

IFG Group plc

**Restatement of Financial Information under
International Financial Reporting Standards (IFRS)**

28 September 2005

CONTENTS

1. General information
2. Basis of preparation of financial information under IFRS
3. Optional exemptions availed of on transition to IFRS
4. Impact of transition to IFRS
5. Detailed reconciliations from Irish GAAP to IFRS
 - Summary balance sheets at 1 January 2005, 31 December 2004, 30 June 2004 and 1 January 2004
 - Detailed balance sheet at 1 January 2004
 - Detailed balance sheet as at 30 June 2004
 - Detailed balance sheet as at 31 December 2004
 - Detailed balance sheet as at 1 January 2005 (transition date for adoption of IAS 32 and IAS 39)
 - Summary income statement for six months ended 30 June 2004
 - Detailed income statement for six months ended 30 June 2004
 - Summary income statement for the year ended 31 December 2004
 - Detailed income statement for the year ended 31 December 2004
 - Statement of changes in shareholders' equity for six months ended 30 June 2004
 - Statement of changes in shareholders' equity for the year ended 31 December 2004 and as at 1 January 2005
6. Provisional IFRS accounting policies

1. General information

Up to and including 31 December 2004, IFG Group Plc (“IFG”) prepared its consolidated financial statements in accordance with Irish GAAP.

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. The Group has implemented IFRS with effect from 1 January 2005. Its 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 IFG’s 2005 Annual Report.

The following financial information is based on IFRS expected to be effective as at 31 December 2005 and presents the consolidated income statement and consolidated statement of changes in shareholders’ equity for the year ended 31 December 2004 and consolidated balance sheets as at 1 January 2004, 31 December 2004 and 1 January 2005 on this basis. The consolidated financial statements for these periods were previously prepared under Irish Generally Accepted Accounting Principles (“Irish GAAP”). Also included are the unaudited consolidated income statement, consolidated statement of changes in shareholders’ equity, consolidated cash flow and consolidated balance sheet for the six months ended 30 June 2004.

2. Basis of preparation of financial information under International Financial Reporting Standards

Previously the Group prepared its audited annual financial statements in accordance with Irish Generally Accepted Accounting Principles (“Irish GAAP”). In accordance with EU Regulations, the Group is required to present its annual consolidated financial statements for the year ended 31 December 2005 in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and adopted for use by the EU.

The Group’s transition date to IFRS is 1 January 2004 and the comparative financial information for the year ended 31 December 2004 has been restated on a consistent basis with those accounting policies expected to be applied by 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 Accounting Standards” (IFRS 1).

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 the 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 the 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.

The transition to IFRS is accounted for in accordance with IFRS 1. This standard sets out how to adopt IFRS for the first time and mandates that most standards are to be fully applied retrospectively. There are certain limited exemptions from this requirement. The significant decisions taken in respect of availing, or otherwise, of the exemptions available are outlined below in the section “Optional Exemptions Availed of on Transition to IFRS”.

The Group has made use of the exemptions contained in IFRS 1 to only apply International Accounting Standard (IAS) 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement “ from 1 January 2005. The comparative financial information in relation to financial instruments for 2004 is presented in accordance with Irish GAAP.

Details of how the transition from Irish GAAP to IFRS has impacted the Group’s consolidated financial position, results and cash flows are set out in section 5 and discussed in section 4 below “Impact of Transition to IFRS”.

This financial information has been prepared on the historical cost basis, except for certain fixed assets where the previous revaluation 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 39 on 1 January 2005.

3. Optional Exemptions Availed of on Transition to IFRS.

In accordance with IFRS 1, which establishes the framework for transition to IFRS by a first-time adopter such as IFG, the Group has elected, in common with the majority of listed companies, to avail of a number of specified exemptions from the general principle of retrospective restatement as follow:

Business Combinations

The Group has not applied IFRS 3 “Business Combinations” retrospectively to business combinations that occurred prior to the transition date of 1 January 2004, accordingly, goodwill as at the transition date is included in the restated balance sheet at it’s previous carrying value and, together with goodwill arising on business combinations subsequent to the transition date, is subject to impairment testing on an annual basis in accordance with IAS 36 “Impairment of Assets”. As required under IFRS 1, goodwill was assessed for impairment as at the transition date and no impairment resulted from this exercise.

