

IFG Group plc

Interim Report 2005

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IFG Group plc Financial Highlights

	Adjusted Measures Six Months Ended 30 June 2005 Unaudited €'000	Adjusted Measures Six Months Ended 30 June 2004 Unaudited €'000	Notes	Total Six Months Ended 30 June 2005 Unaudited €'000	Total Six Months Ended 30 June 2004 Unaudited €'000
Revenue	42,523	40,366	1	42,523	44,965
Operating profit	6,303	6,968	2	5,601	7,088
Profit before income tax	5,164	5,050	2	4,434	4,930
EPS calculation consistent with prior year - in cent	6.26	6.03	3	n/a	n/a
Basic earnings per ordinary share - in cent	n/a	n/a		5.13	6.21
Interim dividend per ordinary share - in cent				0.95	0.76
Group debt				38,500	41,200
Renewal income				13,666	11,960

Commenting on the results, Richard Hayes, chief executive, said:

“The 42% increase in profits from the three core activities of scale after interest coupled with continuing investment in areas where we see further potential leaves us well on course to deliver on our ambitious growth targets.”

Adjusted measures of revenue and earnings are presented in this first set of IFRS financial information to be issued by IFG Group plc in order to enable users to understand the Group's comparative performance as it would have been measured under Irish GAAP in effect during 2004.

Notes:

1. Revenue in relation to adjusted measures excludes amounts in respect of employee leasing in 2004. The results of the employee leasing unit are included under associates in 2005.
2. Adjusted measures figures are stated before exceptional items, IFRS adjustments and share option charges.
3. Reconciliation of adjusted earnings:

	Six Months Ended 30 June 2005		Six Months Ended 30 June 2004	
	Per share Cent	Earnings €'000	Per share Cent	Earnings €'000
Profit attributable to equity holders	5.13	3,343	6.21	4,039
IFRS adjustments	0.37	239	(0.47)	(308)
Exceptional adjustments	0.43	285	0.17	109
Share option charges	0.33	217	0.12	79
Adjusted earnings	6.26	4,084	6.03	3,919

Commentary on Interim Results

The directors report that operating profit for the six months ended 30 June 2005 was €5.6 million compared with €7.1 million in the previous period. Profit before taxation was €4.4 million compared with a profit before taxation of €4.9 million in the previous period. Basic earnings per share were 5.13 cent (2004HY 6.21 cent).

The Group has performed to expectations in the first half. This reflects an improvement in the underlying performance of the business when adjustment is made for certain non recurring trading profits in the first half of 2004.

Renewal income credited, a key measurement of the future of the company, was €13.7 million, an increase of 14% on the 2004 comparative figure of €12.0 million. Renewal income includes insurance renewals, trustee fees, actuarial fees and fund management fees which recur over a long period.

The Board has decided to pay an interim dividend of 0.95 cent (2004HY 0.76 cent) per share subject to withholding tax at 20%. The dividend which represents an increase of 25% on the previous period will be paid to qualifying shareholders on the Register at the close of business on 18 November 2005. Dividends warrants will be posted on 2 December 2005.

Debt

Group Banking and deferred consideration commitments are summarised and compared to the previous half year and year-end below.

	As at 30 June 2005			As at 31 December 2004			As at 30 June 2004		
	<u>Core</u>	<u>Invest</u>	<u>Total</u>	<u>Core</u>	<u>Invest</u>	<u>Total</u>	<u>Core</u>	<u>Invest</u>	<u>Total</u>
	€'m	€'m	€'m	€'m	€'m	€'m	€'m	€'m	€'m
Net debt per balance sheet	34.7	3.8	38.5	30.2	3.8	34.0	30.1	3.8	33.9
Bank guaranteed deferred consideration	-	-	-	-	-	-	4.5	-	4.5
Total bank commitment	34.7	3.8	38.5	30.2	3.8	34.0	34.6	3.8	38.4
Contingent deferred consideration			-			2.7			2.8
Total Commitment			38.5			36.7			41.2

The overall net debt position is slightly higher than at the start of the year. This is largely a function of the timing of significant cash payments and receipts in both our International and Mortgage Intermediary businesses (the comparable figure on 31st August 2005 is €29.0 million). The long term record of debt reduction is expected to be maintained through the second half of the year and to be reflected in the debt levels at the end of year.

Net debt now consists of a mix of secured lending and unsecured borrowing facilities, with maturity and amortisation profiles over the next four years.

