Conister Financial Group PLC

Annual Report for the year ended 31 December 2008

Welcome to Conister
Integrity through innovation and independence

An independent offshore banking group since 1935, domiciled in the Isle of Man.

Who we are

Conister Financial Group

Conister Financial Group PLC ("CFG") was formed as part of a "Scheme of Arrangement" undertaken in January 2008 in order to establish a non-regulated parent company of Conister Trust Limited (formerly Conister Trust PLC).

Conister Trust

Conister Trust Limited ("the Bank") is a licensed, independent bank in the Isle of Man and a full member of the MasterCard® network.

Since its inception in 1935, the Bank has assisted successive generations with a variety of financial products and services, including taking deposits and providing credit facilities for personal and business use.

More recently, the Bank has also diversified into the insurance premium finance market and fiduciary deposits for corporate and high net worth clients.

The shares of Conister Trust were replaced on AIM by those of Conister Financial Group PLC.

Contents

Tower of Refuge, Conister Rock, Douglas Bay, Isle of Man.

Financial Highlights

Conister Trust Limited, the Bank:

- is strongly capitalised with a Risk Asset Ratio of 18.0% and a Tier 1 capital ratio of 15.6%. This compares very favourably to the average of the top 20 international banks which stands at 7.9%.
- has reduced its loss before discontinued operations to £1.3 million including £0.1 million re-structure costs.
- interest income rose 4% driven by increased premium finance lending. In this area receivables increased 36% from £12.9 million to £17.5 million.
- has robust cash balances which remained strong at £20.6 million (2007: £22.9 million).
- customer deposits rose 7% to £66 million (2007: £62 million).
- fiduciary deposits rose 46% to £51 million (2007: £35 million).
- due to the worsened economic environment, has taken a prudential impairment charge of £0.5 million applied to the Asset and Personal Finance loan book. This resulted in a loss of £0.5 million for the year.
- has net litigation funding receivables which have reduced by 40% from £2.5 million to £1.5 million. An impairment allowance against this loan book (now in run-off) increased by £0.4 million.

TransSend:

- invested a further £3.7 million in the pre-paid card business (2007: £2.5 million).
- incurred £0.7 million of restructuring costs in moving towards profitability.

CFG the Holding Company:

- incurred a £9.6 million non-cash impairment loss recognised on the Equity Special Situations Limited (ESS) holding as ESS entered liquidation in December 2008. CFG's holding in ESS resulted from share-for-share exchanges during the year. This holding was acquired to allow both groups to jointly exploit commercial opportunities and formed part of the TransSend disposal strategy. ESS's failure was related to the failure of the Icelandic Banks and had a negligible cash impact on the Group.
- incurred further one off charges comprising of £0.6 million loss on investments, £0.4 million cost of pursuing a potential acquisition, £0.8 million cost of reorganising the Isle of Man operations and legal costs of £0.1 million in relation to the ESS swap.

Conister Financial Group

- Pre-tax loss for 2008 £18.3 million (2007: loss of £4.1 million).

Operating Highlights

- The Bank has proved highly resilient to the economic downturn and remains more than adequately capitalised.
- Deposits have increased over the year and cash balances remain strong.
- The Bank is entirely retail deposit funded with a loan book that matches the duration of the depositors' terms.
- No wholesale funding.
- No exposure to the sub-prime sector or to mortgages.
- The pre-paid card operation has been restructured and repositioned to a lower risk market position.

James Mellon
Chairman

An unprecedented year for financial services industries

The economic turmoil that has engulfed the world has left banks restricting lending, chasing deposits and incurring unprecedented losses. The second half of 2008 witnessed global financial institutions being rescued by governments and unprecedented regulator intervention. It is currently unchartered territory for financial services companies.

Whilst the Group is well insulated against the extremities of the economic slowdown by not having any exposure to wholesale money markets or sub-prime loans and not being involved in mortgage lending, the competitive action of lowered interest rates, less secure banks and the damage inflicted on customers' disposable income levels has impacted our results.

To minimise the impact of the economic climate, the Board has undertaken a comprehensive review of all business activities. This has left the Group leaner and allowed a more focused approach to its core capabilities and market. As part of this review £500,000 of capital was raised in the form of a long term subordinated debt.

This strategic review is covered in greater detail within the Chief Executive's report.

Conister Trust

The Bank remains very strongly capitalised with a Risk Asset Ratio of 18.0% and a Tier 1 capital ratio of 15.6% which compares very favourably to the average of 7.9% for the top 20 banks[1]. Deposits continued to grow during the year and cash balances remained strong. As one would expect general provisioning was increased to reflect the deteriorating economic environment. Regarding litigation funding, which is a discontinued business stream and has been in run off since 2007, agreement was reached on 20 May 2009 with the firm of solicitors that the Bank has been in litigation with.

The Bank will concentrate on delivering customer focused products to supplement its Asset Finance revenues. This strategy will be aided by the Bank's £750,000 investment in a new banking system which will be operational in Q3 2009.

TransSend

The development of the prepaid market has stalled as other financial services companies digest the impact of the global economic crises on prepaid. This, alongside the company withdrawing its e-money licence application, led to a strategic review of the Group's prepaid business which concluded the prepaid market was still in a state of flux. Thus to take advantage of the short to medium term market opportunities, TransSend will be repositioned from the saturated programme manager market sector, to becoming a local BIN sponsor by concentrating on issuing cards on behalf of programme managers by using the existing MasterCard membership.

Analysis of the Conister Trust and TransSend results are contained within the Chief Executive's report.

Conister Financial Group — the holding company

As already reported to our Shareholders on 13 November 2008, the company entered into two share-for-share exchanges with Equity Special Solutions (ESS). The rationale for entering into these agreements was to allow both groups to jointly exploit commercial opportunities. The share swaps were also entered into as part of the TransSend partial disposal strategy which would allow TransSend to become a standalone business and to progress its e-money licence. Following the failure of Landsbanki and Kaupthing Singer & Friedlander in the United Kingdom, ESS then entered into administration. The Board have considered the value of the ESS shareholding and have prudently written off its full value, £9.6 million, although we understand that there may be an opportunity for some recovery at a future date. The loss, although regrettable, involved a minimal cash outlay and had no effect on the financial strength of the Bank's balance sheet.

100% of TransSend share capital is now again owned by Conister Financial Group plc.

The loss for the year relates mainly to the ESS transaction and non-reoccurring costs, but despite both of these issues cash has remained stable.

Our people

Throughout this difficult period our people have proved dedicated and motivated and I thank them for all their effort during the last year.

There have been recent changes to the Board with Phil Stamp leaving last December and Simon Hull and David Gibson, who were and remain Conister Trust directors, joining the Board in February 2009.

The composition of the Executive body at the Group has also changed with Arron Banks stepping down as Chief Executive but remaining on the Board. Arron was replaced by Denham Eke on 12 February 2009, an existing Board member, and as part of this reshuffle I accepted the role of Executive Chairman.

AGM Resolutions

As always the Board would recommend the shareholders consider and support the resolutions laid before them at the AGM.

Of the resolutions that the shareholders are being asked to consider there are two which I would like to expand upon within this report, namely

- This year the Board proposes to cancel the share premium account which arose from the ESS transactions. This will significantly offset the ESS loss currently recognised within retained earnings, at a minimal cost, and
- The Board have considered and thought desirable to change the Group's name from Conister Financial Group PLC to Manx Financial Group PLC. With the planned expansion of the Group's range of services the Board wish to segregate further the Bank from the other activities of the Group.

1 Reference: Reuters "S&P launches new bank capital ratio to weigh risk" 21 April 2009.

Outlook

Market conditions for financial services entities will remain challenging but the refocused group is well positioned to generate improved returns.

Conister Trust will position itself as the only truly Manx independent bank and will leverage its unique position through the new banking system to start primary relationships with its customers and to add additional consumer focused propositions to strengthen and lengthen the customer relationship.

The prepaid card division will seek strategic alliances with quality programme managers to provide a sales distribution that it could not achieve on its own whilst at the same time positioning itself to take advantage of any strategic opportunities as the market grows.

The balance sheet remains strong with minimal debt and no exposure to the sub-prime or housing market sectors. This, together with the commitment of the Board and Executives, will drive forward the progress made in recent months to grow the Group despite this turbulent market and to be in an enhanced position for when more normal trading conditions return.

My thanks again go to all the staff for all their effort and also to our customers and shareholders for their support throughout this difficult year.

James Mellon
Executive Chairman
1 June 2009

Denham Eke
Chief Executive Officer

Introduction

I am delighted to be appointed as the Group's Chief Executive and look forward to the challenges and opportunities that the current economic climate creates. The goal is to build upon the strong foundations that have been laid to date and make a steady return to profitability. We are fortunate in having a bank which has no serious legacy issues and also fortunate that by being entirely Isle of Man based, we have no parent company requirement to remit funds to another jurisdiction, outside our complete control. Capitalising on this independence will be one of the cornerstones of our future strategy.

It is important in this changeable environment to create a steady platform, both in terms of systems and in staffing, for the business units to grow profitably. With this in mind we undertook a strategic review of both the two trading divisions within the Group and the parent company itself.

The review resulted in the Bank taking the following positive actions:

- Reducing fixed costs by closing the Peterborough and Wigan offices
- Retaining only a Sales and Collections presence in England with underwriting strengthened and consolidated to the Isle of Man, using common systems and procedures
- Reducing headcount where possible
- Installing a new banking system to create a primary customer interface and thereby allowing secondary sales. Currently other banks reap this benefit from our customers as historically we have not been able to offer this extension of our product range
- Creating fee based income streams to complement the existing customer base such as guaranteed auto protection insurance, general insurance products and advised sales
- Improving treasury management
- Implementing an improved management structure to improve efficiencies and remove duplications
- Strengthening a culture of compliance, internal controls and regulatory observance

At TransSend, we concluded that prepaid cards was a market sector the Group should continue to be in but that market expansion had stalled due to events beyond the company's control. The review concluded that at this point shareholders' interests would be better served by repositioning the company as a BIN sponsor focusing both on opportunities within the Isle of Man and also 'cherry picking' premium opportunities off Island as long as they comply with our regulatory environment.

As part of the holding company review, I have undertaken a Group wide cost analysis to ensure the revised cost base was at its optimum. This exercise was successfully completed in April 2009.

The financial benefits of both the restructuring and the cost analysis exercise have commenced and have already enhanced the 2009 trading numbers.

The following is a detailed review of the trading divisions' 2008 performance.

Conister Trust — Banking division

Against the severe economic back drop it is pleasing to report the Bank's losses reduced in 2008 to £1.28 million (2007: £2.38 million) which compares favourably to the unprecedented losses and write downs so many other banks are reporting.

The Bank has a strong and loyal customer deposit base. The Bank also has no exposure to the wholesale money market. Deposits grew during the year to £66.1 million, an increase of 7% (2007: £62.0 million). Cash balances are healthy and stand at £20.6 million (2007: £22.9 million). The Bank remains strongly capitalised with a Tier 1 capital ratio of 15.6% which is well in excess of the average for the top 20 banks of 7.9%.

Despite the negative macro environment and interest rate pressure, it is pleasing to report the Bank's net interest income of £3.5 million was just 3% lower than last year (2007: £3.6 million). Premium Finance receivables increased by 35% to £17.6 million (2007: £12.9 million) and the Asset Finance loan book decreased by 11% to £36.8 million (2007: £41.3 million) reflecting both a tightening in underwriting criteria and a downturn in customer demand. Credit quality has been maintained as the Bank has no exposure to either the housing or the sub-prime markets. The Board prudently increased the Asset Finance general provision to reflect the worsening economic outlook.

With regard to Litigation Financing (a business segment discontinued in 2007 and now in run-off) the company has reached agreement on 20 May after a time consuming legal action with a firm of solicitors involved in litigation finance. With this agreement it is now expected that run-off can progress to completion.

The installation of the new banking system is due to be completed in the third quarter of 2009. This system is an industry standard consumer focused deposit and loan system that will allow the Bank to offer its customers a greater range of tailored products, including fee based offerings, to meet their needs. We hope to develop an internet banking offering in due course.

TransSend — Prepaid Card Division

The Company made a loss of £3.7 million before unallocated items in 2008 (2007: £2.5 million) as its e-money application could not be pursued to completion following ESS entering liquidation. This resulted in the Board considering the viability of the prepaid market as a programme manager and thus we have repositioned and reorganised the Company.

I am confident that this more precise focus will create a profitable business in the future and I am pleased to report that the Net+card, launched in conjunction with Isle of Man based Neovia Financial, has been nominated for 'Best New Prepaid Card Product Launch' at the prestigious 'Cards & Payments', Europe's leading cards and payments conference and expo, which will be held in Prague on 18 June 2009.

