FBD Holdings plc Annual Report 2007

Driving Performance

Contents

Financial Highlights

Gross Premiums Written

€407,953,000

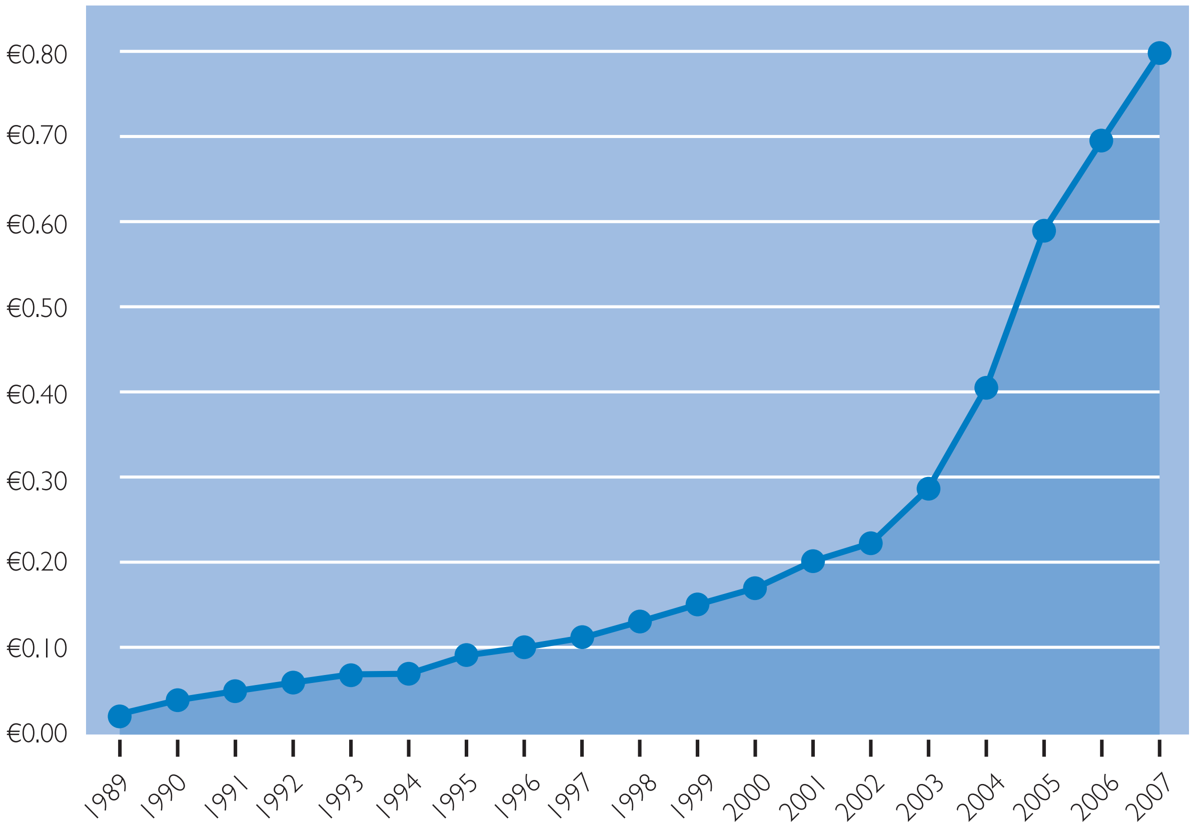
Operating Profit

€235,510,000

Ordinary dividend per €0.60 ordinary share

79.50 cent

GROWTH IN ORDINARY DIVIDEND PER €0.60 ORDINARY SHARE



"Delivering long term sustainable value"

	2007	2006	Change
	€000s	€000s	%
Gross premiums written	**407,953**	407,256	+0.2%
Net premiums earned	**350,321**	345,959	+1.3%
Operating profit*	**235,510**	158,515	+48.6%
Adjusted operating profit**	**127,883**	158,515	-19.3%

	2007	2006	Change
	Cent	Cent	%
Adjusted operating earnings per 60c ordinary share**	**316.33**	376.60	-16.0%
Ordinary dividend per 60c ordinary share	**79.50**	69.00	+15.2%
Special dividend per share (paid) – La Cala land sale	**-**	160.00	n/a
Distribution of Financial Reserves per share (paid)	**500.00**	-	n/a
Net assets per 60c ordinary share	**1,154.54**	1,424.76	-19.0%

* Based on a longer term rate of investment return
** Adjusted to exclude impact of change in reserving policy

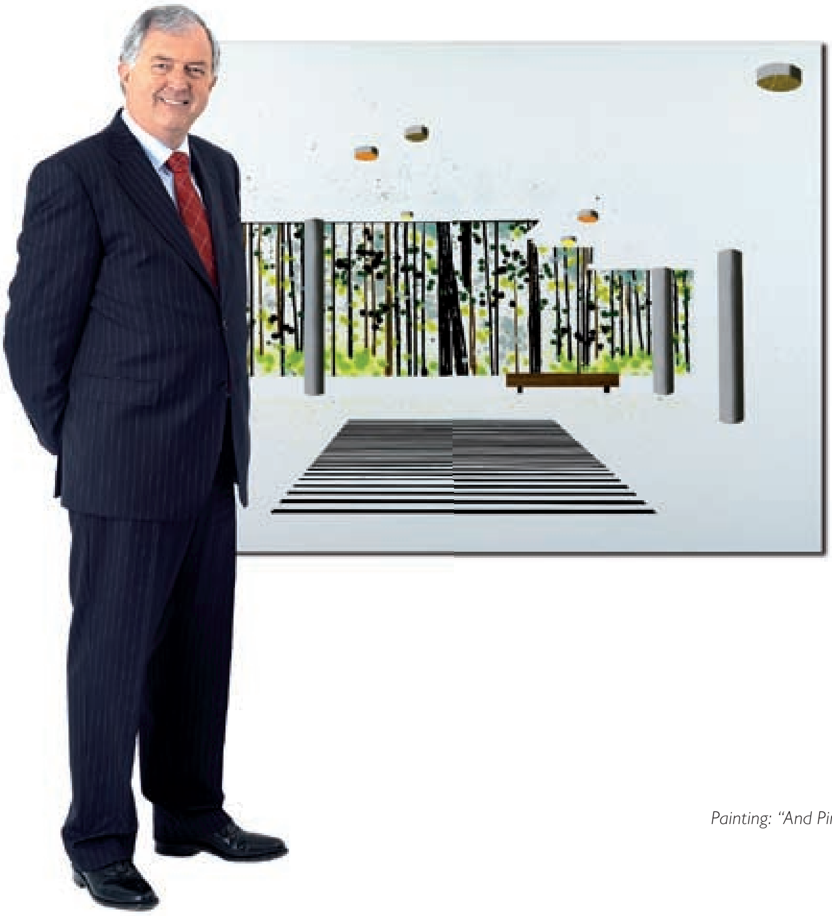
Calendar:	
Preliminary announcement	5th March 2008
Annual General Meeting	29th April 2008
Final dividend	2nd May 2008