Commentary on Interim Results (Cont.)

Group Performance

The performance of the Group in the first six months split between its main activities was as follows:

	Total Operating Profit/(loss) Six Months Ended 30 June 2005 €'000	Total Operating Profit/(loss) Six Months Ended 30 June 2004 €'000
International Trustee and Corporate Services	2,954	2,765
Financial Services		
Actuarial and Pensioner Trustee	1,622	1,575
Financial Services - UK	309	(5)
Mortgage & Title Insurance	1,865	1,518
Financial Services including Central Overhead	(447)	1,083
Employee leasing	-	32
	<hr/>	<hr/>
Operating profit before non recurring items	6,303	6,968
IFRS adjustments	(200)	308
Exceptional items	(285)	(109)
Share option charges	(217)	(79)
	<hr/>	<hr/>
Operating Profit	5,601	7,088
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In the first half financing costs have been reduced to €1.3 million against €2.2 million in the same period last year. This has been achieved by repayment of 8% STG£4 million loan note coupled with increased interest earned through business activity.

The profits from the three core activities of scale, International Trustee and Corporate Services, Actuarial and Pensioner Trustee and Mortgage and Title Insurance amounting to €6.4 million (2004 €5.9m) less the interest paid of €1.3 million (2004 €2.2 million) have grown by 42%.

The International Trustee and Corporate Services division continues to deliver across all business lines. The business exceeded corresponding 2004 profits by 7% and this must be viewed in the context of a first half in the previous year which was unexpectedly good. In August, the Group announced that the division has entered into a three year contract with one of its existing clients for the provision of management and secretarial services under which it has received an upfront payment of £7.5 million (€10.9 million).

UK Actuarial and Pensioner Trustee was marginally up on the prior period and has recovered from a poor second half in 2004. This reflects a stabilising of the Manchester business. While pension reform legislation is not expected to affect the business until next year, it is expected to offer new and attractive opportunities in due course.

Commentary on Interim Results (Cont.)

The UK fee based IFA business remains firm, and the market opportunity around advising people emigrating from the UK is attractive, but the traditional IFA operation generally remains weak. We are undertaking a review of the business structure. The closure of Berkeley Jacobs has positively impacted the results.

In Ireland, the Mortgage Intermediary business continues to deliver in prime lending. Cheques issued by lenders to clients of the Group amounted to €644m (2004HY €503m), an increase of 28%. Our non conforming operation is delivering to conservative targets with cheques issued at €34m compared to €12m for the same period in the previous year. The Title Insurance business is now delivering on the Group's second half investment in 2004, with requests for insurance up by 37%.

There was a broadly good performance from the remaining Irish Financial Services business which has been adversely affected by poor performance from our Investment Management and Policy Trading units.

Outlook

The business continues to narrow towards a set of core competencies which the Board believes will deliver growth. The Group remain focused on debt reduction and remain confident of achieving expectations for the full year.

Consolidated Income Statement

Six months ended 30 June 2005

	Notes	Six Months Ended 30 June 2005 Unaudited €'000	Six Months Ended 30 June 2004 Unaudited €'000	Year Ended 31 Dec 2004 Audited €'000
Revenue	4	42,523	44,965	95,373
Cost of sales		(2,287)	(3,760)	(19,226)
Gross profit		40,236	41,205	76,147
Operating expenses				
Administrative expenses (excluding exceptional items)		(34,350)	(34,008)	(66,068)
Exceptional items	5	(285)	(109)	(9,567)
Total administrative expenses		(34,635)	(34,117)	(75,635)
Operating profit	4	5,601	7,088	512
Finance costs-net		(1,267)	(2,224)	(3,703)
Share of profit of associates		100	66	106
Profit/(loss) before income tax		4,434	4,930	(3,085)
Income tax (expense)/credit	6	(672)	(606)	516
Profit/(loss) for the period		3,762	4,324	(2,569)
Profit/(loss) for period attributable to:				
Equity holders of the Company		3,343	4,039	(3,227)
Minority interest		419	285	658
		3,762	4,324	(2,569)
Earnings per ordinary share (cent)				
Basic	3	5.13	6.21	(4.96)
Fully Diluted	3	5.12	6.19	(4.96)