Conister Financial Group — the holding company

ESS entering liquidation was not only a significant negative issue for TransSend's trading forecasts, but also the share-for-share swaps completed in 2008, caused a substantial investment write-off through the Income Statement. There does, however, remain an opportunity that some value may be returned at some point in the future.

As a result of these issues, the Group made a pre-tax loss for 2008 £18.3 million (2007: loss of £4.1 million). Over half was as a result of the ESS impairment and thus not a cash item and has had no affect on the Bank's balance sheet. The remaining loss includes approximately £6 million of costs which are either one-off, or which will not be repeated in forthcoming years.

The way forward

The Bank, after the re-structuring and under the leadership of Simon Hull, is beginning to deliver on its potential by focusing on core business to evolve complimentary business lines, particularly those that will appeal to our existing customers. In addition, there is an even greater emphasis on managing risk and compliance.

TransSend's cost base has been tailored to its new requirements; two strategic relationships have recently been agreed having reviewed the quality of their business pipelines and the company is now well positioned to leverage its capabilities to BIN sponsor prepaid programmes.

In conclusion, I would wish to sincerely echo the Chairman's comments as to the loyalty and dedication of our employees in what has been a difficult year but I firmly believe that the Group is now positioned to grow despite the current challenges of the economic environment.

Denham Eke
Chief Executive Officer
1 June 2009

James Mellon (52)‡
Executive Chairman and Non-Executive Director

James Mellon holds directorships in a number of publicly quoted companies, many of which are in the financial services sector. He is a life tenant of the trust which owns Burnbrae Limited which, in turn, indirectly holds approximately 19 per cent of Conister Financial Group PLC. He is the founder, principal shareholder and co-chairman of the Regent Pacific Group with total assets of approximately US$ 250 million. He is also founder, principal shareholder and a non-executive director of Charlemagne Capital, based on the Isle of Man, which has approximately US$ 2.1 billion of assets under management.

Appointment
Appointed to the Board on 2 November 2007.

Denham Eke (57)‡
Chief Executive Officer

Mr Eke began his career in stockbroking before moving into corporate planning for a major UK insurance broker. He is a director of many years' standing of both public and private companies involved in the retail, manufacturing and financial services sectors. On the Isle of Man, he is Chairman of Webis Holdings PLC (internet wagering), Finance Director of Emerging Metals Limited (mining) and a director of Speymill PLC (property management) – all quoted on AIM. He is also Managing Director of Burnbrae Group Limited.

Appointment
Appointed to the Board as a Non-Executive Director on 2 November 2007 and became Chief Executive on 12 February 2009.

David Gibson (62)*‡
Non-Executive Director

Mr Gibson qualified as a certified accountant whilst holding posts with Shell-Mex and BP and CIBA-Geigy throughout the UK and abroad before transferring into treasury management in senior positions with Turner and Newall and Westland Helicopters where he qualified as a corporate treasurer. He joined the Trustee Savings Bank of the Channel Islands as Finance Director prior to becoming General Manager Finance at TSB Retail Bank where he gained his formal qualifications as a banker. Prior to retiring from executive life for family reasons, he was Group Finance Director of Portman Building Society for 9 years. He is currently Vice Chairman of National Counties Building Society, Deputy Chairman of commercial property investment companies Chellbrook Properties plc and Mountstephen Investments Limited and a Non-Executive Director of TransSend Payments Limited and Conister Trust Limited.

Appointment
Appointed to the Board as Non-Executive Director on 12 February 2009.

Alan Clarke (58)*†‡
Non-Executive Director

A chartered accountant and former senior partner of Ernst & Young during which time he worked closely with HSBC offshore operations in both the Channel Islands and the Isle of Man. Since 1996 he has specialised in corporate finance and strategic consultancy, advising a variety of small and medium sized quoted companies. He currently holds several non-executive directorships for listed and privately owned businesses including Meldex International, Kelpack Holdings and the University of Manchester Intellectual Property.

Appointment
Appointed to the Board as a Non-Executive Director on 2 November 2007.

Arron Banks (43)‡
Non-Executive Director

Arron Banks is the Co-founder and Insurance Director of Brightside Group PLC, a direct insurance group incorporating Commercial Vehicle Direct, One Business Insurance Solutions, Motor & Home Direct Insurance Services, Taxi Direct, eCar, eBike, eLife and eHome insurance, as well as other non-insurance products including Ponacea Finance; a premium finance company. He has been involved in insurance since 1987, predominately at director level with Lloyds, Haven (NU) and Motorcycle Direct, which he co-founded.

Appointment
Appointed as a Non-Executive Director on 2 November 2007, became Chief Executive Officer on 25 April 2008. He subsequently resigned on 12 February 2009 and became a Non-Executive Director.

Simon Hull (44)‡
Non-Executive Director

Simon is a Non-Executive Director of Conister Financial Group plc and Managing Director of Conister Trust Limited in September 2008. He has over 20 years experience within the banking sector and previously held the position of Managing Director of Alliance and Leicester International Ltd on the Isle of Man and prior to that held other senior roles within Alliance and Leicester in the UK. Graduated from the University of Wales in 1985, is a Chartered Director, a Fellow of the Chartered Management Institute and holds a Post Graduate Certificate in Financial Regulation and Compliance Management.

Appointment
Appointed to the Board as Non-Executive Director on 12 February 2009.

* Member of the Audit, Risk and Compliance Committee.
† Member of the Remuneration Committee.
‡ Member of the Nominations Committee.

Ilyas Khan (46)†‡
Non-Executive Director

Mr Khan is Executive Chairman of Crosby Capital Limited which he co-founded in 1998 in Hong Kong. Prior to founding Crosby Capital Limited, Mr Khan was a senior member of the management team and a managing director of Nomura, responsible for the Asian (non-Japan) investment banking and fixed income business. Mr Khan has more than 25 years' corporate finance and investment banking experience with financial institutions such as Citicorp, UBS and Schroders.

Appointment
Appointed to the Board as a Non-Executive Director on 2 November 2007.

Don McCrickard (72)‡
Non-Executive Director

From 1975 to 1983 Mr McCrickard was employed by American Express where he headed their businesses in the UK, Europe/Middle East/Africa and Asia/Pacific/ Australia and was a Director of American Express International. Mr McCrickard was employed by the TSB Group (now Lloyds TSB Group) from 1983 to 1992 and became group chief executive as well as Chairman of Hill Samuel, the group's merchant banking subsidiary. He was Chairman of the group's executive committee, a member of the executive committee of the British Bankers Association and a member of the Bank of England's Deposit Protection Board. He has since held Chairmanships and directorships of a number of listed and private companies and specialises in Far Eastern affairs.

Appointment
Appointed to the Board as a Non-Executive Director on 2 November 2007.

Presentation of Annual Report and Accounts

Presented here is the Annual Report and Accounts of Conister Financial Group PLC.

Conister Trust Limited, following an Isle of Man Court sanctioned Scheme of Arrangement, became a wholly owned subsidiary of Conister Financial Group PLC with effect from 31 January 2008. As of this date all shareholders of Conister Trust Limited become the Shareholders of Conister Financial Group PLC.

The consolidated comparative figures (31 December 2007) presented in this report are therefore those of Conister Trust Limited.

Company information

The Annual and Interim reports, along with other supplementary information of interest to Shareholders, are included on our website. The address of the website is www.cfgplc.com which includes investor relations information and contact details.

Share dealing

Share dealing services are available through Computershare Investor Services PLC which can be accessed via the website www.computershare.com where further contact details of Computershare are available for reference.

Advisers

Company Secretary
Joly Hemuss (Resigned 29 September 2008)
Lesley Crossley (Appointed 29 September 2008)

Registered Office
Conister House, Isle of Man Business Park,
Cooil Road, Braddan,
Isle of Man, IM2 2QZ

Independent Auditors
KPMG Audit LLC,
Heritage Court, 39–41 Athol Street, Douglas,
Isle of Man, IM99 1HN

Legal Advisers
Stephenson Harwood
1 St Paul's Churchyard,
London, EC4M 8SH

Principal Bankers
Barclays Private Clients International Limited,
Barclays House, Victoria Street, Douglas,
Isle of Man, IM99 1AJ

Consulting Actuaries
BWCI Consulting Limited,
Albert House, South Esplanade, St Peter Port,
Guernsey, GY1 3BY

Pension Fund Investment Manager
Close Investment Management (Isle of Man) Limited,
St George's Court, Upper Church Street, Douglas,
Isle of Man, IM1 1EE

Nominated Adviser
Beaumont Cornish Limited,
5th Floor, 10–12 Copthall Avenue,
London, EC2R 7DE

Broker
Fairfax I.S. PLC,
46 Berkeley Square,
London, W1J 5AT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activities of Conister Financial Group PLC (referred to as the "Company") and its subsidiaries (together referred to as the "Group") are the provision of asset and personal finance (including premium finance), litigation finance, investing activities, the provision of prepaid cards and 'BIN' sponsorship via the TransSend business division. The Company ceased to provide new litigation finance in June 2007.

Conister Trust Limited, a wholly owned subsidiary of the Company (referred to as "the Bank") holds a banking licence issued under the Isle of Man Banking Act 1998 (as amended). Deposits made with the Bank are covered by the Depositors' Compensation Scheme contained in the Banking Business (Compensation of Depositors) Regulations 1991.

Re-structure

The Company, following an Isle of Man Court sanctioned Scheme of Arrangement, became the holding company of the Bank with effect from 31 January 2008. The restructure was carried out in order to separate the Group's banking and non-banking activities.

From 31 January 2008, the Company also began to govern the financial and operating policies of the TransSend division which comprise TransSend Payments Limited, TransSend Holdings Limited and TransSend (IOM) Limited.

The Bank petitioned the High Court of Justice in the Isle of Man to reduce its share capital account to £5,000,000 and cancel the share premium account. This was approved by the High Court on 10 November 2008 with the resulting transfers to distributable reserves.

During the year the Group incurred re-structure costs attributable to the closure of the UK TransSend operation, closure of two UK branch offices and reorganisation of the Isle of Man operational processes as detailed in note 9 to the financial statements.

Results and dividends

The proposed transfers to and from reserves are as set out in the Statement of Changes in Equity on page 17. The Directors do not recommend the payment of a dividend (2007: nil).

Share capital

Particulars of the authorised and issued share capital of the Company are set out in note 27 to the financial statements.

Significant shareholdings

The number of shares held and the percentage of the issued shares which that number represented as at 30 April 2009 are:

	Number	%
Burnbrae Limited	12,000,000	(18.92)
Lynchwood Nominees Limited	9,170,407	(14.46)
STM Fidecs Nominees Limited	7,889,645	(12.44)
Credit Agricole Cheuvreux International Limited	5,078,000	(8.01)
Island Farms Limited	4,222,319	(6.66)
Royal Bank of Canada Europe Limited	2,873,000	(4.53)
Deutsche Bank AG	2,384,362	(3.76)

The Directors are not aware of any other individual holding of greater than 3% as at 30 April 2009.

Directors and Directors' share interests

Details of current Directors are set out on page 7. Details of past Directors are set out below:

J F Linehan (51)
Non-Executive Director (Resigned 13 August 2008)

C Fay (64)
Non-Executive Director (Resigned on 4 September 2008)

P Stamp (59)
Non-Executive Director (Resigned 5 December 2008)

The number of shares held by the current Directors are as follows:

	Number 31/12/08	Number 31/12/07
J Mellon*	12,575,000	12,000,000
A F A Banks†	8,654,645	7,539,645
A Clarke	19,112	19,112
S Hull	3,342	—
I T Khan‡	100,000	100,000

* Comprises 575,000 held by J Mellon and 12,000,000 held by Burnbrae Limited. J Mellon is an indirect beneficiary of a trust that owns Burnbrae Limited and D Eke is a Director of Burnbrae.

† Comprises 25,000 held by Rene Nominees on trust for A F A Banks, 2,611,000 held by STM Fidecs Nominees on trust for Southern Rock Insurance Company Limited, 740,000 held by Rene Nominees on trust for Southern Rock Insurance Company Limited, 5,278,645 held by STM Fidecs Nominees on trust for Rock Holdings Limited. A F A Banks has a 37.5% beneficial interest in Southern Rock Insurance Company Limited and a 51% beneficial interest in Rock Holdings Limited.

‡ Comprises 55,000 held by Vidacos Nominees on trust for I T Khan and 45,000 held by Pershing Nominees on trust for I T Khan.

Directors' liability insurance
The Group maintains insurance cover for Directors' liability.

Fixed assets
The movement in fixed assets during the year is set out in note 21 to the financial statements.