Competitive Edge

3,500 calls a day at Mullingar Support Centre


2250
ANSWERED TODAY
2162
CALLS OVER Q TODAY
0
0
IN QUEUE NOW
8
STAFF READY
94
QUEUED TODAY

Chairman's Statement



Painting: "And Pine in Sandy Places", Blaise Drummond

I am very pleased to report that 2007 was another year of significant progress for the FBD Group and one in which our continuing commitment to optimising returns to shareholders was further demonstrated.

The highlights of the year for the FBD Group were:

- Operating profit amounted to €235.5m, benefiting from claims reserve releases of €107.6m arising from a revision of the Group's claims reserving policy. This change was decided on by the Board in the light of the improvement in the claims environment, which had resulted from the structural reforms undertaken in recent years. The reserve releases contributed €94.2m to earnings. Subject to shareholder approval, the Board intends to distribute this amount by way of a special distribution in mid 2008.
- Gross premiums written amounted to €408m, up 0.2% in a highly competitive marketplace which saw premium income fall by 5.8%. FBD's market share grew from 10.7% to 11.3%.
- The speedy establishment of FBD's Business Support Centre in Mullingar was successfully undertaken. The facility has expanded our capacity for personal lines insurance sales and further enhanced our customer service levels.
- Our hotel and leisure property businesses in Ireland and Spain delivered results ahead of budget in what were particularly challenging markets. Our financial services activities also performed ahead of 2006.
- In June 2007, the Group made a special distribution of €176m of capital to shareholders. This equated to €5.00 per share. This was deemed by the Board to be surplus to the capital required to fulfil the Group's development plans. The distribution was effected in a manner that allowed shareholders to maximise their individual tax positions.
- The Board is recommending a final ordinary dividend of 52 cent per share, bringing the total dividend for the year to 79.5 cent, an increase of 15% on 2006.

Shareholders will be aware that we have been increasing our dividend payout ratio in recent years in keeping with our stated policy. The compound annual growth rate in our ordinary dividend amounted to 26.4% over the last 6 years.

PROSPECTS

During the past year, our market positions in all our businesses were strengthened and our capacity for further growth extended.

On the insurance front, we have consistently stated that price competition would inevitably bring Irish insurance cost/income ratios in line with European norms. We believe that this convergence has occurred for many insurance classes and we anticipate that the trend of reducing premiums over the past number of years is about to be reversed. Policyholders are well aware that premiums are now at similar levels to those pertaining some years ago and that they have benefited from the reforms in the insurance environment that were undertaken. Further incremental cost reducing measures on the claims front are possible if Government resolve is maintained. Such improvements, however, are unlikely to be as significant as what has already been achieved.

The turbulence and downturn in financial markets that has taken place since mid 2007 has impacted on our Balance Sheet. This was reflected in the short term fluctuations in investment returns reported at year end. We share the concerns of everyone involved in business regarding the negative impact these market uncertainties have for businesses generally.

Utilising capital generated for the optimum benefit of shareholders is a key objective of the Board and I believe that the Board has delivered in this regard. I have already referred to the €176m of capital, deemed surplus to ongoing business requirements, which was returned to shareholders in June 2007. This was in addition to share buybacks which the Company undertook amounting to €52.6m. These 2007 payouts brought the total capital repatriated to shareholders since March 2005 to €496m. A further €94.2m, relating to claims reserve releases, is also being proposed by the Board for distribution. The Board's ongoing commitment to efficient capital management is affirmed by these actions. I wish to reaffirm that the amount of capital retained in the Group will be determined by the capital needs associated with the Group's development plans and consistent with maximising returns to shareholders.

It is with regret that I refer to the death of an esteemed Board member in June of last year. Joe Rea, former President of the I.F.A, who served on the Board of FBD for many years and supported the Group's development with great vigour and commitment, sadly passed away.

Sean Dorgan, former Chief Executive of IDA Ireland, (the Industrial Development Agency), was co-opted to the Board in December 2007. I welcome Sean as a Director and look forward to the contribution which he, no doubt, will make in the years ahead.

I am also very pleased to welcome Conor Gouldson, our Group Company Secretary, who joined us in May 2007 following David Flynn's retirement.

In conclusion, I extend my sincere thanks to the Board, Management and Staff for their efforts and dedication in maintaining the onward advance of the Group. We will continue to focus on maximising benefits for all our stakeholders, and I am confident that FBD will continue to develop successfully into the future.

Michael Berkery
Chairman

4th March 2008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Female
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Car Value
10000
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Retrieve a Previous Quote
Go »

Well Positioned

Through innovation and technology we are well positioned to take full advantage of a competitive market

Review of Operations

Painting: "Beacon Falls II", Donald Teskey

I am pleased to report another very solid performance by the Group in the year under review.