Revaluation as Deemed Cost

The fixed asset revaluation performed as at 31 December 2004 and referred to in Note 14 to the financial statements in the 2004 Annual Report has been regarded as deemed cost as previous revaluation was broadly comparable to fair value, and therefore remains unadjusted on transition to IFRS.

Employee Benefits

The cumulative actuarial gains and losses applicable to the Group’s defined benefit pension scheme at transition date have been recognised in full in equity on the transition date.

Cumulative Translation Differences

The Group has elected to set the previously accumulated foreign currency translation reserve to zero as at transition date. This has no net impact on capital and reserves attributable to the Company's equity holders.

Restatement of Comparatives for IAS 32 and 39

IFRS 1 includes specific transitional provisions for IAS 32 and 39 whereby these standards do not need to be applied to the comparative period and the comparative information may be presented on the basis of Irish GAAP previously applied. The Group has elected to apply this exemption. For the 2004 comparatives financial instruments are recognised using the measurement bases and disclosure requirements of Irish GAAP rules relating to such financial instruments, including financial assets, liabilities and to hedging relationships.

The adjustments relating to IAS 32 and IAS 39 were made to equity as at 1 January 2005.

Share-Based Payment Transactions

In line with the transitional provisions applicable to a first time adopter of IFRS, as contained in IFRS 2 "Share-Based Payment", the Group has elected to implement the standard in respect of share options granted after 7 November 2002 and not vested by 1 January 2005. The expense reported in the 2004 interim and full-year income statements is thus based on share options issued in April 2004 and July 2004.

4. Impact of transition to IFRS

The adoption of IFRS will result in significant changes to the Group's accounting policies and the financial impact of each as at the date of transition to IFRS is summarised below. The accounting policies which will apply under IFRS are set out in detail in section 6. The detailed reconciliation schedules are found in section 5.

(a) IAS 19-Employee Benefits

Under Irish GAAP, the Group measures pension commitments and other related benefits in accordance with SSAP 24 and has adopted the transitional requirements of FRS 17 Retirement benefits. Under IFRS, the Group measures pension commitments and other related benefits in accordance with IAS 19 Employee Benefits. IAS 19 is similar to FRS 17 in that it adopts a balance sheet approach, requiring the assets and liabilities of defined benefit pension schemes to be capitalised gross of deferred tax on the face of the balance sheet within retirement benefit obligations. Deferred tax has been computed in respect of the defined benefit pension scheme and the related deferred tax assets and liabilities are included in the restatements at the various balance sheet dates. In accordance with the exemption under IFRS 1, the group has recognised all cumulative actuarial gains and losses attributable to its defined pension scheme as at the transition date.

The group has adopted the corridor approach under IAS 19 to determine the treatment of actuarial gains and losses arising during the year. Under this approach to the extent that the cumulative actuarial gains or losses remain within a corridor, defined as the greater of 10% of the schemes assets or liabilities, they are not recognised in the financial statements. If the cumulative gains and losses exceed the 10% corridor, the excess is charged or credited to the income statement over the average remaining service lives of the active scheme members.

Under FRS 17, disclosure of the deficit on the pension scheme was included in the 2004 annual report. Under IFRS, the deficit on the scheme that has been brought onto the balance sheet is €881,000 at 1 January 2004. The related deferred tax asset (€88,000) has also been recognised.

(b) IFRS 2-Share-based payments

The Group operates a share option scheme under which options are granted to employees. Under Irish GAAP no expense has been recognised in the income statement given that the intrinsic value of such options was nil (intrinsic value being the difference between the market price at the date of grant and the exercise price). Under IFRS, an expense is recognised in the income statement for all share based awards. This expense has been calculated based on the fair value of the award using the Black-Scholes model and is spread over the vesting period of the instrument. The balance sheet entry is based on the fair value of all awards and results in a credit for equity settled awards. Under IFRS 1, this requirement applies only to grants of shares, share options or other equity instruments made after 7 November 2002 that have not vested by 1 January 2005.

The implementation of IFRS 2 results in a nil charge to revenue reserves for Financial Year 2003 as there were no options granted from November 2002 until April 2004. In Financial Year 2004, IFRS 2 has resulted in a charge to operating expenses in the income statement of €247,000.