Staff
At 31 December 2008 there were 58 members of staff, 8 of whom were part-time (2007: 47 members of staff, 6 of whom were part-time). The staff numbers include 18 members of staff, 3 of whom were part-time who were made redundant as part of a Group-wide re-structure after the year-end.

Investments in subsidiaries
Investments in the Company's subsidiaries are disclosed in note 22 to the financial statements.

Going Concern
After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditors
KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

Corporate governance
In December 1992, the Committee on the Financial Aspects of Corporate Governance ("the Cadbury Committee") published a Code of Best Practice. This was updated by the issue of The Combined Code: Principles of Good Governance and Code of Best Practice ("The Combined Code"). The Combined Code contains recommendations as to best practice, focusing on the control and reporting functions of Boards of Directors.

The Company's Board, whilst not being under a formal obligation to report to the Shareholders regarding the extent to which the Company complies with The Combined Code, monitors and reviews the Company's established procedures.

The Board is satisfied that the Company complies with the provisions of the Code to the extent which is appropriate to the company's nature and scale of operations. The Board has had a majority of Non-Executive Directors throughout the year. The Board has established an Audit, Risk and Compliance Committee and a Remuneration Committee, the members of which are indicated on pages 6 and 7.

The Board is also cognisant of the contents of the Higgs Report on the role and effectiveness of Non-Executive Directors and, once again, will implement any recommendations to the extent that they are appropriate to the Company.

The Audit, Risk and Compliance Committee (ARC) is responsible for assisting the Board to discharge its responsibilities for accounting policies, internal control and financial reporting. It is composed of two Non-Executive Directors and is chaired by Mr A Clarke. The external Auditors, Executive Directors and senior managers are invited to attend meetings of the ARC as appropriate, with the external Auditors and the internal audit and compliance functions having right of access to the ARC.

The Remuneration Committee recommends to the full Board the terms and conditions, including annual remuneration, of the Executive Directors and senior management. It is composed of two Non-Executive Directors and is chaired by Mr A Clarke. The members are independent of management and its Chairman is free from any business or other relationship which could materially interfere with the exercise of his independent judgement.

The Remuneration Committee has access to professional advice from both inside and outside the Company. The primary policy aim of the Remuneration Committee is to attract, retain and motivate Executive Directors and managers of a quality to drive the business forward. A proportion of the Executive Directors' and senior managers' remuneration is structured so as to link rewards to corporate and individual performance. The Committee monitors Executive reward in a range of companies. The performance related elements of remuneration are designed to align Executive Directors' and senior managers' interests with those of the Shareholders and to give them keen incentives to perform at the highest level. In that regard, share options are not offered at a discount and no bonuses or benefits-in-kind are pensionable. Further details are provided in the Directors' Remuneration Report.

The full Board comprises the Nomination Committee which considers all new Board appointments in the light of the needs of the Company from time to time. All Directors are required to submit themselves for re-election. One third of Directors who are subject to retirement by rotation shall retire from office by rotation at every Annual General Meeting.

By order of the Board

Lesley Crossley
Company Secretary
1 June 2009

Introduction

As an Isle of Man registered company there is no requirement to produce a Directors' remuneration report. However, the Board follows best practice and therefore has prepared such a report. In preparing the report the Directors have referred to the regulations and rules in force for UK companies as a basis. There is no Isle of Man requirement for any part of this report to be audited.

Remuneration Committee

The Company has established a Remuneration Committee, which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee are Mr A Clarke and Mr I Khan, both independent Non-Executive Directors, and the Committee is chaired by Mr A Clarke. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his own remuneration.

Remuneration policy for the Executive Directors' remuneration packages is designed to attract, motivate and retain Directors of the high calibre needed to entice the Group's position and to reward them for improving Shareholder value. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration packages are undertaken by the Committee.

There are five potential elements of the remuneration package for Executive Directors and senior management:

- Basic annual salary;
- Benefits-in-kind;
- Annual bonus payment;
- Share option incentives; and
- Pension arrangements.

Basic salary

An Executive Director's basic salary is reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole.

Benefits-in-kind

The current Chairman and other Directors, excluding Mr S Hull and Mr D Eke, receive no benefits in-kind.

Annual bonus payments

The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's Shareholders and that the principal measure of their interest is total Shareholder return. Account is also taken of the relative success of the different parts of the business for which the Chief Executive Officer or Executive Director is responsible and the extent to which the strategic objectives set by the Board are being met.

Share option incentives

The Company believes these to be a key element of remuneration given the direct link with shareholder interests. Those awarded at the balance sheet data are disclosed in Note 27 to the financial statements.

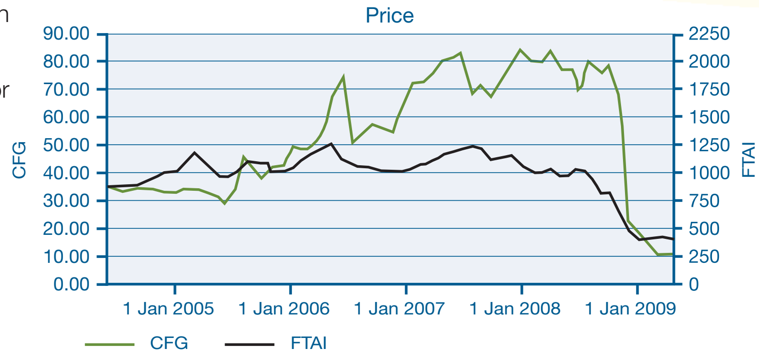
Pension arrangements

Neither the Chief Executive Officer nor the Chairman receive pension contributions.

Performance graph

Schedule 7A to the UK Companies Act 1985 requires the performance of the Group to be displayed in a chart form against the performance of a readily available broad equity market index.

Although CFG is an Isle of Man company, it has chosen to adopt the UK requirement as best practice. The graph below shows the share price in comparison to the price in the FTSE AIM Index to give an indication of Shareholder return. The FTSE AIM Index is a broadly based index of Shareholder return. The information provided covers the five year period from May 2004 until April 2009.



Share Prices Shown in Pence Sterling (p)

Chief Executive Officer's contract

On 12 February 2009 Mr D Eke was appointed as Chief Executive Officer. The overall fee payable by the Group for the services of Mr D Eke was unchanged on his appointment remaining at £25,000 per annum.

Former Chief Executive Officer's contract

On 12 February 2009 Mr A F A Banks stepped down as Chief Executive Officer. No ex gratia payment was made and the entitlement to the 1,000,000 share options held at 31 December 2008 lapsed.

Non-Executive Directors

Non-Executive Directors have no fixed term of appointment. Non-Executive Directors are subject to reappointment by Shareholders.

Directors' emoluments

Executive	Remuneration/ Fees £	Ex gratia £	Bonus £	Pension £	Benefits in kind £	2008 Total £	2007 Total £
Chairman							
J Mellon	25,000	—	—	—	—	**25,000**	20,917
Executive							
A F A Banks	87,500	—	—	—	—	**87,500**	20,917
P J S Hammonds	—	—	—	—	—	**—**	10,416
J F Linehan	152,667	264,167	20,000	9,124	1,972	**447,930**	492,603
Non-Executive							
A Clarke	29,167	—	—	—	—	**29,167**	25,000
D Eke	25,000	—	—	—	262	**25,262**	6,250
C E Fay	17,050	—	—	—	—	**17,050**	25,000
I T Khan	21,875	—	—	—	—	**21,875**	15,448
D C McCrickard	29,167	—	—	—	—	**29,167**	25,000
P Stamp	21,875	—	—	—	—	**21,875**	25,000
Aggregate emoluments	409,301	264,167	20,000	9,124	2,234	**704,826**	666,551

Approval

This report was approved by the Board of Directors on 1 June 2009 and signed on its behalf by:

James Mellon
Chairman
1 June 2009

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

Company law requires the Directors to prepare financial statements for each financial year which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors, KPMG Audit LLC, to the Members of Conister Financial Group PLC

We have audited the Group and Parent Company financial statements ("the financial statements") of Conister Financial Group PLC for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' Responsibilities for preparing financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 12.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with applicable Isle of Man law and International Financial Reporting Standards, of the state of the Group's and Company's affairs as at 31 December 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information in the Directors' Report is consistent with the financial statements,

KPMG Audit LLC

Chartered Accountants
1 June 2009

Heritage Court
39–41 Athol Street
Douglas
Isle of Man

for the year ended 31 December 2008	Notes	2008 £000	2007 £000
Interest income	6	**7,140**	6,851
Interest expense	7	**(3,552)**	(2,631)
Net interest income		**3,588**	4,220
Fee and commission expense		**(709)**	(898)
Net trading income		**2,879**	3,322
Other operating income		**805**	362
Programme costs		**(505)**	(102)
Foreign exchange gain		**31**	—
Operating income	5	**3,210**	3,582
Personnel expenses	5	**(4,421)**	(3,167)
Depreciation	13,21	**(77)**	(60)
Other expenses		**(3,366)**	(3,251)
Provision for impairment on loan assets	8	**(1,363)**	(464)
Realised loss on sale of available-for-sale financial instruments	19	**(454)**	—
Dividend income from financial assets carried at fair value		**6**	340
Unrealised loss on financial assets carried at fair value		**(162)**	(148)
Loss before specific items		**(6,627)**	(3,168)
Net impairment loss on available-for-sale financial instruments	19	**(9,638)**	—
Re-structure costs	9	**(1,425)**	—
Project costs	10	**(494)**	—
Legal costs related to net impairment of available-for-sale financial instruments	19	**(76)**	—
Shareholder litigation costs	11	**—**	(318)
Scheme of arrangement costs	12	**(45)**	(481)
Loss before income tax expense	13	**(18,305)**	(3,967)
Income tax expense	14	**—**	(174)
Loss for the year	15	**(18,305)**	(4,141)
Basic and diluted loss per share (pence)	15	**(32.8)**	(9.5)

The notes on pages 18 to 49 form part of these Financial Statements.

as at 31 December 2008	Notes	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Assets					
Cash and cash equivalents	17	**20,589**	22,905	**—**	—
Financial assets at a fair value through profit or loss	18	**136**	298	**—**	—
Loans and advances to customers	20	**55,916**	56,737	**—**	—
Property, plant and equipment	21	**192**	277	**—**	—
Investment in Group undertakings	22	**—**	—	**9,610**	—
Trade and other receivables	23	**1,383**	1,072	**472**	—
Total assets		**78,216**	81,289	**10,082**	—
Liabilities					
Customer accounts	24	**66,058**	61,973	**—**	—
Creditor and accrued charges	25	**3,094**	1,538	**1,059**	—
Pension liability	26	**314**	305	**—**	—
Total liabilities		**69,466**	63,816	**1,059**	—
Equity					
Called up share capital	27	**15,849**	12,680	**15,854**	—
Share premium account	27	**6,141**	8,337	**6,142**	—
Profit and loss account		**(13,240)**	(3,544)	**(12,973)**	—
Total equity		**8,750**	17,473	**9,023**	—
Total liabilities and equity		**78,216**	81,289	**10,082**	—

The Financial Statements were approved by the Board of Directors on 1 June 2009 and signed on their behalf by:

James Mellon
Chairman

Denham Eke
Chief Executive Officer

The notes on pages 18 to 49 form part of these Financial Statements.

for the year ended 31 December 2008	Notes	2008 £000	2007 £000
Reconciliation of loss before taxation to operating cash flows			
Loss before tax on continuing activities		**(18,305)**	(3,967)
Realised loss on financial assets held at fair value through profit or loss	19	**454**	—
Movement in financial assets held at fair value through profit or loss		**162**	148
Net impairment loss on financial assets	19	**9,638**	—
Dividend income from financial assets carried at fair value		**(6)**	(340)
Loss on disposal of property, plant and equipment		**104**	25
Depreciation charge	13,21	**77**	60
Share-based payment expense	27	**315**	123
Pension liability		**(34)**	(61)
Increase in trade debtors		**(651)**	(232)
Increase in trade creditors		**1,057**	858
Net cash outflow from trading activities		**(7,189)**	(3,386)
Decrease/(increase) in loans and advances to customers	20	**821**	(2,946)
Increase in deposit accounts	24	**4,085**	9,575
Cash (outflow)/inflow from operating activities		**(2,283)**	3,243
CASH FLOW STATEMENT			
Cash flows from operating activities			
Cash (outflow)/inflow from operating activities		**(2,283)**	3,243
Taxation paid		**(1)**	(5)
Net cash (outflow)/inflow from operating activities		**(2,284)**	3,238
Cash flows from investing activities			
Purchase of tangible fixed assets	21	**(96)**	(244)
Purchase of available-for-sale financial instruments	19	**(909)**	—
Sale of financial assets at fair value through profit or loss		**127**	—
Dividend income from financial assets carried at fair value		**346**	—
Net cash outflow from investing activities		**(532)**	(244)
Cash flows from financing activities			
Issue of ordinary share capital	29	**—**	7,227
Issue of subordinated liabilities	29	**500**	—
Net cash inflow from financing activities		**500**	7,227
(Decrease)/increase in cash and cash equivalents		**(2,316)**	10,221

Major non-cash items comprised the issue of share capital in exchange for the acquisition of available-for-sale financial instruments, disclosed in note 19.