RESULTS

Operating Profit

Group operating profit amounted to €235.5m, which includes a non-recurring credit of €107.6m arising from a revision of the Group's claims reserving policy.

The decision to reduce the outstanding claims reserves was arrived at following a comprehensive review at year end. This review concluded that sufficient evidence has now emerged that the positive impact of the reform measures undertaken in recent years to improve the claims environment has been maintained and consequently that the Company's reserving policy should be altered to reflect this.

In order to present comparable 2007 and 2006 figures, 2007 "adjusted operating profit", "adjusted operating earnings per share", "adjusted net claims incurred charge " and "adjusted net operating ratios", referred to hereunder, have been arrived at by adjusting for the impact of the change in the Group's reserving policy which occurred.

Adjusted Operating Profit

The adjusted operating profit amounted to €127.9m. The comparable figure for 2006 was €158.5m. The decline in this figure is mainly attributable to a reduction in the return on the Group's capital fund, which forms part of the Company's non-underwriting activities, as outlined hereunder.

Of the €127.9m (2006: €158.5m) adjusted operating profit, €112.7m (2006: €124.6m) is attributable to underwriting activities and €15.2m (2006: €33.9m) to non-underwriting.

In relation to underwriting, as anticipated, profit declined compared to 2006 due to lower margins resulting from premium reductions. Notwithstanding falling premium rates, gross written premiums were marginally ahead of 2006 due to continued growth in customer numbers and represent an increase in market share, as total market premium in 2007 reduced by approximately 6% (source: Irish Insurance Federation Statistics).

In relation to non-underwriting, the decline in profit compared to 2006 is mainly attributable to the reduction in the return on the capital fund. The reduction results from utilising a major portion of the fund for the distribution of €176m of reserves to shareholders in June 2007 and from the fall in the value of equities that remained in the fund at year end. All of the Group's non-underwriting operating businesses delivered performances ahead of 2006.

Profit before Tax

Short term fluctuations in investment returns of €69.2m, negative (2006: €61.4m, positive) offset the positive impact of operating profit on the profit before tax figure. These fluctuations reflect the weakness in government bond markets in the first half year and the major downturn in equity markets in the second half year.

After finance costs of €4.1m (2006: €4.8m), the profit before tax amounted to €162.2m (2006: €296.8m, which included the profit of €81.8m from the La Cala Tranche I land sale).

Earnings per Share

Adjusted operating earnings per share, based on longer term investment returns, amounted to 316.33c, enhanced by the share buybacks which the Group has undertaken. The comparable 2006 figure is 376.60c.

UNDERWRITING

Insurance underwriting (FBD Insurance) is the Group's primary business activity.

Gross written premiums (i.e. before reinsurance) amounted to €407.9m, compared to €407.3m in 2006. Reductions in average premiums which prevailed throughout 2007 were offset by the growth in customer numbers achieved in the period.

Net earned premiums amounted to €350.3m (2006: €346.0m).

The adjusted net claims incurred charge amounted to €239.1m (2006: €224.7m) comprised of net claims paid of €230.9m (2006: €193.6m) and an increase in net outstanding reserves of €8.1m (2006: €31.0m increase). The increased adjusted claims charge reflects the increase in exposures underwritten.

The underwriting result benefited by €107.6m arising from the change in reserving policy.

Net operating expenses amounted to €51.9m (2006: €44.7m). The increase is attributable to our programme of investment in staffing, technology and facilities in order to achieve our development objectives.

The foregoing premium/claim/expenses figures resulted in an underwriting profit of €166.9m (2006: €76.6m). The 2007 adjusted net operating ratios were: loss ratio 68.2% (2006: 65.0%); expense ratio 14.8% (2006: 12.9%); combined ratio 83.0% (2006: 77.9%).

After crediting longer term investment income of €53.4m (2006: €48.0m), the operating profit of FBD's underwriting business amounted to €220.3m (2006: €124.6m).

NON-UNDERWRITING

The Group's non-underwriting activities include leisure interests (hotels/golf) and leisure property development, financial services and the investment in equities of non-allocated capital ("the capital fund").The contribution to operating profit from these activities amounted to €15.2m (2006: €33.9m).

Leisure and property interests, which include the La Cala and Sunset Beach resorts in Spain and the Tower Hotel Group in Ireland, contributed €16.1m (2006: €10.1m) to operating profits. A higher level of property handovers at La Cala, combined with above budget results at Sunset Beach Resort and the Tower Hotel Group delivered the improved performance.

The Group's financial service businesses, which embrace general insurance broking (FBD Brokers), life assurance/ pension broking/investment advice (FBD Life) and instalment finance contributed €5.9m (2006: €4.3m) to operating profits. This increase was achieved through new business growth.

The capital fund recorded a negative return of €6.8m (2006: positive return of €19.5m). The fund constitutes the remaining portion of non-allocated capital that had been invested in equities. At 1st January 2007 this fund amounted to €92m. As referred to earlier, the major portion of this fund was realised in connection with the special €176m payout to shareholders. The downturn in the value of the equities that remained in the fund, post the distribution, is reflected in the €6.8m negative return figure.

BALANCE SHEET

Total assets at year end amounted to €1,387.1m (2006: €1,686.6m). Ordinary shareholders' funds amounted to €383.6m (2006: €497.5m). Net assets per share amounted to 1,154.54c (2006: 1,424.76c). The Balance Sheet reductions reflect the distribution of reserves (€176m) and share buybacks (€52.6m) during the year, in addition to the negative short term fluctuations in investments (€69.2m).

FINAL ORDINARY DIVIDEND

In view of the Group's strong results and the Board's commitment to increase the dividend/earnings payment ratio, a final ordinary dividend of 52.0c (2006: 45.0c) per share is being recommended by the Directors. This will bring the total ordinary dividend for the year to 79.5c (2006: 69.0c) an increase of 15.2%.

