)	(3,072)
Dividends	-	-	-	(1,770)	(1,770)
At 31 December 2009	57,668	414	7,461	2,384	67,927
Value of employee services					
- Share options	-	-	334	-	334
- LTIP	-	-	1,250	-	1,250
Equity shares issued for the LTIP	-	-	(48)	-	(48)
Issue of new shares	45,305	-	-	-	45,305
Write off of expenses relating to share placement	(129)	-	-	-	(129)
Exercise of equity share options	195	-	-	-	195
Profit for the year	-	-	-	12,523	12,523
Dividends	-	-	-	(3,887)	(3,887)
At 31 December 2010	103,039	414	8,997	11,020	123,470

# Notes to the company balance sheet - Irish GAAP

## 7. Reconciliation of movements in shareholders' funds

	2010 €'000	2009 €'000
Profit/(loss) for the year	12,523	(3,072)
Dividends	(3,887)	(1,770)
Issue of new shares	51,151	-
Write off of expenses relating to share placement	(129)	(2,484)
Exercise of equity share options	219	145
Value of employee services		
- Share options	334	277
- LTIP	1,250	1,250
Net addition/(reduction) to shareholders' funds in the year	61,461	(5,654)
Shareholders' funds at 1 January	76,936	82,590
Shareholders' funds at 31 December	138,397	76,936

## 8. Related party transactions

Transactions with entities that are 100% owned by 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.

At the year end the Company had payables of €200,000 (2009: €nil) to IFG Investment and Mortgages Services Limited. The payable is not interest bearing.

At 31 December 2010, the Company was owed €1,303,000 (2009: €1,291,000) by Rayband Limited, an Irish unlisted company and an associate of the Company. During the year the Group paid €12,000 in expenses on behalf of Rayband Limited. These advances are unsecured, interest free and have no fixed repayment date. Rayband Limited is controlled by Patrick Joseph Moran, a Director of IFG Group plc.

## 9. Statement of cash flows

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

## 10. Commitments & Contingencies

The Company along with some of its subsidiaries has guaranteed certain obligations of its subsidiary companies totaling €55,231,000 (2009: €64,193,000).

# Notes to the company balance sheet - Irish GAAP

## 11. Section 17 Guarantee

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its wholly-owned subsidiary undertakings in the Republic of Ireland for the financial year ended 31 December 2010 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986 and Regulation 20 of the European Communities (Accounts Regulations) 1993 respectively.

## 12. Auditors' Remuneration

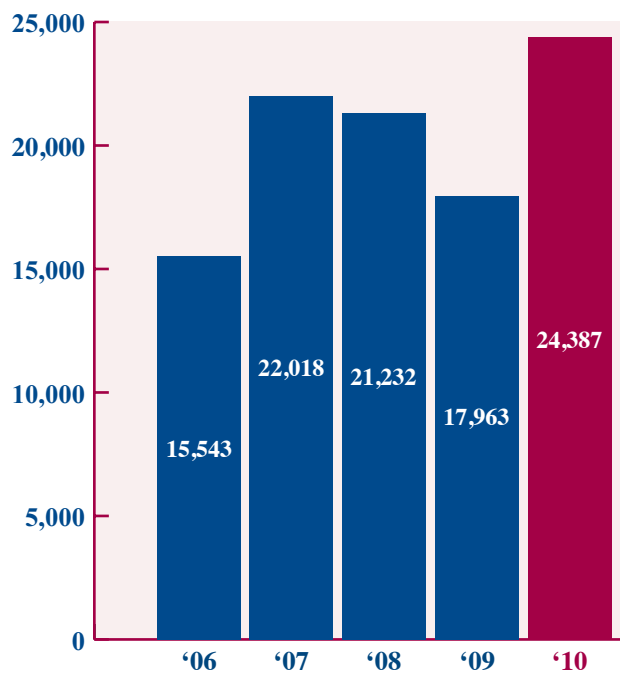
	2010 €'000	2009 €'000
Statutory audit of parent entity accounts	10	10