The notes on pages 18 to 49 form part of these Financial Statements.

Statement of Recognised Income and Expenses

for the year ended 31 December 2008	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
(Loss)/gain on pension scheme	**(43)**	48	**—**	—
Deferred tax associated with gain on pension scheme	**—**	(11)	**—**	—
Other	**—**	2	**—**	—
(Loss)/income recognised directly in equity	**(43)**	39	**—**	—
Loss for the financial year	**(18,305)**	(4,141)	**(13,288)**	—
Total recognised expense for the year	**(18,348)**	(4,102)	**(13,288)**	—

Statement of Changes in Equity

for the year ended 31 December 2008 **Group**	**Share capital £000**	**Share premium £000**	**Merger reserve £000**	**Retained earnings £000**	**2008 £000**	2007 £000
Balance as at 1 January	12,680	8,337	—	(3,544)	**17,473**	14,225
Loss for the year	—	—	—	(18,305)	**(18,305)**	(4,141)
Merger reserve (note 28)	—	(8,337)	8,337	—	**—**	—
Transfer to retained earnings (note 28)	—	—	(8,337)	8,337	**—**	—
Arising on shares issued in the year (note 27)	3,169	6,141	—	—	**9,310**	7,227
Share based payment expense (note 27)	—	—	—	315	**315**	123
Other recognised (loss)/income attributable to equity holders	—	—	—	(43)	**(43)**	39
Balance as at 31 December 2008	15,849	6,141	—	(13,240)	**8,750**	17,473

For the year ended 31 December 2008 **Company**	**Share capital £000**	**Share premium £000**	**Merger reserve £000**	**Retained earnings £000**	**2008 £000**	2007 £000
Balance at 1 January	—	—	—	—	**—**	—
Loss for the year	—	—	—	(13,288)	**(13,288)**	—
Scheme of arrangement (note 28)	12,680	—	—	—	**12,680**	—
Arising on shares issued in the year (note 27)	3,174	6,142	—	—	**9,316**	—
Share based payment expense (note 27)	—	—	—	315	**315**	—
Balance as at 31 December 2008	15,854	6,142	—	(12,973)	**9,023**	—

The notes on pages 18 to 49 form part of these Financial Statements.

1. Reporting entity

Conister Financial Group PLC is a Company domiciled in the Isle of Man. The consolidated financial statements of Conister Financial Group PLC (referred to hereafter as the "Company") for the twelve months ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

For the purpose of the consolidated financial statements, the scheme of arrangement, whereby shareholders in Conister Trust Limited (referred to hereafter as the "Bank") received shares in the Company, has been treated as a Group reconstruction. Merger accounting principles have been used for the Group reconstruction, such that the consolidated results of CFG have been prepared on the basis that the current Group always existed and therefore the consolidated comparative figures relate to Conister Trust Limited.

A summary of the principal accounting policies, which have been applied consistently, is set out below:

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS.

(b) Basis of measurement

The financial statements are prepared on a historical cost basis except:

- financial instruments at fair value through profit or loss are measured at fair value; and
- equity settled share-based payment arrangements are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in sterling, which is the Group's functional currency. Except as indicated, financial information presented in sterling has been rounded to the nearest thousand. All subsidiaries of the Group have pounds sterling as their functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3(o).

3. Significant accounting policies

(a) Basis of consolidation of subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-Group balances, income and expenses and unrealised losses or gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(b) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation (see below). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

3. Significant accounting policies continued

(b) Property, plant and equipment continued

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Depreciation

Assets are depreciated on a straight-line basis except furniture, which is written down on the reducing balance basis, so as to write off the book value over their estimated useful lives.

Equipment	4–5 years
Vehicles	4 years
Furniture	10% per annum

(c) Financial assets

Management have determined the classification of the Group's financial assets into one of the following categories:

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 money directly to a customer with no intention of trading the receivable. This classification includes advances made to customers under hire purchase and finance lease agreements, premium financing, litigation finance loans, personal loans and stocking plans.

Loans are recognised when cash is advanced to the borrowers. Loans and receivables are carried at amortised cost using the effective interest rate method with all movements being recognised in the income statement after taking into account provision for impairment losses (see (d)).

Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. The fair value of the financial asset at fair value through profit or loss is based on the quoted bid price at the balance sheet date.

Available-for-sale financial instruments

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. All other available-for-sale investments are carried at fair value.

Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Other fair value changes are recognised directly in equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are recognised in profit or loss.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are measured at cost less any provision for impairment.

(d) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or Group of financial assets is impaired. This arises if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or Group of financial assets, that can be reliably estimated. Impairment losses are recognised in the profit or loss for the year.

3. **Significant accounting policies continued**

(d) Impairment of financial assets continued

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers.

Loans and other receivables are reviewed for impairment where there are repayment arrears and doubt exists regarding recoverability. The impairment allowance is based on the level of arrears together with an assessment of the expected future cash flows, and the value of any underlying collateral (after taking into account any irrecoverable interest due). Amounts are written off when it is considered that there is no further prospect of recovery.

Where past experience has indicated that over time, a particular category of financial assets has suffered a trend of impairment losses, a collective impairment allowance is made for expected losses to reflect the continuing historical trend.

(e) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and deposit balances with an original maturity date of three months or less.

(f) Financial liabilities

Financial liabilities consist of customer deposit accounts, other creditors and accrued charges. Customer accounts are recognised immediately upon receipt of cash from the customer. Interest payable on customer deposits is provided for using the interest rate prevailing for the type of account.

(g) Employee benefits

Pension obligations

The Group has pension obligations arising from both defined benefit and defined contribution pension plans.

A defined contribution pension plan is one under which the Group pays fixed contributions into a separate fund and has no legal or constructive obligations to pay further contributions.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Under the defined benefit pension plan, in accordance with IAS19 Employee benefits, the full service cost for the period, adjusted for any changes to the plan, is charged to the income statement. A charge equal to the expected increase in the present value of the plan liabilities, as a result of the plan liabilities being one year closer to settlement, and a credit reflecting the long-term expected return on assets based on the market value of the scheme assets at the beginning of the period, is included in the income statement.

The balance sheet records as an asset or liability (as appropriate), the difference between the market value of the plan assets and the present value of the accrued plan liabilities. The difference between the expected return on assets and that actually achieved in the period, is recognised in the statement of recognised income and expense in the year in which they arise. The defined benefit pension plan obligation is calculated by independent actuaries using the projected unit credit method and a discount rate based on the yield on AA rated corporate bonds.

The Group's defined contribution pension obligations arise from contributions paid to a Group personal pension plan, an ex-gratia pension plan, employee personal pension plans and employee co-operative insurance plans. For these pension plans, the amounts charged to the income statement represents the contributions payable during the year.

Share-based compensation

The Group maintains a share option programme which allows certain Group employees to acquire shares of the Group. The change in the fair value of options granted is recognised as an employee expense with a corresponding change in equity. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

3. Significant accounting policies continued
(g) Employee benefits continued
***Share-based compensation* continued**
At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest and recognised the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The share option programme was originally set up for Group employees to subscribe for shares in Conister Trust Limited. Since the Scheme of Arrangement, the shareholders of Conister Trust Limited became shareholders of Conister Financial Group PLC and the share option programme is now operated by Conister Financial Group PLC.

The fair value is estimated by an independent actuary using a proprietary binomial probability model.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Other obligations
Provision is made for short-term benefits payable for salaries, holiday pay, social security costs and sick leave on a prorated basis and is included within creditors and accrued charges.

(h) Leases
i) *A Group Company is the lessor*

Finance leases and hire purchase contracts
When assets are subject to a finance lease or hire purchase contract, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Hire purchase and lease income is recognised over the term of the contract or lease reflecting a constant periodic rate of return on the net investment in the contract or lease.

Initial direct costs, which may include commissions and legal fees directly attributable to negotiating and arranging the contract or lease, are included in the measurement of the net investment of the contract or lease at inception.

ii) A Group Company is the lessee

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Deferred income tax
Deferred taxation is provided in full, using the liability method, on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 when the related deferred income tax is realised. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(j) Interest income and expense
Interest income and expense are recognised in the income statement using the effective interest rate method.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts of the financial instrument to the net carrying amount of the financial asset or financial liability. The discount period is the expected life or, where appropriate, a shorter period. The calculation includes all amounts receivable or payable by the Group that are an integral part of the overall return, including origination fees, loan incentives, broker fees payable, estimated early repayment charges, balloon payments and all other premiums and discounts. It also includes direct incremental transaction costs related to the acquisition or issue of the financial instrument. The calculation does not consider future credit losses.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment, subsequent interest income continues to be recognised using the original effective interest rate applied to the reduced carrying value of the financial instrument.

3. Significant accounting policies continued

(k) Fees and commission income

Fee and commission income other than that directly related to loans is recognised over the period for which service has been provided or on completion of an act to which the fee relates.

(l) Programme costs

Programme costs are direct expenditure incurred in relation to prepaid card programmes. The costs are recognised over the period in which income is derived from operating the programmes.

(m) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The adoption of the amendments will not have a material impact on the Group's consolidated financial statements.

- IAS1 Presentation of Financial Statements (revised in 2007) replaces IAS1 Presentation of Financial Statements (revised in 2003) as amended in 2005. IAS1 (Revised 2007) sets the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The Group has chosen not to early adopt this standard which applies to annual periods beginning on or after 1 January 2009. The main change in revised IAS1 is a requirement to present all non-owner changes in equity (changes in equity not resulting from transactions with owners in their capacity as owners) in one or two statements: either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Unlike under current IAS1, it is not permitted to present components of comprehensive income in the statement of changes in equity.

- IFRS8 Operating Segments introduces the "management approach" to segment reporting. IFRS8, which becomes mandatory for the Group's 2009 Financial Statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. The Group is reviewing the impact of this on its segmental disclosure.

- IFRS3 Business Combinations (revised in 2008) and amended IAS27 Consolidated and Separate Financial Statements introduce changes to the accounting for business combinations and for non-controlling (minority) interest. The most significant changes from IFRS3 (2004) and IAS27 (2003) are the following:

— IFRS3 (2008) applies also to business combinations involving only mutual entities and to business combinations achieved by contract alone;

— the definition of a business combination has been revised to focus on control;

— the definition of a business has been amended;

— transaction costs incurred by the acquirer in connection with the business combination do not form part of the business combination transaction;

3. Significant accounting policies continued

(n) New standards and interpretations not yet adopted continued

— acquisitions of additional non-controlling equity interests after the business combination are accounted for as equity transactions;

— disposals of equity interests while retaining control are accounted for as equity transactions;

— new disclosures are required.

IFRS3 (revised in 2008) and amended IAS27 will become mandatory for the Group's 2010 Financial Statements. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of IFRS3 (revised in 2008) are not adjusted while most of the amendments to IAS27 must be applied retrospectively. This change is not expected to have a significant impact on the consolidated financial statements.

(o) Key sources of estimation uncertainty

Management believe that a key area of estimation and uncertainty is in respect of the impairment allowances on loans and advances to customers. Loans and advances to customers are evaluated for impairment on a basis described in note 4, credit risk. The Group has substantial historical data upon which to base collective estimates for impairment on HP Contracts, Finance Leases and Personal loans. The Litigation Funding loan book has in recent years seen volatility in repayment patterns and there is therefore greater uncertainty in assessing impairment allowances on this loan book. The litigation described in note 34 has also made the assessment of the appropriate impairment allowances on this loan book more difficult and there is the possibility that further litigation will be necessary to collect a number of outstanding balances. This could delay the recovery of affected loans and make their recovery more costly than anticipated. Counter claims have been received and there is the possibility of litigation being necessary. There is a risk of an adverse outcome in all litigation and the costs and timescale to resolve these matters are uncertain. The costs of administering the future run off of the litigation funding loan book are also therefore uncertain. The accuracy of the impairment allowances and provisions for counter claims and legal costs depend on how closely the estimated future cash flows mirror actual experience.

(p) Fiduciary deposits

Deposits received on behalf of clients by way of a fiduciary agreement are placed with external parties and are not recognised on the balance sheet. Income in respect of fiduciary deposit taking is included within interest income and recognised on an accruals basis.

(q) Prepaid card funds

The Group received funds for its prepaid card activities. These funds were held in a fiduciary capacity for the sole purpose of making payments as and when card-holders utilise the credit on their cards, and were therefore not recognised on the balance sheet.