The final ordinary dividend will be paid on 2nd May 2008 to shareholders on the Company's Register at close of business on 25th March 2008. The final ordinary dividend is subject to withholding tax ("DWT") except for shareholders who are exempt from DWT and who have furnished a properly completed declaration of exemption to the Company's Registrar, from whom further details may be obtained.

SPECIAL DISTRIBUTION

The after tax impact on earnings arising from the change in reserving policy amounted to €94.2m. It is the Board's intention to distribute this amount to shareholders by way of a special distribution as soon as practical after shareholder approval has been obtained. It is also the intention of the Board to allow shareholders the option of choosing to receive this return in either of the ways specified in the Resolutions approved by shareholders in May 2007. These Resolutions provided for the issue and subsequent purchase of 'A' ordinary shares by the Company, or for the receipt of a special dividend.

OUTLOOK

The Board is confident that the Group will continue to progress this year and into the future.

Underwriting:

Price reductions have been a continuous feature of the Irish Insurance market for the past five years, arising from reforms in the claims environment and competition. These have resulted in Irish combined ratios converging to European norms. In the knowledge of this inevitability, we have been pursuing plans focused on broadening and strengthening our platform for medium and long term growth, whilst maximising short term opportunities. These plans require ongoing investment in human and capital resources and leave us well positioned for the future. While such investment, by its nature, is not designed to deliver significant, immediate returns, positive outcomes are already evident.

In recent weeks we launched a new stand-alone car insurance brand aimed at the budget market, a market which FBD's premium brand is not designed for. This new product, "No Nonsense Car Insurance", is an internet-only offering. It is being marketed in conjunction with

Ryanair Money, targeting car owners who wish to comply with basic legal insurance requirements only, with limited add-ons available at additional per item costs, should the purchaser so wish.

Our Business Support Centre, which commenced operations in February 2007 and now has a complement of 150 staff, is providing additional sales capacity and service support for personal lines business. Branch office staff now have additional time available to pursue commercial insurance and related business opportunities.

Significant new e-commerce developments and other initiatives to extend our customer reach and engagement are well advanced and we are confident that they will enhance our sales potential and our customer service levels.

Price reductions have continued in the market in the current year. The sustainability of such pricing is questionable, given the cost/income ratios that insurers are reporting. It is the widespread view of industry analysts, however, that the downward trend is about to be reversed. In January of this year, we implemented single-digit price increases on specific products where ratios warranted rate changes. While this action has impacted policy growth, we do not regard increasing our customer numbers at uneconomic premium levels as a viable option. Gross premiums written are in line with the 2007 corresponding period.

Non-Underwriting:

The particular challenges which our leisure, property and financial services businesses faced in 2007 have continued in 2008.

On the property/leisure front, oversupply of product in the marketplace is the key challenge facing our businesses, both in Ireland and in Spain. Management are focusing on new marketing/sales initiatives and operational cost efficiencies in meeting targets.

As regards the La Cala Tranche II land sale agreement, we advised in our pre-close trading statement in December 2007 that, in addition to awaiting the outcome of the Andalucian Regional Planning process, which has been delayed by issues not associated with La Cala, our planning advisors were undertaking an additional parallel approach at local/municipal level aimed at finalising planning on the land. We reiterate their advices that, whilst delivery of the planning ultimately remains outside their control, they believe this will be obtained within the sale agreement deadline of June 2009.

In financial services, management are targeting to build on the successes achieved in 2007 in developing new market segments to overcome lower commercial premium levels (FBD Brokers) and the difficult investment climate (FBD Life).

Capital:

In his Statement, the Chairman has once again highlighted that capital efficiency is a fundamental principle that the Group continues to work to in order to maximise shareholder returns. The evidence is there to demonstrate our commitment to this.

In conclusion, I thank all of my colleagues for their great work in the year under review. Through their efforts and abilities our market positions in all our businesses have been strengthened and the Group has been primed for further growth. I also acknowledge the support and contribution which the Chairman and the Board provide. Our focus in the year ahead will continue to be on maintaining FBD's successful track record, in the interests of all stakeholders.

Philip Fitzsimons
Chief Executive

4th March 2008

Continued growth in Dublin

O'Donoghue's pub

Now in Newbridge

Arriving in Athlone

Board of Directors and Other Information

BOARD OF DIRECTORS

Michael Berkery (Chairman)

Executive Directors
Philip Fitzsimons (Chief Executive)
Andrew Langford
Adrian Taheny

Non-Executive Directors
John Donnelly
Sean Dorgan
Philip Lynch
Patrick O'Keeffe
Vincent Sheridan (Senior Independent Director)
Johan Thijs
Padraig Walshe

BOARD COMMITTEES

Audit Committee
Vincent Sheridan (Chairman)
Sean Dorgan
Patrick O'Keeffe

Remuneration Committee
Michael Berkery (Chairman)
Philip Lynch
Patrick O'Keeffe

Nomination Committee
Michael Berkery (Chairman)
John Donnelly
Philip Lynch
Patrick O'Keeffe

SECRETARY AND REGISTERED OFFICE

Conor Gouldson,
FBD House,
Bluebell,
Dublin 12.

AUDITORS

Deloitte & Touche,
Chartered Accountants,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.

STOCKBROKERS

Bloxham Stockbrokers,
2/3 Exchange Place,
IFSC,
Dublin 1.

SOLICITORS

Dillon Eustace,
33 Sir John Rogerson's Quay,
Dublin 2.

REGISTRARS AND TRANSFER OFFICE

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

Report of the Directors

The Directors present their annual report and audited Financial Statements for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The Company is a holding Company incorporated in Ireland. The primary business of the Group is general insurance underwriting. The Group also has leisure/property interests and financial services businesses.

BUSINESS REVIEW

The performance of the Group is reviewed in the Chairman's Statement on pages 6 and 7 and in the Chief Executive's Review of Operations on pages 10 to 13. A comprehensive review of the key performance indicators and the major risks and uncertainties faced by the Group is included within the Chairman's Statement and the Review of Operations. Information regarding the management of specific risk areas is detailed on pages 69 to 74 (Note 34).