(c) IFRS 3-Business combinations and goodwill

Irish GAAP requires goodwill to be amortised over its useful economic life. Under IFRS 3 goodwill arising after the transition date is no longer amortised but is held at its carrying amount at the date of transition to IFRS and tested annually for impairment. The Group has availed of the optional exemption in IFRS 1 not to restate business combinations made before the date of transition.

Under Irish GAAP, goodwill that was previously held in reserves is recycled and included within the profit/loss on disposal calculation. Under IFRS any goodwill held in reserves is not recycled on disposal. On disposal of an operation under IFRS, the Group will transfer the cumulative amount of exchange differences previously recognised in equity since the transition date to the income statement as part of the profit or loss on disposal. Under Irish GAAP cumulative exchange differences remain in reserves.

The principal implications of IFRS 3 for the financial statements are:

- The group ceased amortisation of goodwill at 31 December 2003.
- Accumulated amortisation as at 31 December 2003 has been eliminated with a corresponding reduction in the deemed cost of goodwill.
- From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment as well as when there are indications of impairment.

Goodwill amortisation of €4,231,000 charged in 2004 under Irish GAAP has been reversed. All goodwill has been tested for impairment at the transition date and for the year ended 31 December 2004 in accordance with IFRS. No adjustment was necessary.

Prior to 2004, the financial statements of a subsidiary were not consolidated as there were severe long term restrictions that hindered the exercise of the rights of the parent undertaking over the assets of the subsidiary. These restrictions have ceased and therefore this subsidiary has been consolidated at the date of transition resulting in a reduction in reserves of €228,000.

(d) IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors

Under Irish GAAP when a material error occurred it was corrected by means of a prior year adjustment in the current period. In accordance with IAS 8, a prior period error shall be corrected by retrospective restatement.

In 2004, following a review of the revenue recognition policy an amount of €759,000 was identified as revenue that should have been recognised in prior periods. The opening retained earnings at the transition date were credited with €759,000 and a corresponding reduction has been made in the income statement for the year ended 31 December 2004.

A foreign exchange gain of €417,000 should have been recognised in the income statement in the year ended 31 December 2004. It was taken to reserves in error. The income statement for the year ended 31 December 2004 has been adjusted to take account of the gain with a resulting reduction in the translation reserve.

In the six months ended 30 June 2004, an amount of €1,155,000 was incorrectly classified as being an administrative expense when it should have been classified as cost of sales. This error has been corrected to ensure consistency with classification in future periods.

(e) IAS 16-Property, plant and equipment

Under Irish GAAP, fixed assets were stated at cost or valuation less accumulated depreciation. Depreciation was calculated on all fixed assets, with the exception of freehold land, on a straight line basis, by reference to the expected useful lives of the assets concerned.

Under IAS 16, property, plant and equipment is initially measured at cost and after initial recognition will be carried at cost less accumulated depreciation and accumulated impairment costs. The Group have availed of IFRS 1 to use a deemed cost at transition date for assets acquired prior to transition. Deemed cost can be

- The depreciated historical cost
- The fair value of the asset at date of transition, or
- A revaluation to fair value under previous GAAP which has been depreciated up to the transition date.

Valuations of the Group's freehold premises were carried out at 31 December 2004. These valuations were based on an open market value basis.

The Group has elected to use the third option above for the freehold premises that were revalued, and depreciated historical cost for buildings acquired since the revaluation date.

(f) IAS 21- the Effects of Changes in Foreign Exchange Rates

All goodwill held related to subsidiaries whose functional currency is not the same as the functional currency of the parent was restated to its sterling amount and translated to euro at transition date to IFRS. This resulted in a reduction of goodwill of €4,773,000 at transition date. Subsequent to that date, sterling denominated goodwill is translated at the balance sheet rate and movements taken to equity. As at 31 December 2004 the foreign currency movement on goodwill was €5,842,000