(r) Foreign exchange

Foreign currency assets and liabilities (applicable to the TransSend division only) are translated at the rates of exchange ruling at the year end. Transactions during the year are recorded at rates of exchange in effect when the transaction occurs. The exchange movements are dealt with in the income statement.

4. Risk and capital management

(a) Risk management

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- operational risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for managing risk and capital within the Bank. The Bank is the main component of the Group which is exposed to these risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework within the Group.

The Board of the Bank has established the Executive Risk Committee (ERC) which reports to the Audit Risk and Compliance Committee (ARC) and is responsible for developing and monitoring risk management policies in their specified areas. Operational responsibility for asset and liability management is delegated to the Executive Directors of the Bank, and management through the Bank's Assets and Liabilities Committee (ALCO).

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The ARC is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default, country and sector risk).

The Group is principally exposed to credit risk with regard to loans and advances to customers, comprising HP and finance lease receivables, premium finance loans, litigation funding loans, unsecured personal loans and stocking plan loans. It is also exposed to credit risk with regard to cash balances and trade and other receivables. The administration of premium finance lending is outsourced and there is a credit risk with regards to the clearing balance maintained in the outsourcing Company's bank account.

Management of credit risk

The Board of Directors of the Bank has delegated responsibility for the management of credit risk to the Credit Committee (CC) for loans and ALCO for other assets. The following measures are taken in order to manage the exposure to credit risk:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Each opportunity is researched for viability, legal/regulatory restriction and risk. If recommended, the proposal is submitted to Board of Directors or the CC. The CC reviews lending assessments in excess of individual credit control or executive discretionary limits.

- Reviewing and assessing existing credit risk and collateral. The CC assesses all credit exposures in excess of designated limits, as set out in the underwriting manual (for asset and personal finance) or the Operating Model and Procedures (for premium finance).

4. Risk and capital management continued

(a) Risk management continued

Management of credit risk continued

- Limiting concentrations of exposure to counterparties, geographies and industries (for example by implementing lending caps on certain sectors).
- Limiting the term of exposure by ensuring that no facility creates a net interest rate risk.
- Ensuring that appropriate records of all sanctioned facilities are maintained.
- Ensuring regular account reviews are carried out by the Chief Executive Officer of the Bank for all accounts agreed by the CC.
- Ensuring Board approval is obtained on all decisions of the CC above the limits set out in the Bank's Credit risk policy.

An analysis of the credit risk on loans and advances to customers is as follows:

Loans and advances to customers	2008 £000	2007 £000
Carrying amount	**55,916**	56,737
Individually impaired[1]		
Grade A	**4,301**	3,008
Grade B	**464**	730
Grade C	**516**	466
Gross value	**5,281**	4,204
Allowance for impairment	**(3,397)**	(2,262)
Carrying value	**1,884**	1,942
Collective allowance for impairment	**(768)**	(648)
Past due but not impaired		
Less than 1 month	**86**	71
More than 1 month but less than 2 months	**6**	8
More than 2 months but less than 3 months	**12**	11
Carrying value	**104**	90
Neither past due nor impaired	**54,696**	55,353

[1] Loans are graded A to C depending on the level of risk. Grade A relates to agreements with the highest of risk, Grade B with medium risk and Grade C relates to agreements with the lowest risk.

4. Risk and capital management continued

(a) Risk management continued

Impaired loans

Impaired loans are loans where the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

Past due but not impaired loans are loans where the contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security, collateral available and/or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss allowance that relates to individually significant exposures, and a collective loan loss allowance, which is established for the Group's assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. The collective loan loss allowance is based on historical experience, the current economic environment and an assessment of its impact on loan collectability. Guidelines regarding specific impairment allowances are laid out in the Bank's Debt Recovery Process Manual which is reviewed annually.

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when management determines that the loans are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral

The Group holds collateral in the form of the underlying assets (typically private and commercial vehicles, plant and machinery) as security for HP and finance lease balances, which are a sub-category of loans and advances to customers. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. At the time of granting credit for HP and finance leases the loan balances due are secured over the underlying assets held as collateral. No collateral is held for litigation funding balances; the Group relies on the high likelihood (due to claims vetting by personal injury solicitors prior to take on) that a successful claim will occur to enable repayment of the loan and the insurance policy taken out by the claimant to cover the situation where cases are unsuccessful.

Concentration of credit risk

Geographical

All financing is presently only granted to individuals and entities with United Kingdom or Isle of Man addresses.

Segmental

The Group is exposed to credit risk with regard to customer loan accounts, comprising HP and finance lease balances, premium finance balances, litigation funding balances, unsecured personal loans and vehicle stocking plan loans.

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial liability obligations as they fall due.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses various methods, including predictions of cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Maturity mismatches between lending and funding are managed within internal risk policy limits.

4. Risk and capital management continued
(a) Risk management continued

Minimum liquidity
The Isle of Man Financial Supervision Commission (FSC) requires that the Bank should be able to meet its obligations without recourse to the wholesale money market for a period of at least one month. In order to meet this requirement, the Bank measures and manages its cash flow commitments, and maintains its liquid balances in a diversified portfolio of short-term bank balances.

Bank balances are only held with financial institutions approved by the Board of Directors and which meet the requirements of the FSC.

Measurement of liquidity risk
The key measure used by the Group for managing liquidity risk is the asset and liability maturity profile which is produced and reviewed at least monthly.

The table below shows the Group's financial liabilities classified by their earliest possible contractual maturity, on an undiscounted basis including interest due at the end of the deposit term. Based on historical data, the Group's expected actual cash flow from these items vary from this analysis due to the expected re-investment of maturing customer deposits.

Residual contractual maturities of financial liabilities as at the balance sheet date (undiscounted)

31 December 2008 Group	Sight- <8 days £000	> 8 days <1 month £000	> 1 month < 3 months £000	> 3 months < 6 months £000	> 6 months < 1 year £000	> 1 year < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Customer accounts	782	3,101	3,441	14,196	38,050	12,125	—	—	71,695
Other liabilities	2,594	3	6	9	18	72	706	—	3,408
Total liabilities	3,376	3,104	3,447	14,205	38,068	12,197	706	—	75,103

31 December 2007 Group	Sight- <8 days £000	> 8 days <1 month £000	> 1 month < 3 months £000	> 3 months < 6 months £000	> 6 months < 1 year £000	> 1 year < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Customer accounts	789	1,887	6,992	12,781	23,035	18,436	—	2,148	66,068
Other liabilities	1,538	—	—	—	—	—	—	305	1,843
Total liabilities	2,327	1,887	6,992	12,781	23,035	18,436	—	2,453	67,911

4. Risk and capital management continued

(a) Risk management continued

Maturity of assets and liabilities at the balance sheet date

31 December 2008 Group	Sight- <8 days £000	> 8 days <1 month £000	> 1 month < 3 months £000	> 3 months < 6 months £000	> 6 months < 1 year £000	> 1 year < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Assets									
Cash and cash equivalents	**20,589**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**20,589**
Customer accounts receivable	**2,556**	**3,841**	**9,119**	**11,026**	**11,345**	**15,980**	**2,049**	**—**	**55,916**
Other assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,711**	**1,711**
Total assets	**23,145**	**3,841**	**9,119**	**11,026**	**11,345**	**15,980**	**2,049**	**1,711**	**78,216**
Liabilities									
Customer accounts	**781**	**2,970**	**3,400**	**10,900**	**37,240**	**10,767**	**—**	**—**	**66,058**
Other liabilities	**2,594**	**3**	**6**	**9**	**18**	**72**	**706**	**—**	**3,408**
Total liabilities	**3,375**	**2,973**	**3,406**	**10,909**	**37,258**	**10,839**	**706**	**—**	**69,466**

31 December 2007 Group	Sight- <8 days £000	> 8 days <1 month £000	> 1 month < 3 months £000	> 3 months < 6 months £000	> 6 months < 1 year £000	> 1 year < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Assets									
Cash and cash equivalents	14,536	8,369	—	—	—	—	—	—	22,905
Customer accounts receivable	6,384	1,857	5,948	8,009	9,677	20,464	4,391	7	56,737
Other assets	340	—	—	—	—	—	—	1,307	1,647
Total assets	21,260	10,226	5,948	8,009	9,677	20,464	4,391	1,314	81,289
Liabilities									
Customer accounts	787	1,868	6,930	12,409	21,890	17,023	—	1,066	61,973
Other liabilities	1,538	—	—	—	—	—	—	305	1,843
Total liabilities	2,325	1,868	6,930	12,409	21,890	17,023	—	1,371	63,816

4. Risk and capital management continued
(a) Risk management continued

iii) Operational risk

Operational risk arises from the potential for inadequate systems (including systems breakdown), errors, poor management, breaches in internal controls, fraud and external events to result in financial loss or reputational damage. Operational risk also arises through the use of an outsourcing partner, which is the case with the premium finance loan administration provider. The Group manages this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

Operational risk across the Group is analysed and discussed at all Board meetings, with ongoing monitoring of actions arising to address the risks identified.

iv) Market risk

Market risk is the risk that changes in the level of interest rates, changes in the rate of exchange between currencies or changes in the price of securities and other financial contracts (including derivatives) will have an adverse financial impact. The primary market risk within the Group is interest rate risk exposure in the Bank.

During the year the Group was exposed to market price risk through holding available for sale financial instruments, and a financial asset carried at fair value through the profit and loss. There is no exposure at the year-end to the available for sale-financial instruments as the instruments have either been disposed of or fully impaired (Equity Special Situations Limited) during the year. The exposure remaining relates to the financial asset carried at fair value through the profit and loss in the Bank, which is an equity investment stated at a market value. Given the size of this holding, £136,000 at 31 December 2008 (2007: £298,000) the potential impact on the results for the Group is relatively small and no sensitivity analysis has been provided for the market price risk.

Interest rate risk

Interest rate risk exposure in the Bank arises from the difference between the maturity of capital and interest payable on customer deposit accounts, and the maturity of capital and interest receivable on loans and financing. The differing maturities on these products create interest rate risk exposures due to the imperfect matching of different financial assets and liabilities. The risk is managed on a continuous basis by management and reviewed by the Board of Directors. The Bank monitors interest rate risk on a monthly basis via the ALCO.

The matching of the maturity interest rates of assets and liabilities is fundamental to the management of the Bank. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

Interest risk re-pricing table

The following tables present the interest rate mismatch position between assets and liabilities over the respective maturity dates. The maturity dates are presented on a worst case basis, with assets being recorded at their latest maturity and customer accounts at the earliest:

31 December 2008	Sight - < 1 month £000	>1 month < 3 months £000	> 3 months < 6 months £000	> 6 months < 1 years £000	> 1 years < 3 years £000	> 3 years > 5 years £000	> 1 years £000	Total £000
Assets								
Cash and cash equivalents	20,589	—	—	—	—	—	—	20,589
Customer accounts receivable	6,395	9,118	11,025	11,345	15,979	2,054	—	55,916
Other assets	1,711	—	—	—	—	—	—	1,711
Total assets	28,695	9,118	11,025	11,345	15,979	2,054	—	78,216
Liabilities								
Customer accounts	3,751	3,400	10,900	37,240	10,767	—	—	66,058
Other liabilities	2,908	—	—	—	—	500	—	3,408
Total capital and reserves	8,750	—	—	—	—	—	—	8,750
Total liabilities and equity	15,409	3,400	10,900	37,240	10,767	500	—	78,216
Interest rate sensitivity gap	13,286	5,718	125	(25,895)	5,212	1,554	—	—
Cumulative	13,286	19,004	19,129	(6,766)	(1,554)	—	—	—

4. Risk and capital management continued
(a) Risk management continued

31 December 2007	Sight - < 1 month* £000	>1 month < 3 months £000	> 3 months < 6 months £000	> 6 months < 1 years £000	> 1 years < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Assets								
Cash and cash equivalents	22,905	—	—	—	—	—	—	22,905
Customer accounts receivable	8,034	5,973	8,043	9,718	20,551	4,418	—	56,737
Other assets	1,647	—	—	—	—	—	—	1,647
Total assets	32,586	5,973	8,043	9,718	20,551	4,418	—	81,289
Liabilities								
Customer accounts	2,655	6,930	12,409	21,890	17,023	—	1,066	61,973
Other liabilities	1,843	—	—	—	—	—	—	1,843
Total capital and reserves	17,473	—	—	—	—	—	—	17,473
Total liabilities and equity	21,971	6,930	12,409	21,890	17,023	—	1,066	81,289
Interest rate sensitivity gap	10,615	(957)	(4,366)	(12,172)	3,528	4,418	(1,066)	—
Cumulative	10,615	9,658	5,292	(6,880)	(3,352)	1,066	—	—

* Sight to < 1 month also includes non-interest bearing funds.