RESULTS AND DIVIDENDS

The results for the year are shown in the Group Income Statement on page 33. The Directors propose a final dividend on the 60c ordinary shares of 52.00c (2006: 45.00c). This brings the total dividend for the year to 79.50c (2006: 69.00c), an increase of 15.2% on 2006. The Company made a distribution of Financial Reserves during the year of 500c per 60c ordinary share (2006: nil).

RETIREMENT BENEFITS

Information in relation to the Group's pension schemes is given on pages 60 to 63 (Note 24).

SUBSIDIARIES

The Company's principal subsidiaries, as at 31st December 2007 are listed on page 67 (Note 28).

DIRECTORS

The present members of the Board of Directors are named on page 16.

On 21st December 2007 the Board announced the appointment of Mr. Sean Dorgan as a Director of the Company to take effect from 1st January 2008.

In accordance with Provision A.7.1 of the Combined Code on Corporate Governance, Mr. Andrew Langford, Mr. Vincent Sheridan, Mr. Adrian Taheny and Mr. Johan Thijs will retire at the Annual General Meeting having last been re-elected on 27th April 2005 and, being eligible, offer themselves for re-election.

In accordance with Provision A.7.2 of the Combined Code on Corporate Governance, Mr. Michael Berkery, Mr. John Donnelly, Mr. Philip Lynch and Dr. Patrick O'Keeffe, all having served longer than nine years, will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 83 (b) Mr. Sean Dorgan will retire at the Annual General Meeting having been appointed as a Director since the last Annual General Meeting and, being eligible, offers himself for re-election.

With regard to Non-Executive Directors proposed by the Board for re-election, the Chairman confirms that, following a formal performance evaluation each individual Director's performance continues to be effective and demonstrates commitment to the role.

No service contracts exist for any of the Directors proposed for re-election which provide for a notice period of more than one year.

NON-EXECUTIVE DIRECTORS

MICHAEL BERKERY was appointed Chairman of the Company in 1996 and is Chief Executive Officer of the Irish Farmers' Association. He is a Director of the Agricultural Trust. He is also a member of COPA (The European Farmers' Organisation), the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme and a Director of a number of other companies. There were no changes in his commitments during 2007.

JOHN DONNELLY is a farmer. He is a former President of the Irish Farmers' Association and is a Director of a number of other companies.

SEAN DORGAN was Chief Executive of IDA Ireland for nine years to 2007. Prior to joining IDA, he was Secretary General of the Departments of Industry and Commerce and of Tourism and Trade and was Chief Executive of The Institute of Chartered Accountants in Ireland. He is currently Chairman of the Governing Body of Dublin Institute of Technology, Non-Executive Chairman of Tesco Ireland Limited and is a Non-Executive Director of Short Brothers plc and Fineos Corporation Limited.

PHILIP LYNCH is Chief Executive Officer of One51 plc. He is an Executive Director of the Irish Agricultural Wholesale Society Limited, a Non-Executive Director of C & C Group plc and Coillte Teoranta and he is Chairman of both the Educate Through Sports Foundation and the National Paediatric Hospital Development Board.

DR. PATRICK O'KEEFFE retired as Chairman in 1996 having been Chairman of this Company since it was incorporated in 1988. He was Chairman of the original FBD companies, which comprise the Group, since their inception in the early 1970s. A former Editor and Chief Executive of the Irish Farmers' Journal, he is currently Chairman of the Agricultural Trust and is also a Director of a number of other companies.

VINCENT SHERIDAN has been Chief Executive of Vhi Healthcare since 2001. Prior to that he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is currently President of the Institute of Chartered Accountants in Ireland and is a past president of the Irish Insurance Federation, the Insurance Institute of Ireland and the Irish Association of Investment Managers. He was a Director of the Irish Stock Exchange for nine years to June 2004. He is a council member of the International Federation of Health Plans and the Financial Reporting Council in the UK.

JOHAN THIJS is Belgian. He obtained a Master of Science (Applied Mathematics) degree and qualified as an Actuary at KU Leuven. He joined ABB Insurance in 1989 and having held a number of Executive positions is now Senior General Manager – Non-Life at KBC Insurance.

PADRAIG WALSHE, a native of Durrow, Co. Laois, is the 12th President of The Irish Farmers' Association and took up office in January 2006. He is a Director of a number of other companies. He is a member of COPA (The European Farmers' Organisation). He was one of the first Irish Nuffield Scholarship Award recipients in 1996. He leads the IFA Social Partnership negotiating team. He is a former President of Macra na Feirme (1987 – 1989).

EXECUTIVE DIRECTORS RECOMMENDED FOR ELECTION AT THE ANNUAL GENERAL MEETING

ANDREW LANGFORD joined FBD Holdings plc as Group Financial Accountant in 1996. In July 2003, he was appointed Executive Director – Finance in FBD Insurance plc. In December 2004 he was appointed to the Board of FBD Holdings plc as Executive Director – Finance. Prior to working in FBD, he worked in Deloitte & Touche where he qualified as a Chartered Accountant.

ADRIAN TAHENY joined FBD Holdings plc as Group Development Manager in 1997. In July 2003 he was appointed Executive Director – Marketing & Sales in FBD Insurance plc. In December 2004 he was appointed to the Board of FBD Holdings plc as Executive Director – Insurance Marketing and Sales. Prior to joining FBD, he worked with the EBS Building Society, where he held the position of Assistant General Manager – Marketing.

DIRECTORS' AND SECRETARY'S INTERESTS

Information in relation to Directors' and Secretary's interests is given on pages 65 to 67 (Note 27).

There has not been any contract or arrangement with the Company or any subsidiary Company during the year in which a Director of the Company was materially interested and which was significant in relation to the Company's business.