Consolidated Balance Sheet

As at 30 June 2005

	30 June 2005 Unaudited €'000	30 June 2004 Unaudited €'000	31 Dec 2004 Audited €'000
Assets			
Non-current assets			
Property plant & equipment	6,041	5,975	5,870
Intangible assets	53,862	60,720	51,203
Investments in associates	2,141	408	2,041
Deferred income tax assets	959	996	1,492
Available for sale financial assets	335	727	630
	63,338	68,826	61,236
Current assets			
Inventories	1,539	1,714	1,124
Trade and other receivables	35,646	44,099	34,786
Current income tax asset	1,358	1,320	1,415
Cash and cash equivalents	14,525	21,023	17,944
	53,068	68,156	55,269
Total assets	116,406	136,982	116,505
Liabilities			
Non-current liabilities			
Borrowings	39,801	46,602	39,026
Retirement benefit obligations	881	881	881
Provisions for other liabilities and charges	1,250	5,972	1,250
	41,932	53,455	41,157
Current liabilities			
Trade and other payables	28,208	35,566	32,387
Current income tax liabilities	899	2,370	1,574
Borrowings	13,201	8,308	12,936
Provisions for other liabilities and charges	2,997	4,576	3,682
	45,305	50,820	50,579
Total liabilities	87,237	104,275	91,736
Net assets	29,169	32,707	24,769
Equity and reserves			
Share capital	7,827	7,800	7,827
Share premium	44,867	44,831	44,867
Other reserves	2,491	493	2,231
Retained earnings	(27,806)	(22,069)	(31,529)
	27,379	31,055	23,396
Minority interest	1,790	1,652	1,373
Total equity	29,169	32,707	24,769

Consolidated Cash Flow Statement

Six months ended 30 June 2005

	Notes	Six months Ended 30 June 2005 Unaudited €'000	Six months Ended 30 June 2004 Unaudited €'000	Year Ended 31 Dec 2004 Audited €'000
Cash flows from operating activities				
Cash generated from operations	8	1,737	13,758	23,258
Interest received		332	205	383
Taxation payments		(674)	(563)	(825)
Total cash flows from operating activities		1,395	13,400	22,816
Cash flows from investing activities				
Purchase of property, plant and equipment		(734)	(1,021)	(2,011)
Sale of property, plant and equipment		90	61	110
Purchase of subsidiary undertakings		(315)	(109)	(492)
Deferred consideration on prior year acquisitions		(2,687)	(24,700)	(29,136)
Interest on loan notes issued on acquisitions		-	(34)	(75)
Sale of interest in subsidiary undertaking		-	9,050	8,381
Total cash flows from investing activities		(3,646)	(16,753)	(23,223)
Cash flows from financing activities				
Equity dividends paid		-	-	(1,444)
Interest paid		(1,757)	(2,128)	(3,819)
Dividends paid to minority interests		-	-	(606)
Issue of share capital		-	-	63
Repayment of debt		(132)	(1,910)	(1,739)
New loans in period		-	16,475	20,897
Senior unsecured notes repaid		-	(7,700)	(13,408)
Capital element of finance lease rentals		(67)	(173)	(294)
Total cash flows from financing activities		(1,956)	4,564	(350)
Net effect of currency translation on cash and bank overdrafts		570	682	31
(Decrease)/increase in cash and bank overdrafts		(3,637)	1,893	(726)
Cash and bank overdrafts at the beginning of the period		16,307	17,033	17,033
Cash and bank overdrafts		12,670	18,926	16,307