(g) IAS 10-Events after the Balance Sheet Date

Under Irish GAAP, the Company accounted for proposed dividends relating to a given accounting period in that period, even if the date of approval for that dividend was after the balance sheet date. Under IFRS, proposed dividends do not meet the definition of a liability until such time as they have been approved by the shareholders. Thus the Company will no longer recognise a liability in any period for proposed dividends not approved by the balance sheet date. This results in an increase in retained earnings of €1,020,000 at 1 January 2004

(h) IAS 28-Investments in associates

In line with its treatment of associates under Irish GAAP, IFG will equity account for its associates under IFRS. However under Irish GAAP, results for associates were presented in the financial statements reflecting the Group's share of the operating profit, interest, tax and minority interest. As per IAS 28; Investments in Associates, the Group's share of profit after interest, tax and minority interest is shown as a single line item in the income statement. This has resulted in a reclassification of items in the income statement only, it has no impact on either the Group's profit for the year or on the Group's net assets.

(i) IAS 32 and IAS 39-Financial assets and financial instruments

The Group has availed of the option within IFRS 1 to implement IAS 32 and IAS 39 from 1 January 2005 thus the transition adjustments that arise on implementation of these standards arise at this date. The IAS 32 and IAS 39 transition adjustments relate to the following:

Under Irish GAAP, investments were classified in the balance sheet under fixed assets and were reviewed for impairment. Investments are now classified as available-for-sale and carried at fair value. These are classified as non-current assets unless the company has a plan to dispose of such assets within 12 months. Under IFRS any fair value movements are taken to equity and held there until such time as the assets are disposed or unless there is objective evidence of an impairment.

Amounts totalling €630,000 previously classified as investments are now classified as available-for-sale financial assets as at 1 January 2005. These represent investments in equity securities that are both quoted and unquoted and which present the Group with the opportunity for a return through both dividend and capital gain. The available-for-sale investments are remeasured at fair value resulting in a reduction in value of €119,000. While such investments are classified as available-for-sale it is not the Group's intention to dispose of such investments and as such they are classified under the non-current assets category.

(j) Reclassifications

- Under Irish GAAP, the deferred tax liability or asset was shown within provisions for liabilities and charges or debtors as appropriate. Under IFRS a separate classification on the balance sheet of deferred income tax assets or liabilities is shown under the non-current heading.
- Under Irish GAAP, the current income tax liability is shown within creditors on the face of the balance sheet. Under IFRS, the income tax liability is shown separately on the face of the balance sheet. This resulted in €1,043,000 being reclassified from creditors to current tax liability at the transition date and €1,574,000 at 31 December 2004.
- Under Irish GAAP, computer software was shown within Property, Plant & Equipment. Under IFRS it is shown as a component of Intangible Assets. The reclassification was €203,000 at transition date; €269,000 at 30 June 2004 and €245,000 at 31 December 2004.
- Under Irish GAAP, three types of exceptional items were required to be shown after operating profit- (1) profits or losses on sale or termination of an operation, (2) costs of a fundamental restructuring and (3) profits/losses on disposal of fixed assets. Under IFRS all exceptional items, apart from the results of discontinued operations are disclosed in the appropriate operating line item before operating profit, with separate disclosure for items that are exceptional by virtue of their size or nature. This has resulted in a reclassification of exceptional items as reported by the Group for the year ended 31 December 2004.

(k) IAS 7-Cash flow Statement

The IFRS cash flow statement is presented in a different format from that required by Irish GAAP, with cash flows split into three categories of activities- operating activities, investing activities and financing activities.

In preparing the cash flow statement under IFRS, cash and cash equivalents include 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.

The reconciling items between the Irish GAAP presentation and the IFRS presentation have had no impact on the net cash flows generated.