SUBSTANTIAL SHAREHOLDINGS

The Directors have been informed of the following shareholdings of 3% or more at 4th March 2008:

Ordinary Shares

Farmer Business Developments plc	25.68%
FBD Trust Company Limited	8.98%
Allianz SE and Dresdner Kleinwort Securities Limited	6.01%
Bank of Ireland Asset Management Limited	4.97%

14% Non-Cumulative Preference Shares

Farmer Business Developments plc	100%

8% Non-Cumulative Preference Shares

FBD Trust Company Limited	58.38%
Farmer Business Developments plc	41.62%

SHARE CAPITAL

The Company had three classes of shares in issue at the end of the year. These classes and the percentage of the total issued share capital represented by each are as follows:

	Number in Issue	% of Total
Ordinary Shares of €0.60 each	*33,224,476	87.2
14% Non-Cumulative Preference Shares of €0.60 each	1,340,000	3.5
8% Non-Cumulative Preference Shares of €0.60 each	3,532,292	9.3
	38,096,768	100.0

*excluding 2,236,730 shares held in treasury

The Company's Ordinary Shares of €0.60 each are listed on the Irish Stock Exchange and the UK Listing Authority and are traded on both the Irish Stock Exchange and the London Stock Exchange. Neither class of Preference Share is traded on a regulated market.

Each of the above classes of shares enjoy the same rights to receive notice of, attend and vote at meetings of the Company.

The Company has a separate class of share, the "A" Ordinary Shares of €0.01 each which enjoy limited rights to dividends, when declared only, however there were none of this class of shares in issue at the end of the year.

AUDITORS

The auditors, Deloitte & Touche, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

PROPER BOOKS AND RECORDS

The Directors have taken appropriate measures to ensure compliance with Section 202 of the Companies Act 1990. The specific measures taken are the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The books of account are located at FBD House, Bluebell, Dublin 12.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company which will be held at 12 noon on 29th April 2008 in FBD House, Bluebell, Dublin 12, is set out on pages 75 to 78.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

In addition to the usual business, your Board proposes the following special resolutions numbered 6 to 11 which are summarised as follows:

Resolution 6 – Limited disapplication of pre-emption rights

Resolution 6 will be proposed at the Meeting as a Special Resolution to renew the authority for the Directors to issue shares for cash otherwise than strictly pro-rata to existing shareholdings, up to a maximum of 5% of the issued ordinary share capital.

Resolution 7 – Authority to purchase own shares

Resolution 7 will be proposed at the Meeting as a Special Resolution to renew the authority for the Company, or any subsidiary of the Company, to make market purchases of the Company's shares up to 10% of the aggregate nominal value of the issued share capital and the text of the resolution sets the minimum and maximum prices payable for such purchases.

Resolution 8 – Re-issue price for treasury shares

Resolution 9 will be proposed at the Meeting as a Special Resolution to set the price range at which the Company's shares which are held in treasury can be re-issued off-market.

Resolutions 9 and 10 – Purchase of "A" Ordinary Shares and authority to declare dividends

Resolutions 9 and 10 will be proposed at the Meeting as Special Resolutions to renew the authority of the Board, or a Committee of the Board, given at the Extraordinary General Meeting of the Company held on 31 May 2007 to purchase any "A" Ordinary Shares issued by the Company or to declare a dividend on the "A" Ordinary Shares dependent on whether a Shareholder submits a valid election form or not. The Board has already stated its intention – although actual timing details are yet to be finalised and announced – to issue "A" Ordinary Shares to facilitate a special distribution arising from the change in reserving policy which was announced with the Company's preliminary results announcement.

Resolution 11 – Electronic Communications with shareholders

Resolution 11 will be proposed as a Special Resolution to authorise the Company to communicate with Shareholders by electronic means specifically through the publication of notices and other documents through the Company's website in accordance with the provisions of the Transparency (Directive 2004/109/EC) Regulations, 2007. In addition the Resolution authorises certain amendments to facilitate this change to be made to the Company's Articles of Association.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board on 4th March 2008.

Signed on behalf of the Board:

Michael Berkery	**Philip Fitzsimons**
Chairman	*Chief Executive*

Corporate Governance Statement

COMPLIANCE WITH THE COMBINED CODE

FBD Holdings plc is committed to high standards of corporate governance throughout the Group. The Board considers that the Group has been in compliance with the code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 except that the Group Chairman continues to chair the Remuneration Committee. The Board's view is that he is the most appropriate person for this position.

THE BOARD OF DIRECTORS

The Board leads and maintains effective control over the Group's activities and comprises three Executive Directors and eight Non-Executive Directors. The Board meets on a regular basis and there is a formal schedule of matters reserved to the Board. This includes:

- Approval of the Group's objectives and strategy.
- Approval of changes to the Group's structure and capital.
- Approval of Financial Statements.
- Review of the Group's system of internal control.
- Approval of the annual budget, major acquisitions and significant capital expenditure.
- Approval of Board membership and other significant appointments.
- Approval of remuneration policy.

With the exception of the above matters, the Board has delegated responsibility for the management of the Group, through the Chief Executive, to Executive management. There is a clear division of responsibilities between the Chairman and Chief Executive which is set out in writing and has been approved by the Board. The Board has also delegated some of its responsibilities to committees of the Board.

Directors, on appointment and regularly thereafter are briefed in writing and orally by the Executive management and may take independent professional advice at the Company's expense if necessary for the furtherance of their duties. They receive current Group management Financial Statements and reports throughout the year, and Board papers are sent to each in sufficient time before Board meetings. Each Director has access to the advice and services of the Company Secretary, whose responsibility it is to ensure that Board procedures are followed and that applicable rules and regulations are complied with.

BOARD COMMITTEES

The Board has established three committees to assist in the execution of its responsibilities. These are

- the Audit Committee,
- the Remuneration Committee, and,
- the Nomination Committee.