Statements of Changes in Equity

	Share Capital €'000	Share Premium €'000	Conversion Reserve €'000	Other Reserves €'000	Translation Reserve €'000	Retained Earnings €'000	Attributable To Equity Holders €'000	Minority Interest €'000	Total Equity €'000
Balance at 1 January 2005	7,827	44,867	414	2,036	(6,276)	(25,437)	23,431	1,373	24,804
<i>Change in equity for the period</i>									
Currency translation adjustments	-	-	-	-	1,634	-	1,634	(2)	1,632
Profit for the period	-	-	-	-	-	3,343	3,343	419	3,762
Dividends	-	-	-	-	-	(1,070)	(1,070)	-	(1,070)
Fair value adjustments	-	-	-	(176)	-	-	(176)	-	(176)
Equity share options granted	-	-	-	217	-	-	217	-	217
At 30 June 2005	7,827	44,867	414	2,077	(4,642)	(23,164)	27,379	1,790	29,169
Balance at 1 January 2004	7,800	44,831	414	-	(4,773)	(20,512)	27,760	1,370	29,130
<i>Change in equity for the period</i>									
Currency translation adjustments	-	-	-	-	197	-	197	(3)	194
Profit for the period	-	-	-	-	-	4,039	4,039	285	4,324
Dividends	-	-	-	-	-	(1,020)	(1,020)	-	(1,020)
Equity share options granted	-	-	-	79	-	-	79	-	79
At 30 June 2004	7,800	44,831	414	79	(4,576)	(17,493)	31,055	1,652	32,707
Balance at 1 January 2004	7,800	44,831	414	-	(4,773)	(20,512)	27,760	1,370	29,130
<i>Change in equity for the period</i>									
Currency translation adjustments	-	-	-	-	(1,503)	-	(1,503)	(1)	(1,504)
Loss for the period	-	-	-	-	-	(3,227)	(3,227)	658	(2,569)
Revaluation of investment in associate	-	-	-	1,570	-	-	1,570	-	1,570
Dividends	-	-	-	-	-	(1,514)	(1,514)	(606)	(2,120)
Issue of share capital	27	36	-	-	-	-	63	-	63
Sale of interest in subsidiary with Minority Interest	-	-	-	-	-	-	-	(48)	(48)
Equity share options granted	-	-	-	247	-	-	247	-	247
At 31 December 2004	7,827	44,867	414	1,817	(6,276)	(25,253)	23,396	1,373	24,769
Adoption of IAS 32 and IAS 39	-	-	-	219	-	(184)	35	-	35
At 1 January 2005	7,827	44,867	414	2,036	(6,276)	(25,437)	23,431	1,373	24,804

Supplementary Information

1. Basis of Preparation

As part of the European Commission's plans to develop a single European capital market, the application of IFRS is mandatory for the consolidated financial statements for all European entities whose securities are listed on a regulated exchange in the European Union (EU) and applies in respect of accounting periods commencing on or after 1 January 2005. Accordingly, IFG Group plc ("Group") has prepared these interim results for the period to 30 June 2005 on this basis.

The Group's transition date is 1 January 2004 as this is the start date of the earliest period for which comparative information under IFRS will be presented in the Group's 2005 Annual Report. The comparative financial information for the year ended 31 December 2004 and for the six months ended 30 June 2004 have been restated on a basis consistent with those accounting policies expected to be applied by the Group in preparing its first full financial statements in accordance with IFRS at 31 December 2005, except where otherwise required or permitted by IFRS 1 "First time adoption of International Financial Reporting Standards".

In preparing this financial information, management has used its best knowledge of the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when Group prepares its first set of financial statements in accordance with IFRS issued by the IASB and adopted for use by the EU as of 31 December 2005.

As a result, although the financial information presented in this report is based on management's best knowledge of expected standards and interpretations, and current facts and circumstances this may change. For example, IFRS standards and interpretation of those standards by the International Financial Reporting Interpretations Committee ("IFRIC") are subject to ongoing review and possible amendment or interpretative guidance and therefore subject to change. Therefore, until Group prepares its first full set of financial statements in accordance with IFRS issued by the IASB and adopted for use by the EU at 31 December 2005, the possibility cannot be excluded that the financial information presented herein may have to be adjusted.

This interim statement has been prepared on the historical cost basis except for certain fixed assets, where the previous revaluation, being broadly comparable to fair value, was regarded as deemed cost on transition to IFRS, and the measurement at fair value of certain financial instruments on adoption of IAS 32 and IAS 39 at 1 January 2005.

A separate document has been issued simultaneously with this Interim Report on 28 September 2005 detailing the impact of IFRS on the Group's financial statements for the year ended 31 December 2004 and the six months ended 30 June 2004. That document also contains a full list of the Group's provisional IFRS accounting policies and exemptions that have been availed of under IFRS.

The interim statement was approved by the Board of Directors on 28 September 2005. The interim financial information has been reviewed, but not audited, by the Group's auditors, PricewaterhouseCoopers (PwC).

Supplementary Information (Cont.)

2. Provisional IFRS accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of IFG Group Plc, which are presented in euro have been prepared using the historical cost convention as modified by the measurement at fair value of share options and available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. These assumptions affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual outcome, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Consolidation

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

The 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. Companies 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company balances and transactions and resulting unrealised income are eliminated in full.

Minority interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent company.

Associates

Associates are entities, not being subsidiary undertakings, over which the Group has the ability to exercise significant influence over the operating and financial policies. The Group's share of the results and net assets of associates are included based on the equity method of accounting. 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.