Consolidated Balance Sheet

	01-Jan-05 Audited €'000	31-Dec-04 Audited €'000	30-Jun-04 Unaudited €'000	01-Jan-04 Audited €'000
ASSETS				
Non-current assets				
Property plant & equipment	5,870	5,870	5,975	5,576
Intangible assets	51,203	51,203	60,720	57,968
Investments in associates	2,041	2,041	408	343
Deferred income tax assets	1,492	1,492	996	990
Available for sale	511	-	-	-
Investments	-	630	727	727
	61,117	61,236	68,826	65,604
Current assets				
Inventories	1,124	1,124	1,714	1,220
Trade and other receivables	34,786	34,786	44,099	44,417
Current income tax asset	1,415	1,415	1,320	1,385
Cash and cash equivalents	17,944	17,944	21,023	20,753
	55,269	55,269	68,156	67,775
Total assets	116,386	116,505	136,982	133,379
LIABILITIES				
Non-current liabilities				
Borrowings	38,872	39,026	46,602	38,116
Deferred income tax liabilities	-	-	-	1,278
Retirement benefit obligations	881	881	881	881
Provisions for other liabilities and charges	1,250	1,250	5,972	6,224
	41,003	41,157	53,455	46,499
Current liabilities				
Trade and other payables	32,387	32,387	35,566	19,271
Current income tax liabilities	1,574	1,574	2,370	1,043
Borrowings	12,936	12,936	8,308	37,436
Provisions for other liabilities and charges	3,682	3,682	4,576	-
	50,579	50,579	50,820	57,750
Total liabilities	91,582	91,736	104,275	104,249
Net assets	24,804	24,769	32,707	29,130
Equity & reserves				
Share capital	7,827	7,827	7,800	7,800
Share premium	44,867	44,867	44,831	44,831
Other reserves	2,450	2,231	493	414
Retained earnings	(31,713)	(31,529)	(22,069)	(25,285)
	23,431	23,396	31,055	27,760
Minority interest	1,373	1,373	1,652	1,370
Total equity	24,804	24,769	32,707	29,130

Balance Sheet as at 1 January 2004
Reconciliation from Irish GAAP to IFRS

	Irish GAAP Balance sheet €'000	Foreign Exchange €'000	Employee Benefits €'000	Dividends €'000	Deferred Tax €'000	Reclass- ifications & Other €'000	Correction of Error €'000	Opening IFRS Balance sheet €'000
ASSETS								
Non-current assets								
Property plant & equipment	5,779	-	-	-	-	(203)	-	5,576
Intangible assets	62,538	(4,773)	-	-	-	203	-	57,968
Investments in associates	343	-	-	-	-	-	-	343
Deferred income tax assets	965	-	-	-	25	-	-	990
Investments	727	-	-	-	-	-	-	727
	70,352	(4,773)	-	-	25	-	-	65,604
Current Assets								
Inventories	1,220	-	-	-	-	-	-	1,220
Trade and other receivables	42,263	-	-	-	-	1,395	759	44,417
Current income tax asset	1,385	-	-	-	-	-	-	1,385
Cash and cash equivalents	20,753	-	-	-	-	-	-	20,753
	65,621	-	-	-	-	1,395	759	67,775
Total assets	135,973	(4,773)	-	-	25	1,395	759	133,379
LIABILITIES								
Non-current liabilities								
Borrowings	38,116	-	-	-	-	-	-	38,116
Deferred income tax liabilities	1,316	-	-	-	(38)	-	-	1,278
Retirement benefit obligations	-	-	881	-	-	-	-	881
Provisions for other liabilities and charges	6,224	-	-	-	-	-	-	6,224
Other non-current liabilities	-	-	-	-	-	-	-	-
	45,656	-	881	-	(38)	-	-	46,499
Current liabilities								
Trade and other payables	18,668	-	-	(1,020)	-	1,623	-	19,271
Current income tax liabilities	1,043	-	-	-	-	-	-	1,043
Borrowings	37,436	-	-	-	-	-	-	37,436
Provisions for other liabilities and charges	-	-	-	-	-	-	-	-
	57,147	-	-	(1,020)	-	1,623	-	57,750
Total liabilities	102,803	-	881	(1,020)	(38)	1,623	-	104,249
Net assets	33,170	(4,773)	(881)	1,020	63	(228)	759	29,130
Equity & reserves								
Share capital	7,800	-	-	-	-	-	-	7,800
Share premium	44,831	-	-	-	-	-	-	44,831
Other reserves	687	-	-	-	-	(273)	-	414
Retained earnings	(21,518)	(4,773)	(881)	1,020	63	45	759	(25,285)
	31,800	(4,773)	(881)	1,020	63	(228)	759	27,760
Minority interest	1,370	-	-	-	-	-	-	1,370
Total equity	33,170	(4,773)	(881)	1,020	63	(228)	759	29,130