Each of the committees has terms of reference, approved by the Board, under which authority is delegated to them by the Board. These terms of reference are available on request and on the Group's website, www.fbd.ie. The current membership of each committee is set out on page 16. Attendance at Board and committee meetings held during 2007 is set out on page 22.

THE AUDIT COMMITTEE

The committee consists solely of independent Non-Executive Directors. The Chief Executive, the Finance Director, the Company Secretary and the Head of Internal Audit normally attend meetings of the committee while the external auditors attend as required and have unrestricted access to the committee Chairman at all times.

The Audit Committee reviews the financial reporting process, the system of internal control and management of financial risks, the internal and external audit process and the Group's process for monitoring compliance with laws and regulations.

The members of the committee during 2007 were:

- Vincent Sheridan (Chairman).
- Patrick O'Keeffe.
- Joseph Rea, who died on 30th June 2007.

The Board has determined that Mr. Sheridan is the Audit Committee financial expert.

During 2007 the committee considered the following matters:

- Annual accounts and annual results announcements;
- Interim accounts and interim results announcements;
- External auditor's letter of engagement, audit plan and audit summary;
- External auditor independence and provision of non-audit services;
- External auditor's re-appointment and remuneration;
- Internal audit work plans and reports;
- Audit committee's terms of reference;
- Evaluation of the audit committee's own performance;
- The effectiveness of the system of internal control;
- Assessment of significant risks to the achievement of Group objectives;
- Regulatory Compliance;
- Whistle blowing arrangements.

In addition the committee held separate meetings with the external auditors and the Head of Internal Audit, without management present.

The committee has considered external auditor objectivity and independence in the circumstance of the audit firm providing non-audit services. As part of its deliberations the committee took into account the relevant sections of Guidance on Audit Committees (The Smith Guidance). The committee concluded that sufficient safeguards are in place to safeguard auditor objectivity and independence, most notably:

- prohibitions on types of work that the external auditor can undertake.
- fee limits above which committee pre-approval is required.
- annual review by the committee of the audit fees and fees for non-audit work paid to the external auditor.

On foot of its deliberations the Audit Committee has recommended to the Board that the external auditors continue in office.

The committee's terms of reference are available on request and on the Group's website www.fbd.ie. The committee met four times during 2007.

The qualifications of the members of the audit committee are included within the Report of Directors.

THE REMUNERATION COMMITTEE

The committee consists solely of Non-Executive Directors. The members of the committee during 2007 were:

- Michael Berkery (Chairman).
- Philip Lynch.
- Patrick O'Keeffe.

The principal responsibilities of the committee are to determine the broad policy for the remuneration of the Chief Executive, the Chairman, the Executive Directors, the Non-Executive Directors, the Company Secretary and other senior members of Executive management. Within that policy, the committee determines the individual remuneration packages of each Executive Director and other senior members of Executive management. The committee reviews the design of share based incentive plans and makes recommendations for any changes in this area to the Board for subsequent approval by shareholders. The committee has sole responsibility for the granting of awards under the FBD Performance Share Plan and the granting of Options under the FBD Holdings plc Executive Share Option Scheme.

The committee's terms of reference are available on request and on the Group's website www.fbd.ie. The committee met three times during 2007.

THE NOMINATION COMMITTEE

The committee makes recommendations to the Board to ensure that the composition of the Board and its committees is appropriate to the needs of the Group. The process used is to assess the skills, knowledge and experience required and determine how these are currently represented on the Board. Where disparities are recognised and agreed with the Board, the committee establishes the means of identifying suitable candidates for appointment. During the year the committee made one recommendation for the appointment of a Director to the Board and while no open advertising was used, the committee did avail of the services of an external search consultancy as part of the process of identifying appropriate potential candidates.

The committee consists solely of Non-Executive Directors. The members of the committee during 2007 were:

- Michael Berkery (Chairman).
- John Donnelly.
- Philip Lynch.
- Patrick O'Keeffe.

The committee's terms of reference are available on request and on the Group's website www.fbd.ie. The committee met three times during 2007.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at FBD House during normal business hours, at the Annual General Meeting and on the Group's website www.fbd.ie.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board continually reviews the criteria for Non-Executive Director independence set out in Section A.3.1 of the Combined Code on Corporate Governance. The Board does not consider the Group Chairman to be independent by virtue of the office he holds. The Board has concluded that all of the other Non-Executive Directors holding office during 2007 were independent and arrived at this conclusion as they met all of the criteria set out in Section A.3.1. with the exception of:

(a) holding of cross directorships.

(b) representing a significant shareholder.

(c) serving on the Board for a period of greater than 9 years.

In relation to (a) and (b), at the year end Dr. Patrick O'Keeffe and Mr. Padraig Walshe were Directors of Farmer Business Developments plc, which is a founding, strategic and major investor in FBD Holdings plc, currently holding 25.68% of the ordinary share capital. Farmer Business Developments plc is an investment holding Company. No conflicting business interests exist that impinge, or if they arose would be allowed to impinge, on the Directors acting in the best interests of all FBD Holdings plc shareholders at all times. Dr. Patrick O'Keeffe, Mr. Michael Berkery, Mr. John Donnelly and Mr. Padraig Walshe are all Directors of FBD Trust Company Limited which holds 8.98% of the ordinary share capital of FBD Holdings plc. The principal objective of the Trust is the provision of grants and scholarships for educational and research progress within the agricultural community.

In relation to (c), Mr Michael Berkery, Mr John Donnelly, Mr. Philip Lynch and Dr. Patrick O'Keeffe have served on the Board for a period of greater than nine years. Having considered the matter, the Board formed the view that each of the relevant Directors had and continues to hold a challenging outlook on business issues and continues to act at all times in the best interests of FBD Holdings plc shareholders.