## 13. Approval of financial statements

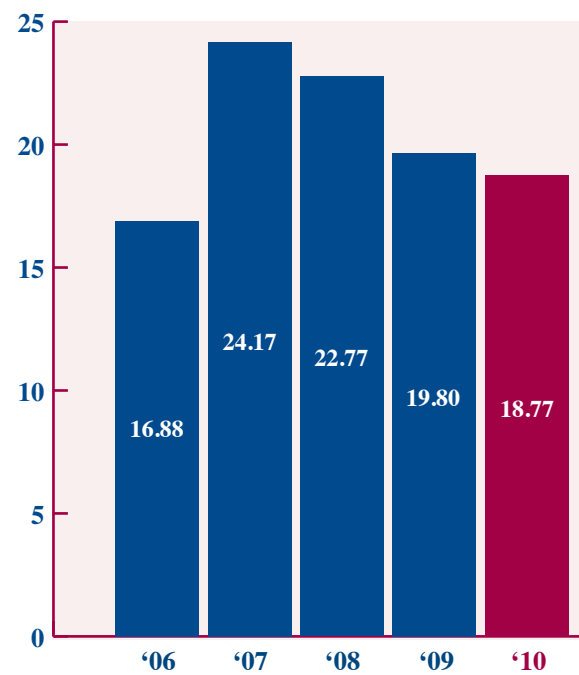
The Directors approved the financial statements on 20 April 2011.

# Group Financial Record

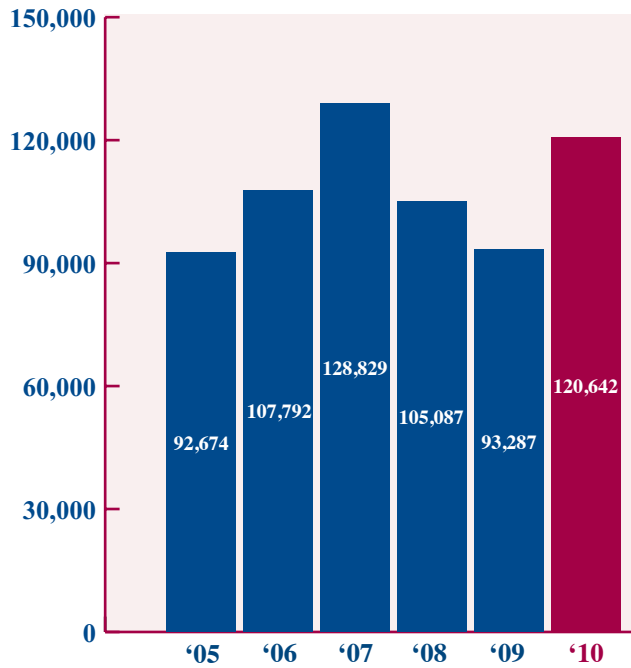
Adjusted Operating Profit  
€'000



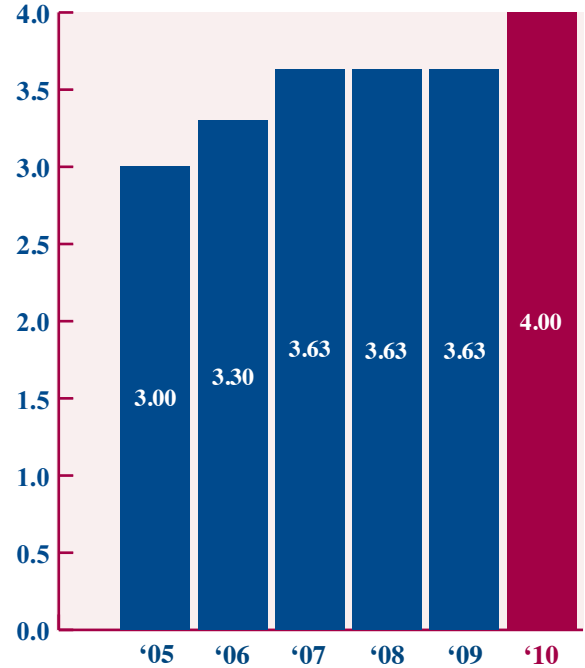
Adjusted Earnings Per Share  
€Cent



Turnover - Financial Services  
€'000



Dividend Per Share  
€Cent





IFG Group plc

IFG House, Booterstown Hall, Booterstown, Co Dublin

Telephone (353-1) 275 2800 Fax (353-1) 275 2801

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