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
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
	52,606	-	881	-	-	(32)	-	-	-	53,455
Current liabilities										
Trade and other payables	34,237	-	200	(494)	-	-	-	1,623	-	35,566
Current income tax liabilities	2,370	-	-	-	-	-	-	-	-	2,370
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

Balance Sheet as at 31 December 2004
Reconciliation from Irish GAAP to IFRS

	Irish GAAP	Goodwill /Intangibles	Employee Benefits	Dividends	Deferred Tax	Share Options	ReClass -ifications	Foreign Exchange	IFRS
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS									
Non-current assets									
Property plant & equipment	6,115	-	-	-	-	-	(245)	-	5,870
Intangible assets	52,569	4,231	-	-	-	-	245	(5,842)	51,203
Investments in associates	2,041	-	-	-	-	-	-	-	2,041
Deferred income tax assets	1,581	-	-	-	(89)	-	-	-	1,492
Investments	630	-	-	-	-	-	-	-	630
	62,936	4,231			(89)			(5,842)	61,236
Current Assets									
Inventories	1,124	-	-	-	-	-	-	-	1,124
Trade and other receivables	34,786	-	-	-	-	-	-	-	34,786
Current income tax asset	1,415	-	-	-	-	-	-	-	1,415
Cash and cash equivalents	17,944	-	-	-	-	-	-	-	17,944
	55,269								55,269
Total assets	118,205	4,231			(89)			(5,842)	116,505
LIABILITIES									
Non-current liabilities									
Borrowings	39,026	-	-	-	-	-	-	-	39,026
Deferred income tax liabilities	78	-	-	-	(78)	-	-	-	-
Retirement benefit obligations	-	-	881	-	-	-	-	-	881
Provisions for other liabilities and charges	1,250	-	-	-	-	-	-	-	1,250
	40,354		881		(78)				41,157
Current liabilities									
Trade and other payables	33,457	-	-	(1,070)	-	-	-	-	32,387
Current income tax liabilities	1,574	-	-	-	-	-	-	-	1,574
Borrowings	12,936	-	-	-	-	-	-	-	12,936
Provisions for other liabilities and charges	3,682	-	-	-	-	-	-	-	3,682
Other current liabilities	-	-	-	-	-	-	-	-	-
	51,649			(1,070)					50,579
Total liabilities	92,003		881	(1,070)	(78)				91,736
Net assets	26,202	4,231	(881)	1,070	(11)			(5,842)	24,769
Equity & reserves									
Share capital	7,827	-	-	-	-	-	-	-	7,827
Share premium	44,867	-	-	-	-	-	-	-	44,867
Other reserves	2,257	-	-	-	-	247	(273)	-	2,231
Retained earnings	(30,122)	4,231	(881)	1,070	(11)	(247)	273	(5,842)	(31,529)
	24,829	4,231	(881)	1,070	(11)			(5,842)	23,396
Minority interest	1,373								1,373
Total equity	26,202	4,231	(881)	1,070	(11)			(5,842)	24,769

Balance Sheet as at 1 January 2005
Reconciliation from IFRS as at 31 December 2004 to IFRS as at 1 January 2005 to reflect the adoption of IAS 32 and IAS 39

	IFRS 31-Dec-04	Effect of adoption of IAS 32 & IAS 39	IFRS 01-Jan-05
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property plant & equipment	5,870	-	5,870
Intangible Assets	51,203	-	51,203
Investments in associates	2,041	-	2,041
Deferred income tax assets	1,492	-	1,492
Available for Sale financial assets	-	511	511
Investments	630	(630)	-
	<hr/> 61,236	<hr/> (119)	<hr/> 61,117
Current Assets			
Inventories	1,124	-	1,124
Trade and other receivables	34,786	-	34,786
Current income tax asset	1,415	-	1,415
Cash and cash equivalents	17,944	-	17,944
	<hr/> 55,269	<hr/> -	<hr/> 55,269
Total assets	<hr/> 116,505	<hr/> (119)	<hr/> 116,386
LIABILITIES			
Non-current liabilities			
Borrowings	39,026	(154)	38,872
Deferred income tax liabilities	-	-	-
Retirement benefit obligations	881	-	881
Provisions for other liabilities and charges	1,250	-	1,250
	<hr/> 41,157	<hr/> (154)	<hr/> 41,003
Current liabilities			
Trade and other payables	32,387	-	32,387
Current income tax liabilities	1,574	-	1,574
Borrowings	12,936	-	12,936
Provisions for other liabilities and charges	3,682	-	3,682
	<hr/> 50,579	<hr/> -	<hr/> 50,579
Total liabilities	<hr/> 91,736	<hr/> (154)	<hr/> 91,582
Net assets	<hr/> 24,769	<hr/> 35	<hr/> 24,804
Equity & reserves			
Share capital	7,827	-	7,827
Share premium	44,867	-	44,867
Other reserves	2,231	219	2,450
Retained earnings	(31,529)	(184)	(31,713)
	<hr/> 23,396	<hr/> 35	<hr/> (23,431)
Minority interest	1,373	-	1,373
Total equity	<hr/> 24,769	<hr/> 35	<hr/> 24,804