Sensitivity analysis for interest rate risk

The Bank monitors the impact of changes in interest rates on interest rate mismatch positions using a method consistent with the FSC required reporting standard. The methodology applies weightings to the net interest rate sensitivity gap in order to quantify the impact of an adverse change in interest rates of 1% per annum. The following tables set out the estimated total impact of such a change based on the mismatch at the balance sheet date.

With the adoption of Basel II on 31 March 2009 the Bank has moved to the appropriate FSC required reporting standard which applies weighting to the net interest rate sensitivity gap that quantifies the impact of an adverse change in interest rates of 2% per annum.

4. Risk and capital management continued
(a) Risk management continued

31 December 2008	Sight < 1 month £000	< 3 months £000	> 3 month < 6 months £000	> 6 months < 1 years £000	> 1 years < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Interest rate sensitivity gap	13,286	5,718	125	(25,895)	5,212	1,554	—	—
Weighting	0.000	0.002	0.004	0.007	0.018	0.028	0.040	—
Cumulative £000	—	11	1	(181)	94	44	—	(31)

31 December 2007	Sight < 1 month £000	< 3 months £000	> 3 months < 6 months £000	> 6 months < 1 years £000	> 1 years < 3 years £000	> 3 years < 5 years £000	> 5 years £000	Total £000
Interest rate sensitivity gap £000	10,615	(957)	(4,366)	(12,172)	3,528	4,865	(1,066)	—
Weighting	0.000	0.002	0.004	0.007	0.018	0.028	0.040	—
Total at risk £000		(2)	(17)	(85)	64	136	(43)	53

b) Capital management

Regulatory capital

The Group considers capital to comprise share capital, share premium, reserves and subordinated loans. Capital is deployed by the Board of Directors to meet the commercial objectives of the Group, whilst meeting regulatory requirements in the Bank. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor, depositor and market confidence and to sustain future development of the business.

In implementing current capital requirements the capital position in the Bank is also subject to prescribed minimum requirements by the FSC in respect of the ratio of total capital to total risk-weighted assets. This requirement applies to the Bank (a wholly owned subsidiary of Conister Financial Group PLC) as a component of Conister Financial Group PLC and has been adhered to throughout the year.

The risk asset ratio of the Bank as a component of Conister Financial Group PLC was 18% (2007 26%). This was above the minimum prescribed by the FSC.

5. Segmental analysis

Segment information is presented in respect of the Group's business segments. The Directors consider that the Group currently operates in one geographic segment, the Isle of Man and UK. The primary format, business segments, is based on the Group's management and internal reporting structure. The Directors consider that the Group operates in three product orientated segments in addition to its investing activities: Asset and Personal Finance (including provision of HP contracts, finance leases, personal loans and premium finance); Litigation Finance; and a Prepaid Card division, TransSend. The Group ceased to provide new Litigation Finance in June 2007.

Included within personnel expenses in the Consolidated Income Statement is £1,579,000 (2007: £705,000) relating to direct salary costs for TransSend.

For the year ended 31 December 2008

	Asset and Personal Finance £000	Litigation Finance £000	TransSend £000	Investing Activities £000	Total 2008 £000
Net interest income	3,337	163	88	—	**3,588**
Operating income	2,842	187	181	—	**3,210**
Provision for impairment	(948)	(415)	—	—	**(1,363)**
Loss before unallocated items	(460)	(737)	(3,721)	(610)	**(5,528)**
Group central costs					**(1,099)**
Loss before specific items					**(6,627)**
Capital expenditure	96	—	—	—	**96**
Total assets	76,419	1,503	158	136	**78,216**
Total liabilities and equity	76,713	1,503	—	—	**78,216**

For the year ended 31 December 2007

	Asset and Personal Finance £000	Litigation Finance £000	TransSend £000	Investing Activities £000	Total 2007 £000
Net interest income	4,080	140	—	—	**4,220**
Operating income	3,350	140	92	—	**3,582**
Provision for impairment	(478)	14	—	—	**(464)**
Profit/(loss) before unallocated items	325	(688)	(2,469)	192	**(2,640)**
Group central costs					**(528)**
Loss before specific items					**(3,168)**
Capital expenditure	111	—	133	—	**244**
Total assets	78,678	2,116	197	298	**81,289**
Total liabilities and equity	79,173	2,116	—	—	**81,289**

Segment capital expenditure is the total cost incurred during the year to acquire equipment and fund leasehold improvements.

6. Interest income

Interest receivable and similar income represents charges and interest on finance and leasing agreements attributable to the year after adjusting for early settlements, income on litigation funding receivables and premium financing and interest on bank balances.

7. Interest expense

	2008 £000	2007 £000
Payable to depositors	3,551	2,630
Payable on subordinated loan (note 32)	1	—
Payable to banks	—	1
	3,552	2,631

8. Allowance for impairment

The charge in respect of specific allowances for impairment comprises:

	2008 £000	2007 £000
Specific impairment allowances made	1,388	1,053
Amounts written off	180	462
Reversal of allowances previously made	(251)	(366)
Recovery of amounts previously made	(67)	(170)
Recovery of amounts previously written off	(7)	(6)
Total specific provision for impairment	1,243	973

The charge in respect of collective allowances for impairment comprises:

	2008 £000	2007 £000
Collective impairment allowances made	229	48
Release of allowances previously made	(109)	(557)
Total collective provision for impairment	120	(509)
Total provision for impairment	1,363	464

9. Re-structure costs

Re-structure costs comprise: the cost of closure of the UK TransSend operation, the costs of closure of two branch offices in the UK, and the reorganisation of Isle of Man operational processes.

	2008 £000	2007 £000
Closure of UK TransSend operation		
Administration expenses	320	—
Programme costs	127	—
Redundancy costs	117	—
	564	—
Closure of UK branch offices		
Redundancy costs	61	—
Reorganisation of Isle of Man operations process		
Redundancy costs	429	—
Director's ex gratia cost	264	—
Director's share option cost	107	—
	800	—
	1,425	—

The ex gratia and share option costs relates to Mr J F Linehan.

10. Project costs

	2008 £000	2007 £000
Costs of TransSend sale	133	—
Costs of potential acquisition	361	—
	494	—

On 29 September 2008, the Company agreed to dispose of 51% of TransSend Holdings Limited (subject to certain operational milestones) by way of sale of 10% to Altair Financial Services International PLC (Altair) and 41% to Equity Special Situations Limited (ESS). The suspension of the listing of the ESS shares from AIM and subsequent announcement of its liquidation lead to it not being possible to progress the sale. The appointment of liquidators lead to the ESS shareholding in TransSend being transferred to Altair and the Company at par value, in proportion to their holding in TransSend. Subsequent to this the Company purchased Altair's shareholding in TransSend for £35,000. £98,000 of legal costs were incurred in respect of this matter; the total cost being therefore £133,000.

A potential acquisition was investigated during the year at a cost of £361,000.

11. Shareholder litigation costs

As referred to in the 2007 Annual Report, the Company received a petition from a minority Shareholder alleging certain irregularities in relation to the issue of 12,000,000 ordinary shares in May 2006. An out of court settlement lead to the payment of £200,000 by the Company which together with legal costs incurred of £118,000 made the total cost of this matter £318,000 in 2007 (2008: nil).

12. Scheme of Arrangement costs

Conister Trust Limited, following an Isle of Man Court sanctioned Scheme of Arrangement, became a wholly owned subsidiary of Conister Financial Group PLC with effect from 31 January 2008. The legal and professional expenses attributable to the Scheme of Arrangement totalled £45,000 (2007: £481,000).

13. Loss before taxation

The loss before tax for the year is stated after charging:

		2008 £000	2007 £000
Depreciation		**77**	60
Loss on sale of fixed assets		**104**	25
Share option expense		**315**	123
Directors' remuneration and fees		**409**	529
Directors' pensions		**9**	13
Directors' bonuses		**20**	118
Directors' ex-gratia fees		**264**	—
Auditors' remuneration	as Auditor current year	**84**	69
	as Auditor, under-accrual for prior year	**2**	3
	non-audit services	**128**	112
Pension cost defined contribution scheme		**188**	234
Operating lease rentals for property		**146**	118

14 Income tax expense

(a) Recognised in the income statement for the year ending 31 December

	2008 £000	2007 £000
Isle of Man income tax at 10% (2007: 10%) based on taxable profits for the year	**—**	—
Adjustments in respect of previous years	**—**	—
Isle of Man income tax	**—**	—
UK Corporation tax at 20% (2007: 20%) based on profits for the year	**—**	1
Adjustments in respect of previous year	**—**	—
Total current tax	**—**	1

Deferred tax	2008 £000	2007 £000
De-recognition of previously recognised deferred tax losses	**—**	173
Origination and reversal of timing differences	**—**	—
Total tax expense in the income statement	**—**	174

Reconciliation of effective tax rate	2008 £000	2007 £000
Loss before tax	**(18,305)**	(3,967)
Tax charge at 10%	**(1,831)**	(397)
Effect of UK corporation tax levied at rates greater than 10%	**—**	1
Disallowed expenses	**—**	79
Losses incurred but not recognised as deferred tax assets	**1,831**	318
Current tax expense for the year	**—**	1

(b) Balance Sheet as at 31 December

	Group		Company	
Reconciliation of effective tax rate	2008 £000	2007 £000	2008 £000	2007 £000
UK Corporation tax				
Due in less than one year	**1**	1	**—**	—

14. Income tax expense continued
(b) Balance Sheet as at 31 December continued

Recognised deferred tax asset:		Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Own assets	— accelerated capital allowances	—	(10)	—	—
Leased assets	— net of losses carried forward	—	(20)	—	—
Losses		—	30	—	—
Deferred tax asset		—	—	—	—

Movement in deferred tax during year:	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Asset at start of year	—	184	—	—
Deferred tax credit in income statement	—	(173)	—	—
Retirement benefits in statement of recognised income and expense	—	(11)	—	—
Asset at end of year	—	—	—	—

The Group has a potential unrecognised deferred tax asset of £734,000 (2007: £719,000)

15. Loss per share

	2008 £000	2007 £000
Loss for the year	(18,305)	(4,141)
	Number	Number
Weighted average number of ordinary shares in issue	55,866,457	43,689,141
Basic and diluted loss per share	(32.8)p	(9.5)p

The basic loss per share calculation is based upon loss for the year after taxation and the weighted average of the number of shares in issues throughout the year.

The diluted loss per share calculation is based upon loss for the year after taxation and the weighted average of the number of shares in issue after adjustment to assume conversion of all dilutive potential shares. Other than the employee share option scheme, there are no other potentially dilutive instruments.

16. Company profit
Under Section 3(5)(b)(ii) of the Companies Act 1982 the Company is exempt from the requirement to present its own profit and loss account. The loss on ordinary activities after taxation of the Company is £13,288,000 (2007: nil)

17. Cash and cash equivalents

Recognised deferred tax asset:	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash at bank and in hand	12,989	974	—	—
Short term deposits	7,600	21,931	—	—
	20,589	22,905	—	—

17. Cash and cash equivalents continued

Cash at bank includes an amount of £164,045 (2007: £149,607) representing cheques issued in the course of transmission. The remaining maturity of short-term deposits is as follows:

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Less than 8 days	**7,600**	13,562	**—**	—
8 days to less than 1 month	**—**	8,369	**—**	—
	7,600	21,931	**—**	—

18. Financial assets at fair value through profit or loss

The investment represents shares in Billing Services Group PLC, a UK quoted company, which was elected to be classified as a financial asset at fair value through the profit or loss. The investment is stated at market value. The cost of the shares was £471,000. The unrealised difference between cost and market value has been taken to the income statement. Dividend income of £340,000 has been received from this investment since it was made.