Supplementary Information (Cont.)

Segment Reporting

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

Foreign Currency Translation

The presentational and functional currency of the Group and its Irish subsidiaries is the euro (€). 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 consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity together with the exchange difference on the net investment in the foreign entity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Results and cash flows of subsidiary undertakings with different functional currency to the parent are translated into euro using average exchange rates during the year, and the related balance sheets have been translated using the rates of exchange ruling at the balance sheet date. Adjustments arising on translation of the results of subsidiary undertakings with different functional currency to the parent at average rates, and on the restatement of the opening net assets at closing rates, are dealt with in a separate translation reserve within equity, net of differences on related currency borrowings. All other translation differences are taken to the income statement.

On disposal of a foreign operation, accumulated currency translation differences are recognised in the income statement as part of the overall gain or loss on disposal. The cumulative currency translation differences arising prior to the transition date have been set to zero for the purposes of ascertaining the gain or loss on disposal of a foreign operation subsequent to 1 January 2004. 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The Group's UK properties were revalued in 2003. At date of transition the Group has elected to use these revaluations 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. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Supplementary Information (Cont.)

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

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

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

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

Business Combinations

The Group applies the purchase method of accounting for all business combinations.

The Group has availed of the IFRS 1 exemption in relation to business combinations and has not re-stated business combinations prior to the date of transition. IFRS 3 will be applied prospectively by the Group from transition date and goodwill amortisation ceased from transition date.

The cost of a business combination is the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any directly attributable costs. Adjustments to the business combination's cost that are contingent on future events are included in the combination's cost at the acquisition date if the adjustment is probable and has been reliably measured.

At the date of acquisition, acquiree's identifiable net assets and contingent liabilities are measured at their fair values. Adjustments to the initial accounting for a business combination are recognized within twelve months of the acquisition date and are effected prospectively from that date.

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

Supplementary Information (Cont.)

Intangible Assets

Goodwill

Goodwill arising 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 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable asset, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill relating to acquisitions from 1 January 2004 and goodwill carried in the balance sheet at 1 January 2004 is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the proportion of the cash-generating unit retained.

Computer Software

Computer software is stated at cost, less amortisation and provisions for impairment, if any. Costs incurred on acquisition of computer software are capitalised as are costs directly related to developing the programs. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 to 5 years.

Impairment of 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Supplementary Information (Cont.)

Financial assets

From 1 January 2004 to 31 December 2004

Financial fixed assets include investments in companies other than subsidiaries, associates and joint ventures. Such financial fixed assets are recorded at cost less provision for impairment.

From 1 January 2005

The Group classifies its investments in the following categories: held to maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition (i.e. 1 January 2005 being the date of transition for financial instruments).

Held-to-maturity investments.

Held-to-maturity financial assets are securities with a fixed maturity that the Group has the intent and ability to hold until maturity. During the periods presented the Group did not hold any investments in this category.

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 Group provides services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Available-for-sale financial assets

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

All financial assets are initially recorded at cost, 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 with all unrealised changes in fair value 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 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.

Supplementary Information (Cont.)

Inventory

Inventory is stated at the lower of cost and net realisable value. Work in progress comprises cost incurred in bringing the pipeline of work to its present condition.

Cash and Cash Equivalents

Cash and short term deposits 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.

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 to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as part of finance costs.

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.

Interest – Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost being the fair value of the consideration received net of issue costs associated with the borrowing.

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

Taxation

The tax expense in the income statement represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date.

Supplementary Information (Cont.)

Deferred income tax is provided in full, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply in the year when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries 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 taxable profit will be available against which the deductible temporary differences can be utilised.

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

Employee Benefits

(A) Pension obligations

Defined Contribution Plans

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

Defined Benefit Plan

The Group has taken the option to recognise in full in equity at the transition date the cumulative actuarial gains and losses applicable to the Group's defined benefit pension scheme. From 1 January 2004, the Group will apply the "corridor approach" in relation to the recognition of actuarial gains and losses applicable to the Group's defined benefit scheme.

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. The "corridor approach" refers to a threshold being the higher of 10% of the fair value of the plan assets or 10% of the present value of the defined benefit obligations at the end of the previous reporting period. Actuarial gains and losses at the end of the previous reporting period in excess of this threshold are recognised as income or expense over the average remaining service lives of employees participating in the plan. Other than these and the actuarial deficit recognised on transition to IFRS, the actuarial gain or loss is not recognised.