Income statement
Six months ended 30 June 2004

	IFRS
	€'000
Revenue	44,965
Cost of Sales	(3,760)
Gross Profit	<u>41,205</u>
Operating expenses	
Administrative expenses (excluding exceptional expenses)	(34,008)
Exceptional items	(109)
Total administrative expenses	<u>(34,117)</u>
Operating Profit	7,088
Finance costs	(2,224)
Share of profit of associates	66
Profit before income tax	<u>4,930</u>
Income tax expense	(606)
Profit for the period	<u><u>4,324</u></u>
Attributable to:	
Equity holders of the company	4,039
Minority interest	285
	<u><u>4,324</u></u>
Earnings per ordinary share (cent)	
Basic	6.21
Fully diluted	6.19

Income statement
Year ended 31 December 2004

	IFRS
	€'000
Revenue	95,373
Cost of sales	(19,226)
Gross profit	<u>76,147</u>
Operating expenses	
Administrative expenses (before exceptional expenses)	(66,068)
Exceptional items	(9,567)
Total administrative expenses	<u>(75,635)</u>
Operating profit	512
Finance costs	(3,703)
Share of profit of associates	106
Loss before income tax	<u>(3,085)</u>
Income tax expense	516
Loss for the period	<u>(2,569)</u>
Attributable to:	
Equity holders of the company	(3,227)
Minority interest	658
	<u>(2,569)</u>
Loss per ordinary share (cent)	
Basic	(4.96)
Fully diluted	(4.96)

**IFG GROUP PLC- STATEMENT OF CHANGES IN EQUITY
PERIOD ENDED 31 DECEMBER 2004 & 1 JANUARY 2005**

	Share capital €'000	Share premium €'000	Capital conversion €'000	Other reserves €'000	Translation reserve €'000	Retained earnings €'000	Attributable to equity holders of the company €'000	Minority interest €'000	Total equity €'000
Balance at 1 January 2004	7,800	44,831	414	-	(4,773)	(20,512)	27,760	1,370	29,130
Changes in equity for 2004									
Currency translation adjustment	-	-	-	-	(1,503)	-	(1,503)	(1)	(1,504)
Loss for the year	-	-	-	-	-	(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	-	-	-	-	-	-	-	(48)	(48)
Equity share options granted	-	-	-	247	-	-	247	-	247
Balance 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
Balance at 1 January 2005	7,827	44,867	414	2,036	(6,276)	(25,437)	23,431	1,373	24,804

**IFG GROUP PLC- STATEMENT OF CHANGES IN EQUITY
PERIOD ENDED 30 JUNE 2004**

	Share capital €'000	Share Premium €'000	Capital Conversion €'000	Other reserves €'000	Translation reserve €'000	Retained earnings €'000	Attributable to equity holders of the company €'000	Minority interest €'000	Total equity €'000
Balance at 1 January 2004	7,800	44,831	414	-	(4,773)	(20,512)	27,760	1,370	29,130
Changes in equity for 2004									
Currency translation adjustment	-	-	-	-	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
Balance at 30 June 2004	7,800	44,831	414	79	(4,576)	(17,493)	31,055	1,652	32,707

6. 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.

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.

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.

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).

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.

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.

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 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' 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.

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.

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.