19. Available-for-sale financial instruments

During the year the Group acquired shares in Equity Special Situations Limited (ESS), an AIM listed strategic investment Company incorporated in Guernsey. The transaction was done in two stages by way of a share-for-share exchange with a cash top up as detailed below:

Investment in ESS	**% Holding**	**Number of Shares**	**£000**
Additions during the year:			
23 June 2008	9.9%	2,042,705	**4,453**
9 September 2008	8.7%	2,206,090	**5,185**
Total shareholding	18.6%	4,248,795	**9,638**
Impairment loss on available-for-sale financial instruments			**(9,638)**
Carrying value of available-for-sale financial instruments			**—**

Consideration comprised:	**Share-Premium £000**	**Share Capital £000**	**Total £000**
Share capital issued to ESS			
23 June 2008: Issue of 5,575,150 ordinary CFG shares at 74p	**2,732**	**1,394**	**4,126**
9 September 2008: Issue of 7,101,798 ordinary CFG shares at 73p	**3,409**	**1,775**	**5,184**
	6,141	**3,169**	**9,310**
23 June 2008: Cash paid			**328**
Total consideration			**9,638**

On 25 November 2008 the directors of ESS announced the cancellation of the admission of the ordinary shares in ESS to trading on AIM. ESS had been granted an interim injunction against Landsbanki and its agents, under which Landsbanki was prohibited from attempting to sell certain shares owned by ESS which were held at Landsbanki as security for a long term loan facility with ESS. ESS subsequently filed a legal claim against Landsbanki on 24 October 2008 and has been in discussions with certain creditors and other debt providers. The value of the Company's holding in ESS is uncertain, the Board believes it appropriate to fully impair the carrying value of the Company's holding in ESS and carry it at a £Nil value. It is however possible that some recovery of value may be made in the future. Legal fees of £76,000 were incurred during the year in relation to this matter (2007: £nil).

During the year the Group also acquired two other investments at a cost of £581,000, which were subsequently sold for £127,000, giving rise to a realised loss of £454,000.

20. Loans and advances to customers

Group	2008 Gross Amount £000	2008 Impairment Allowance £000	2008 Carrying Value £000	2007 Gross Amount £000	2007 Impairment Allowance £000	2007 Carrying Value £000
Hire purchase balances	**30,921**	**(1,508)**	**29,413**	32,212	(1,307)	30,905
Finance lease balances	**2,436**	**(247)**	**2,189**	5,146	(98)	5,048
Premium financing	**17,726**	**(137)**	**17,589**	13,000	(100)	12,900
Litigation funding	**3,182**	**(1,679)**	**1,503**	3,752	(1,245)	2,507
Unsecured personal loans	**5,260**	**(584)**	**4,676**	4,820	(80)	4,740
Vehicle stocking plans	**556**	**(10)**	**546**	717	(80)	637
	60,081	**(4,165)**	**55,916**	59,647	(2,910)	56,737

Specific allowance for impairment	2008 £000	2007 £000
Balance at 1 January	**2,262**	1,751
Specific allowance for impairment made	**1,389**	1,053
Recoveries	**(74)**	(176)
Write-offs	**(180)**	(366)
Balance at 31 December	**3,397**	2,262

Collective allowance for impairment	2008 £000	2007 £000
Balance at 1 January	**648**	1,157
Collective allowance for impairment made	**229**	48
Release of allowances previously made	**(109)**	(557)
Balance at 31 December	**768**	648
Total allowances for impairment	**4,165**	2,910

Advances on preferential terms are available to all Directors, management and staff. As at 31 December 2008, £82,338 (2007: £39,550) was lent on this basis. In the Group's ordinary course of business, advances may be made to Shareholders but all such advances are made on normal commercial terms.

At 31 December 2008 no loan exposure exceeded 10% of the total capital base of the Group (2007: £nil).

20. Loans and advances to customers continued

HP and Finance Lease Receivables

Loans and advances to customers include the following HP and finance lease receivables.

Gross investment in HP and finance lease receivables	2008 £000	2007 £000
Less than one year	18,078	21,006
Between one and five years	21,138	22,605
	39,216	43,611
Unearned future income on finance leases	(5,859)	(6,253)
Investment in HP and finance lease receivables net of unearned income	33,357	37,358

The investment in HP and finance lease receivables net of unearned income comprises:	2008 £000	2007 £000
Less than one year	15,077	17,668
Between one and five years	18,280	19,690
Net investment in HP and finance lease receivables	33,357	37,358

21. Property, plant and equipment

Group	Leasehold improvements £000	IT equipment £000	Furniture & equipment £000	Vehicles £000	Total £000
Cost					
As at 1 January 2008	22	183	249	143	597
Additions	—	14	17	65	96
Disposals	—	(43)	(83)	(102)	(228)
As at 31 December 2008	22	154	183	106	465
Depreciation					
As at 1 January 2008	1	76	115	128	320
Provided in the year	3	25	27	22	77
Eliminated on disposals	—	(3)	(21)	(100)	(124)
As at 31 December 2008	4	98	121	50	273
Carrying Value at 31 December 2008	18	56	62	56	192
Carrying Value at 31 December 2007	21	107	134	15	277

Fixed assets with a net book value of £56,000 (2007: £8,000) are held by Conister Finance & Leasing Ltd. These comprise motor vehicles of £54,000 (2007: £6,000) and fixtures and fittings of £2,000 (2007: £2,000). The depreciation charge in respect of these assets was £16,000 (2007: £20,000).

Fixed assets comprising a motor vehicle with a net book value of £nil (2007: £3,000) are held by Conister Legal Management Services Limited. The depreciation charge in respect of this asset was £3,000 (2007: £3,000).

Fixed assets comprising IT equipment with a net book value of £6,000 (2007: £7,000) are held by TransSend (IOM) Limited. Fixed assets with a net book value of £nil (2007: £122,000) are held by TransSend Payments Limited. These comprise IT equipment of £nil (2007: £40,000) and furniture and equipment of £nil (2007: £82,000).

Fixed assets with a net book value of £129,000 (2007: £137,000) are held by Conister Trust Limited. These comprise motor vehicles of £2,000 (2007: £5,000), fixtures and fittings of £59,000 (2007: £50,000), leasehold improvements of £19,000 (2007: £22,000) and IT equipment of £49,000 (2007: £60,000).

Assets held by TransSend Payments Limited with a value of £121,000 have been impaired during the year as part of the closure of the TransSend office in the UK, in order that primary focus can take place on activities based in the Isle of Man.

22. Investment in Group undertakings

The Company has the following investments in subsidiaries incorporated within the Isle of Man:

Carrying value of investments	Nature of business	31 December 2008 % Holding	Date of incorporation	Total 2008 £000	Total 2007 £000
Conister Trust Limited	Asset and personal finance	100	5.12.1935	9,610	—
TransSend Holdings Limited	Holding Co for prepaid card division	100	5.11.2007	—	—
				9,610	—

23. Trade and other receivables

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade debtors	511	147	15	—
Prepayments and other debtors	498	397	—	—
Payments in advance for new banking system	342	—	—	—
VAT Recoverable	32	188	32	—
Accrued income	—	340	—	—
Loans to subsidiary undertakings:				
TransSend Holdings Limited	—	—	425	—
	1,383	1,072	472	—

24. Customer accounts

	2008 £000	2007 £000
Retail customers: Term deposits	64,842	60,743
Corporate customers: Term deposits	1,216	1,230
	66,058	61,973

Fiduciary deposits

At 31 December 2008 the Bank acted as agent bank to a number of customers, for balances totalling £50,863,000 (2007: £34,891,000). The Bank invests these customer assets with third party banks on their behalf and in return for this service receives a fee. These balances are not included within the balance sheet.

25. Creditors and accrued charges

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Creditors and accruals	**1,526**	1,469	**534**	—
Redundancy costs	**607**	—	**391**	—
Closure of UK TransSend operation	**447**	—	**127**	—
Subordinated loan (note 32)	**500**	—	**—**	—
Taxation (note 14)	**—**	1	**—**	—
Short-term employee benefits	**14**	68	**7**	—
	3,094	1,538	**1,059**	—

Of the total tax payable, £nil is payable in more than one year (2007: £nil).

26. Pension liability

The Group operates a funded defined benefit pension scheme, the Conister Trust Pension and Life Assurance Scheme (the Scheme), providing benefits to members based on final pensionable pay. The Scheme was closed to new entrants on 31 March 1997. Contributions to the Scheme are determined by a firm of independent actuaries employed by the Trustees.

The most recent full actuarial valuation was carried out at 1 April 2007 showed that the market value of the Scheme's assets was £952,000, representing 75.9% of the benefits that had accrued to members, after allowing for expected future increases in earnings. As required by IAS19 this valuation has been updated by the actuary as at 31 December 2008.

The actuarial assumptions used to calculate scheme liabilities under IAS19 are as follows:

	2008	2007	2006	2005	2004
	%	%	%	%	%
Rate of increase in salaries	**2.80**	3.40	3.10	2.90	2.90
Rate of increase in pension in payment:					
— service up to 5 April 1997	**—**	—	—	—	—
— service from 6 April 1997 to 13 September 2005	**2.70**	3.40	3.10	2.80	2.70
— service from 14 September 2005	**2.00**	2.40	2.30	2.00	2.70
Discount rate applied to scheme liabilities	**6.70**	5.80	5.10	4.90	5.30
Return on assets	**6.60**	7.70	7.90	2.90	2.90

The assumptions used by the actuary are best estimates chosen from a range of possible assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

26. Pension liability continued

The amounts recognised in the Consolidated Balance Sheet are as follows:

Total underfunding in funded plans recognised as a liability	2008 £000	2007 £000
Fair value of plan assets	827	1,014
Present value of funded obligations	(1,141)	(1,319)
	(314)	(305)

Plan assets consist of the following:

	2008 %	2007 %
Equity securities	45	86
Corporate bonds	39	9
Property	—	2
Cash	6	3
Other	10	—
	100	100

Movement in the liability for defined benefit obligations:	2008 £000	2007 £000
Opening defined benefit obligations at 1 January	1,319	1,333
Benefits paid by the plan	(55)	(50)
Current service cost	—	4
Interest on obligations	75	67
Actuarial gains	(198)	(35)
Liability for defined benefit obligations at 31 December	1,141	1,319

Movement in plan assets:	2008 £000	2007 £000
Opening fair value of plan assets at 1 January	1,014	917
Expected return on assets	81	73
Contribution by employer	28	61
Actuarial (losses)/gains	(241)	13
Benefits paid	(55)	(50)
Closing fair value of plan assets at 31 December	827	1,014

26. Pension liability continued

Expense recognised in income statement:	2008 £000	2007 £000
Current service costs	—	4
Interest on obligation	75	67
Expected return on plan assets	(81)	(73)
Total included in personnel costs	(6)	(2)
Actual loss/(return) on plan assets	160	(86)

Income recognised in statement of recognised income and expense:	2008 £000	2007 £000
Actuarial (losses)/gains on plan assets	(241)	13
Actuarial gains on defined benefit obligations	198	35
	(43)	48

The Company also pays an ex gratia pension to one former employee amounting to £1,320 in the year (2007:£1,320).

27. Called up share capital and share premium

Authorised: Ordinary shares of 25p each	Number	£000
As at 31 December 2008	150,000,000	37,500
As at 31 December 2007	150,000,000	37,500

Issued and fully paid: Ordinary shares of 25p each	Number	£000
As at 31 December 2007	2	—
Issued by way of Scheme of Arrangement and other issues	50,739,500	12,680
Issued by way of share-for-share exchange (note 19)	12,676,948	3,169
As at 31 December 2008	63,416,450	15,849

The balance on the share premium reserve of £6,141,000 represents the premium arising on the share-for-share exchange (note 19). As at 31 December 2007 the balance on the share premium reserve was £8,337,000; this balance was transferred to the merger reserve which arises on consolidation as a result of the Scheme of Arrangement (note 28).

27. Called up share capital and share premium continued

Dates Exercisable	Executive Plan Options				
Grant date	Performance Conditions	From	To	Exercise Price	Number of ordinary 25p shares
On 9 June 2003	Fully vested	9 June 2009	9 Dec 2013	34p	**2,092,500**
Balance 31 December 2007					68,000
Exercised					(9,000)
Balance 31 December 2008					59,000
On 28 April 2004	Fully vested	28 Apr 2004	27 Apr 2014	29p	**350,000**
Balance 31 December 2007					126,000
Exercised					(15,000)
Balance 31 December 2008					111,000
On 25 April 2005	Fully vested	25 Apr 2005	24 Apr 2015	32p	**205,500**
Balance 31 December 2007 and 31 December 2008					32,500
On 1 November 2006	(a)	1 Nov 2006	31 Oct 2011	54.1p	**1,375,000**
Balance 31 December 2007 and 31 December 2008					1,375,000
On 6 July 2007	(b)	6 July 2007	6 July 2017	65p	**625,000**
Balance 31 December 2007 and 31 December 2008					625,000
On 1 February 2008	(c)	1 Feb 2008	1 Feb 2018	70p	**1,275,000**
Balance 31 December 2008					1,275,000
On 1 May 2008	(d)	1 May 2008	1 May 2018		**1,000,000**
Lapsed — Expired					(1,000,000)
Balance 31 December 2008					—
On 30 May 2008	(e)	30 May 2008	30 May 2018	70p	**1,000,000**
Lapsed — Expired					(1,000,000)
Balance 31 December 2008					—

27. Called up share capital and share premium continued

Performance conditions attached to share options that have not fully vested
(a) The options granted on 1 November 2006 will vest if:

- the share price (as calculated in accordance with (iii) below) of 100p is achieved within 5 years from the date of grant (i.e. 1 November 2011) or

- earnings per share (EPS) as measured in the 2008 Audited Financial Statements of 4.5p per share as calculated in accordance with prevailing accounting standards.