The Group operates a defined benefit pension scheme via its subsidiary IFG Management for eligible employees which require contributions to be made to separately administered funds. The Group's net obligation in respect of defined benefit pension schemes is calculated by estimating 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. The discount rate employed in determining the present value of the schemes' liabilities is determined by reference to market yields at the balance sheet

Supplementary Information (Cont.)

date on high quality corporate bonds for a term consistent with the currency and term of the associated post-employment benefit obligations.

The net surplus or deficit arising in the Group's defined benefit pension schemes are shown within either non-current assets or liabilities on the face of the Group Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities as appropriate.

Past service costs are recognised as an expense over the average period until the benefits become vested, in which case the past service costs are recognised as an expense immediately. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement. The expected return on the plans' assets and the expected increase during the period in the present value of the plans's liabilities arising are included in finance costs (net).

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

(B) Share Based Payment Transactions

Group share schemes allow employees to acquire shares in the company. The fair value of share options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value was determined using the Black-Scholes model. Share options granted by the company are subject to non market-based vesting conditions. The expense for the share options shown in the income statement is based on the fair value of the total number of options expected to vest and is allocated to accounting periods on a straight line basis over the vesting period. The cumulative charge to the income statement is only reversed where options do not vest where an employee in receipt of share options leaves the Group before the end of the vesting period.

The proceeds received by the company when the share options are exercised are credited to share capital and share premium. 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 does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits would be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability.

Supplementary Information (Cont.)

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and announced its main provisions. Provisions are not recognised for future operating losses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

Revenue recognition

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

Accordingly, initial commissions from the intermediation of financial services are recognised as revenue on the effective inception date of the product or service, subject to a reduction for expected clawback where commission is earned on an indemnity basis.

Renewal or trail commissions are recognised as revenue when the contingent events which give rise to the right to receive those commissions, typically renewal or persistency, have occurred. In certain circumstances, the Group may obtain a right to consideration when some but not all of its contractual obligations have been fulfilled. In these circumstances, the Group recognises revenue to the extent that a right to consideration has been obtained in relation to services provided up to that point.

Where the Group receives payment from customers in advance of the performance of its contractual obligations, a liability equal to the amount received is recognised. 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.

Net Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Share Capital

Financial instruments that have been issued are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Group.

Dividends

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

Supplementary Information (Cont.)

Netting

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

Accounting for Derivative Financial Instruments and Hedging activities

Derivative financial instruments

Derivative financial instruments are mainly used to manage exposures to foreign exchange risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The Group does not have any hedging derivatives.

Hedging

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

Net investment hedges

Where foreign currency borrowings provide a hedge against a net investment in a foreign operation, foreign exchange differences are taken directly to a foreign currency translation reserve (being a separate component of equity). Cumulative gains and losses remain in equity until disposal of the net investment in the foreign operation at which point the related differences are transferred to the income statement as part of the overall gain or loss on sale.

Convertible Loan Notes

From 1 January 2004 to 31 December 2004

Convertible loan notes are classified as long term borrowings within liabilities.

From 1 January 2005

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 and is included in liabilities. The difference between the fair value of the liability and the fair value of the compound financial instrument as a whole represents equity.

Supplementary Information (Cont.)

3. Earnings per Ordinary Share

	30 June 2005 Unaudited	30 June 2004 Unaudited	31 Dec 2004 Audited
<u>Basic</u>			
Profit/(loss) after taxation and minority interest (€'000)	3,343	4,039	(3,227)
Weighted average number of ordinary shares in issue for the calculation of earnings per share	65,222,859	64,997,859	65,065,051
Basic earnings/(loss) per share (€ cent)	5.13	6.21	(4.96)
<u>Diluted</u>			
Profit/(loss) after taxation and minority interest (€'000)	3,343	4,039	(3,227)
Weighted average number of ordinary shares for the calculation of diluted earnings per share	65,235,655	65,228,910	65,103,129
Diluted earnings/(loss) per share (€ cent)	5.12	6.19	(4.96)

4. Segmental Analysis

Revenue

	30 June 2005 Unaudited €'000	30 June 2004 Unaudited €'000	31 Dec 2004 Audited €'000
<u>Business Sector</u>			
Financial Services	32,360	31,748	65,912
International Trustee and Corporate Services	10,163	8,618	17,970
Employee Leasing	-	4,599	11,491
	42,523	44,965	95,373

Operating profit/(loss)

	30 June 2005 Unaudited €'000	30 June 2004 Unaudited €'000	31 Dec 2004 Audited €'000
<u>Business Sector</u>			
Financial Services	2,739	4,178	(4,824)
Investment	-	176	(97)
International Trustee and Corporate Services	2,862	2,702	5,286
Employee Leasing	-	32	147
	5,601	7,088	512

Supplementary Information (Cont.)

5. Exceptional Items

	30 June 2005 Unaudited €'000	30 June 2004 Unaudited €'000	31 Dec 2004 Audited €'000
<u>Exceptional Items</u>			
Director's pension	285	285	570
Profit on sale of businesses	-	(176)	(483)
Goodwill impairment	-	-	7,374
Impairment of investment	-	-	97
Exceptional bonus payments	-	-	419
Closure of pension release business	-	-	1,590
	285	109	9,567

6. Taxation

The charge for taxation for the six months ended 30 June 2005 is based on the estimated effective rate of taxation for the period.

	30 June 2005 Unaudited €'000	30 June 2004 Unaudited €'000	31 Dec 2004 Audited €'000
Current tax – current period expense	590	1,872	1,262
Current tax – prior period (over)/under provision	(473)	18	3
Total current tax	117	1,890	1,265
Expense/(release) of deferred tax liability to current tax liability	555	(1,284)	(1,781)
Net tax expense/(credit)	672	606	(516)

7. Dividends

	30 June 2005 Unaudited €'000	30 June 2004 Unaudited €'000	31 Dec 2004 Audited €'000
Final declared dividend	1,070	1,020	1,020
Interim dividend paid	-	-	494
	1,070	1,020	1,514

An interim ordinary dividend of €0.95 cent (2004 €0.76 cent) has been declared subsequent to 30 June 2005.

Supplementary Information (Cont.)

8. Reconciliation of operating profit to net cash inflow from operating activities

	30 June 2005	30 June 2004	31 Dec 2004
	Unaudited	Unaudited	Audited
	€'000	€'000	€'000
Operating profit	5,601	7,088	512
Impairment of investments and goodwill	-	-	7,471
Depreciation and amortisation	673	595	1,689
(Profit)/loss on sale of fixed assets	(18)	6	(11)
Currency translation adjustment	156	(575)	(856)
Non-cash share based payments	217	79	247
Decrease/(increase) in debtors	(73)	(7,685)	1,478
Pension release closure	-	-	823
Increase in stocks	(359)	(434)	(598)
Loan from/(to) associated undertakings	103	(17)	(90)
(Decrease)/increase in creditors	(4,563)	14,701	12,593
	1,737	13,758	23,258

9. Contingent Liability

On 11 February 2004, the Financial Services Authority (“FSA”) published a Final Notice arising from the investigation conducted by its Enforcement Division during 2003, into sales and advice processes at Berkeley Jacobs Financial Services Limited (‘BJFS’) during the period December 2000 to March 2003. BJFS has undertaken to review the advice provided to clients who released pension benefits during that period in order to establish whether these clients may have been disadvantaged. Arrangements for the review have been agreed with the FSA and it is progressing. An amount of €2.0m has been provided, being the directors’ best estimate both of the costs of undertaking the review and the amount of redress, which might need to be paid in due course. However, as this estimate is based on a number of assumptions which it is not possible to objectively support, it is subject to uncertainty. The eventual costs could be greater or less than the amounts provided.

Supplementary Information (Cont.)