No shares resulting from the exercise of an option may be sold less than four years from the date of grant (i.e. 1 November 2010). The share price target will be deemed achieved only if the mean average of the mid-market share price over 30 consecutive calendar days is at least equal to 100p.

On 25 April 2008 dispensation over 1,000,000 2006 options was granted such that they vested, were exercisable and tradable: 500,000 at a price of 54.1p and 500,000 at a price of 65p.

(b) The options granted on 6 July 2007 will vest as follows:

- 30% on the first anniversary of grant (i.e. 6 July 2008)

- 30% on the second anniversary of grant (i.e. 6 July 2009)

- 40% on the third anniversary of grant (i.e. 6 July 2010)

No shares resulting from the exercise of an option may be sold by the employee until he/she has worked a minimum of three years for Conister Financial Group PLC or a subsidiary company from the date of grant (i.e. 6 July 2010).

(c) The options granted on 1 February 2008 will vest if a mid market share price of 175p, over 30 consecutive days is achieved within three years from the date of the grant.

No shares resulting from the exercise of an option may be sold unless the individual is an employee of the Company on 1 February 2011.

(d) The options granted on 1 May 2008 will vest if the share price reaches 100p within three years from the grant date. These options have lapsed/expired due to the applicable employees leaving employment with the Group.

(e) The options granted on 30 May 2008 will vest if a mid-market share price of 100p is achieved within 10 years from the date of the grant. These options have lapsed/expired due to the applicable employees leaving employment with the Group.

27. Called up share capital and share premium continued

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial probability model with the following inputs for each award.

	9 June 2003	28 April 2004	25 April 2005	1 November 2006*	6 July 2007 (Tranche 1)
Fair value at date of grant	0.08	0.03	0.03	0.14	0.24
Share price	0.34	0.29	0.32	0.55	0.60
Exercise price	0.34	0.29	0.32	0.54	0.65
Expected volatility	30%	30%	30%	35%	36%
Option life	10	10	10	10	10
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (based on government bonds)	4.11%	4.96%	4.62%	4.40%	5.71%
Forfeiture rate	0%	30%	60%	100%	16%

* modified on 25 April 2008

	6 July 2007 (Tranche 2)	9 July 2007 (Tranchee 3)	1 February 2008	1 May 2008 Award	30 May 2008
Fair value at date of grant	0.27	0.31	0.31	0.76	0.27
Share price	0.64	0.67	0.77	0.76	0.70
Exercise price	0.65	0.65	0.81	0.00	0.70
Expected volatility	36%	36%	35%	35%	35%
Option life	10	10	10	10	10
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (based on government bonds)	5.71%	5.71%	4.28%	4.69%	5.00%
Forfeiture rate	0%	0%	0%	100%	100%

Expense in income statement:	2008 £000	2007 £000
Share options granted in:		
2003	**10**	10
2004	**1**	1
2005	**1**	—
2006	**199**	64
2007	**64**	48
2008	**40**	—
	315	123

28. Merger reserve

For the purpose of the consolidated financial statements the Scheme of Arrangement on 31 January 2008, whereby Shareholders in Conister Trust Limited received replacement shares in CFG, has been treated as a Group reconstruction. Merger accounting principles have been used for the Group reconstruction, such that the consolidated results of CFG have been prepared on the basis that the current Group always existed.

The investment in Conister Trust Limited was recorded in the balance sheet of CFG at a cost of £12,680,000, being the nominal value of the ordinary 25p shares acquired in exchange for an equal number of CFG ordinary 25p shares. This also became the issued share capital of CFG. At the date of the Scheme of arrangement, a merger reserve of £8,337,000 arose representing the share premium balance in the balance sheet of Conister Trust Limited.

Following approval by the High Court of Justice in the Isle of Man on 10 November 2008, the share capital account in Conister Trust Limited was reduced to £5,000,000. Further, the share premium account was cancelled and the balance of £8,337,000 was credited to distributable reserves. This capital reorganisation necessitated the balance on the merger reserve, to be transferred to retained earnings.

29. Notes to cash flow statement

Analysis of changes in financing during the year		2008 £000	2007 £000
Opening balance		—	—
Issue of shares by way of scheme of arrangement		12,680	—
Issue of shares by way of share for share exchange	— share capital	3,169	
	— share premium	6,141	
Issue of subordinated liabilities		500	—
Closing balance		22,490	—

The closing balance is represented by £15,854,000 share capital, £6,142,000 share premium and £500,000 subordinated liabilities. Only the issue of subordinated liabilities gave rise to a cash inflow.

30. Regulator

Conister Trust Limited is licensed to undertake banking activity by the Isle of Man Government Financial Supervision Commission.

31. Contingent liabilities

Conister Trust Limited is required to be a member of the Isle of Man Government Depositors' Compensation Scheme which was introduced by the Isle of Man Government under the Banking Business (Compensation of Depositors) Regulations 1991. The Scheme would create a liability on the Company to participate in the compensation of depositors should it be activated.

On 27 May 2009, the Scheme was activated in connection with the liquidation of Kaupthing Singer & Friedlander (Isle of Man) Limited. As the Scheme was activated after the Balance Sheet date no provision for this liability has been included in the Financial Statements for the year ended 31 December 2008. Full provision, based on the estimated amount payable over the life of the scheme and discounted to take account of the time value of money, will be made in the results for the year ended 31 December 2009.

32. Related party transactions

NewLaw

A loan of £500,000 was advanced by the Bank on 21 December 2005 to NewLaw, a UK firm of solicitors. In November 2007 the terms of the loan were renegotiated to a new term of 36 months with interest charged at 7.3% per annum. As at 31 December 2008 the balance on the loan was £305,986 (2007: £472,886); this amount is disclosed as an unsecured personal loan in note 20. NewLaw is a party related to Mr A F A Banks (Non-Executive Director and significant Shareholder). The Bank has a personal guarantee from Mr A F A Banks in respect of the loan.

NewLaw also provided legal services to the Bank. Fees charged for these services in 2008 totalled £337,000 (2007: £218,000).

32. Related party transactions continued

Premium Finance

The Bank has an agreement with Group Direct Limited, a UK insurance broker, to provide premium financing of insurance policies brokered by Group Direct of at least £5 million annually. The majority of these policies are issued by Southern Rock Insurance Company Limited. In 2008 the Bank provided financing of £30.8 million (2007: £17.4 million) earning interest income of £1,280,000 (2007: £655,000). Group Direct Limited and Southern Rock Insurance Company Limited are parties related to A F A Banks.

Cash deposits

During the year the Bank held cash on deposit on behalf of the following related individuals:

J Mellon and a Company related to him (Executive Chairman and Non-Executive Director)
A F A Banks (Non-Executive Director)
A Company related to D Eke (Chief Executive Officer)
J Hemuss (Conister Trust Limited, Executive Director)

Normal commercial interest rates are paid on these deposits.

Subordinated Loan

On 22nd December 2008 the Bank entered into a subordinated loan agreement for £500,000 with J Mellon. The loan is unsecured, bears interest on commercial terms and no repayment of the loan is necessary in the first 5 years. This loan represents a Related Party Transaction in accordance with AIM Rule 13. According, the Independent Directors, having consulted with the Group's Nominated Advisor, consider the terms of the transaction to be fair and reasonable in so far as the shareholders of the Company are concerned.

Staff loans

Details of staff loans are given in note 20 to the financial statements.

Key management personnel (including Executive Directors') compensation

	2008 £000	2007 £000
Short-term employee benefits	1,640	1,076
Share-based payments	211	79
Total	1,851	1,155

Short-term employee benefits include £655,000 (2007: nil) in respect of redundancy and settlement costs as a result of the reorganisation of Isle of Man operational processes (note 9).

The 2008 share-based payment charge includes £107,000 in respect of the modifications to the share options held by J F Linehan, details of which are disclosed in the Director's remuneration report on pages 10 and 11.

33. Operating Leases

Non-cancellable operating lease rentals are payable in respect of property as follows:

	2008 £000	2007 £000
Less than one year	—	—
Between one and five years	89	65
More than five years	89	89
Total operating lease rentals payable	178	154

Restructure costs as detailed in note 9 to the financial statements, include a provision of £185,000 (2007: £nil) for rent and rates for the closed UK office previously used by TransSend.

34. Litigation

The Bank entered into litigation with a firm of solicitors involved in litigation funding, following their refusal to repay loans made by the Bank to a number of their clients. As at 31 December 2008 the amount owed by the solicitor was £387,000 (2007: £328,000).

On 11 April 2008 judgement on a preliminary issue in this case was handed down in favour of the Bank. On 21 July 2008 the Court of appeal reversed the earlier decision and ruled against the Bank, including costs being awarded against the Bank. On 2 April 2009 a Court order was made whereby mediation would take place on or before 29 May 2009. Mediation occurred on the 6 May 2008 and agreement was reached between the parties to settle this matter on 20 May 2009.

The Bank is vigorously pursuing the repayment of litigation funding loans made to clients of other solicitor firms and further litigation may be required in this regard. Counter claims have been received and there is the possibility of litigation being necessary. There is a risk of an adverse outcome in all litigation and the costs and timescale to resolve these matters are uncertain.

35. Transfer of investment in TransSend to CFG

On 31 January 2008, following the Isle of Man Court sanctioned Scheme of Arrangement, the Bank became a wholly owned subsidiary of CFG and ceased to govern the financial and operating policies of TransSend, which comprises TransSend Holdings Limited, TransSend Payments Limited and TransSend (IOM) Limited with CFG becoming the controlling party. The net assets were transferred to CFG at net book value.

Notice is hereby given that the Annual General Meeting of Conister Financial Group PLC ("the Company") will be held on Monday 29 June 2009, at The Claremont Hotel, 18–22 Loch Promenade, Douglas, Isle of Man at 11 am for the following purposes:

ORDINARY BUSINESS
To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

Resolution 1
To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2008 together with the Report of the Independent Auditors on such statements.

Resolution 2
To reappoint KPMG Audit LLC as Auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which Financial Statements are laid before the Company, at a remuneration to be determined by the Directors.

Resolution 3
To reappoint Mr A Banks, a Director retiring by rotation under the Company's Articles of Association.

Resolution 4
To reappoint Mr A Clarke, a Director retiring by rotation under the Company's Articles of Association.

Resolution 5
To reappoint Mr S Hull, a Director appointed since the Company's last Annual General Meeting.

Resolution 6
To reappoint Mr D Gibson, a Director appointed since the Company's last Annual General Meeting.

SPECIAL BUSINESS
To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

Resolution 7
That the Company is hereby authorised to issue shares amounting to not more that 20% of the then existing issued share capital, at not more than a discount of 10% to the then market price. The authority hereby conferred shall (unless previously renewed or revoked) expire on the date which is eighteen months after the date on which this resolution is passed.

Resolution 8
That, subject to the confirmation of the High Court of Justice of the Isle of Man pursuant to Section 57 Companies Act 1931, the share premium account of the Company be cancelled and reduced to nil and that all sums standing to the credit of the share premium account as at the date of this resolution be transferred to distributable reserves.

Resolution 9
That the name of the Company be changed from Conister Financial Group PLC to Manx Financial Group PLC and the Memorandum and Articles of Association of the Company to be amended to reflect the change of name.

For ordinary resolutions to be passed, more than half of the votes cast must be in favour of the resolution, whilst in the case of a special resolution at least three-quarters of the votes cast must be in favour. We expect the meeting to conclude by 12.30 pm.

By order of the Board

Lesley Crossley ACII ACIS
Company Secretary
1 June 2009

Registered Office:
Conister House
Isle of Man Business Park
Cooil Road
Braddan
Isle of Man
IM2 2QZ

Notes:
1. A member of the Company entitled to attend and vote at the above-mentioned meeting is entitled to appoint another person as his proxy to vote and attend in his stead. A proxy need not be a member of the Company.

2. To be effective, forms of proxy must be lodged at the Company's registered office, Conister House, Isle of Man Business Park, Cooil Road, Braddan, Isle of Man, IM2 2QZ not later than 11 am on 27 June 2009. Lodgement of a form of proxy will not prevent a member from attending and voting in person. A voting proxy is enclosed with these Financial Statements.

Design and print by Jonesandpalmer www.jonesandpalmer.co.uk

Conister Financial Group PLC

Conister House
Isle of Man Business Park
Cooil Road
Braddan
Isle of Man
IM2 2QZ

Tel: (01624) 694694
Fax: (01624) 624278

www.cfgplc.com