10. Income Statement

Six months ended 30 June 2004 - Reconciliation from Irish GAAP

	Irish GAAP	Correction of error	Goodwill/ Intangibles	Employee Benefits	Associates	Dividends	Share Options	Other	IFRS
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	44,965	-	-	-	-	-	-	-	44,965
Cost of sales	(2,605)	(1,155)	-	-	-	-	-	-	(3,760)
Gross profit	42,360	(1,155)	-	-	-	-	-	-	41,205
Operating expenses									
Administrative expenses	(37,437)	1,663	2,111	(200)	(66)	-	(79)	-	(34,008)
Exceptional items	(109)	-	-	-	-	-	-	-	(109)
	(37,546)	1,663	2,111	(200)	(66)	-	(79)	-	(34,117)
Operating profit/(loss)	4,814	508	2,111	(200)	(66)	-	(79)	-	7,088
Finance costs-net	(2,224)	-	-	-	-	-	-	-	(2,224)
Share of profit of associates	-	-	-	-	66	-	-	-	66
Profit before income tax	2,590	508	2,111	(200)	-	-	(79)	-	4,930
Income tax expense	(606)	-	-	-	-	-	-	-	(606)
Profit/(loss) for the period	1,984	508	2,111	(200)	-	-	(79)	-	4,324
Minority interest	(285)	-	-	-	-	-	-	-	(285)
Profit/(loss) for the financial year	1,699	508	2,111	(200)	-	-	(79)	-	4,039
Dividends	(494)	-	-	-	-	(526)	-	-	(1,020)
Retained profit/(loss) for year	1,205	508	2,111	(200)	-	(526)	(79)	-	3,019
Profit/(loss) for period attributable to:									
Equity holders of the company	1,699								4,039
Minority interest	285								285
	1,984								4,324

11. Balance Sheet as at 30 June 2004
Reconciliation from Irish GAAP to IFRS

	Irish GAAP	Goodwill /Intangibles	Employee Benefits	Dividends	Correction of Error	Deferred Tax	Share Options & Other	ReClass -ifications	Foreign Exchange	IFRS
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
ASSETS										
Non-current assets										
Property plant & equipment	6,244	-	-	-	-	-	-	(269)	-	5,975
Intangible Assets	61,772	2,111	-	-	-	-	-	269	(3,432)	60,720
Investments in associates	408	-	-	-	-	-	-	-	-	408
Deferred income tax assets	965	-	-	-	-	31	-	-	-	996
Investments	727	-	-	-	-	-	-	-	-	727
	70,116	2,111	-	-	-	31	-	-	(3,432)	68,826
Current Assets										
Inventories	1,714	-	-	-	-	-	-	-	-	1,714
Trade and other receivables	41,945	-	-	-	759	-	-	1,395	-	44,099
Current income tax asset	1,320	-	-	-	-	-	-	-	-	1,320
Cash and cash equivalents	21,023	-	-	-	-	-	-	-	-	21,023
	66,002	-	-	-	759	-	-	1,395	-	68,156
Total assets	136,118	2,111	-	-	759	31	-	1,395	(3,432)	136,982
LIABILITIES										
Non-current liabilities										
Borrowings	46,602	-	-	-	-	-	-	-	-	46,602
Deferred income tax liabilities	32	-	-	-	-	(32)	-	-	-	-
Retirement benefit obligations	-	-	881	-	-	-	-	-	-	881
Provisions for other liabilities and charges	5,972	-	-	-	-	-	-	-	-	5,972
	52,606	-	881	-	-	(32)	-	-	-	53,455
Current liabilities										
Trade and other payables	34,237	-	200	(494)	-	-	-	1,623	-	33,943
Current income tax liabilities	2,370	-	-	-	-	-	-	-	-	3,993
Borrowings	8,308	-	-	-	-	-	-	-	-	8,308
Provisions for other liabilities and charges	4,576	-	-	-	-	-	-	-	-	4,576
Other current liabilities	-	-	-	-	-	-	-	-	-	-
	49,491	-	200	(494)	-	-	-	1,623	-	50,820
Total liabilities	102,097	-	1,081	(494)	-	(32)	-	1,623	-	104,275
Net Assets	34,021	2,111	(1,081)	494	759	63	-	(228)	(3,432)	32,707
Equity & Reserves										
Share Capital	7,800	-	-	-	-	-	-	-	-	7,800
Share Premium	44,831	-	-	-	-	-	-	-	-	44,831
Other reserves	687	-	-	-	-	-	79	(273)	-	493
Retained earnings	(20,949)	2,111	(1,081)	494	759	63	-79	45	(3,432)	(22,069)
	32,369	2,111	(1,081)	494	759	63	-	(228)	(3,432)	31,055
Minority interest	1,652	-	-	-	-	-	-	-	-	1,652
Total equity	34,021	2,111	(1,081)	494	759	63	-	(228)	(3,432)	32,707

Independent review report to IFG Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated interim balance sheet as at 30 June 2005 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Irish Stock Exchange. As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis of preparation and the provisional IFRS accounting policies set out on pages 11 to 20.

The provisional IFRS accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in Ireland. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed provisional IFRS accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

PricewaterhouseCoopers

Chartered Accountants

Dublin

27 September 2005

Note

The maintenance and integrity of the IFG Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

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