PERFORMANCE EVALUATION

Performance evaluation of the Board, its committees and individual Directors has been conducted by the Group Chairman. This was achieved through discussion and written evaluation submissions. The Group Chairman's performance was evaluated by the Non-Executive Directors, led by Mr. Vincent Sheridan, the Senior Independent Director, after taking into account the views of the Executive Directors.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING 2007

	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
Michael Berkery	8	8	-	-	3	3	3	3
John Donnelly	8	8	-	-	-	-	3	3
Philip Fitzsimons	8	8	-	-	-	-	-	-
Andrew Langford	8	8	-	-	-	-	-	-
Philip Lynch	8	7	-	-	3	3	3	2
Patrick O'Keeffe	8	8	4	4	3	3	3	3
Joseph Rea*	5	3	2	1	-	-	-	-
Vincent Sheridan	8	8	4	4	-	-	-	-
Adrian Taheny	8	7	-	-	-	-	-	-
Johan Thijs	8	4	-	-	-	-	-	-
Padraig Walshe	8	7	-	-	-	-	-	-

Column A indicates the number of meetings held during the period the Director was a member of the Board or committee. Column B indicates the number of meetings attended during the period the Director was a member of the Board or committee.

**Mr. Joseph Rea died on 30th June 2007*

DIRECTORS' REMUNERATION

The report on Directors' remuneration and interests is set out on pages 65 to 67 (Note 27).

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read with the Independent Auditors' Report set out on pages 25 and 26, is made with a view to distinguishing for shareholders the respective responsibilities of Directors and of the auditors in relation to the Financial Statements. The Directors are required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for the year. The Directors are required to prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business. The Directors consider that, in preparing the Financial Statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2006, Article 4 of the IAS Regulations and the Listing Rules of the Irish Stock Exchange and the UK Listing Authority.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors have a general responsibility to take reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the Republic of Ireland governing the preparation and dissemination of Financial Statements differs from legislation in other jurisdictions.

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority. Through its Annual Report and regulatory announcements during the year, the Group provides a review of the Group's performance and prospects. The Group's website www.fbd.ie provides the full text of its Annual and Interim Reports, in addition to the significant regulatory announcements made.

Investors are encouraged to attend the Annual General Meeting, at which they receive a presentation on the Group's financial performance. Attendance gives individual shareholders the opportunity to question the Chairman and the Board. Notice of the Annual General Meeting, together with the Annual Report and Financial Statements, is sent to shareholders at least 20 business days before the meeting. A separate resolution is proposed on each substantially separate issue including a particular resolution relating to the Directors' Report and Financial Statements. Details of the proxy votes cast for and against each resolution are announced after the result is declared on the show of hands.

The Group Chief Executive and other senior Executives meet with institutional shareholders and analysts principally at the time of the release of the annual and interim results. All such meetings are conducted in such a way so as to ensure that price-sensitive information is not divulged.

Group management meet with major shareholders bi-annually to ascertain their views.

GOING CONCERN

The Financial Statements have been prepared on the going concern basis and, as required by the Combined Code, the Directors report that they have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the Directors have reviewed the Group's budget for 2008 and the medium term plans as set out in the Group corporate strategy.

INTERNAL CONTROL

The Company, as required by the Irish Stock Exchange and the UK Listing Authority, has complied with the Provision C.2 of the Combined Code, having established the procedures necessary to implement the guidance issued by the Financial Reporting Council in October 2005 (Internal Control: Revised Guidance for Directors on the Combined Code), and by reporting in accordance with that guidance.

The Board of Directors has overall responsibility for the Group's systems of internal control and risk management. It is also responsible for monitoring the effectiveness of these systems on an ongoing basis. The system of internal control provides reasonable, but not absolute, assurance of:

- The safeguarding of assets against unauthorised use or disposition; and
- The maintenance of proper accounting records and the reliability of the financial information they produce, for both internal use and for publication.

The Board has appointed an Audit Committee, the functions of which include the approval of audit plans and dealing with any significant control issues raised by the internal and external auditors.

A formal process for identifying, evaluating and managing the significant risks facing the Group that complies with the guidance "Internal Control: Revised Guidance for Directors on the Combined Code" has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Directors.

The Board's agenda includes a regular item for assessment of control over the significant risk areas and reports detailing the internal controls over these areas and their effectiveness are submitted by Executive management and reviewed by the Board as a whole. At its March 2008 meeting, the Board carried out its annual assessment for the year 2007 by considering the nature and extent of the significant risks facing the Group and the monitoring of those risks by management and the communication of the results of the monitoring to the Board. The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. The Board has taken account of events from 31st December 2007 up to the date of this report and considers that no material change has occurred.

Independent Auditors' Report

To the members of FBD Holdings Plc

We have audited the Financial Statements of FBD Holdings plc for the year ended 31st December 2007 which comprise the Group Financial Statements including the Statement of Accounting Policies, the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense, the Group Reconciliation of Changes in Shareholders' Funds, the Company Financial Statements including the Company Balance Sheet, the Company Cash Flow Statement, the Company Statement of Changes in Equity and the related notes 1 to 34. These Financial Statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditors' 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 are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditors, 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 Group Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, and Article 4 of the IAS Regulations. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the Balance Sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Report of the Directors is consistent with the Financial Statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the Company's Balance Sheet is in agreement with the books of account.

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

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

We read the other information contained in the Annual Report and consider whether it is consistent with the Financial Statements. The other information comprises only the Chairman's Statement, the Review of Operations, the Report of the Directors and the Corporate Governance Statement. Our responsibilities do not extend to other information.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Group as at 31st December 2007 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006, and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2006, of the state of the Parent Company affairs as at 31st December 2007; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company. The Company's Balance Sheet is in agreement with the books of account.

In our opinion the information given in the Report of the Directors is consistent with the Financial Statements.

The net assets of the Company, as stated in the Company Balance Sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December 2007 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

4th March 2008

Statement of Accounting Policies

For the year ended 31st December 2007

BASIS OF PREPARATION

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Financial Statements have also been prepared in accordance with IFRS's adopted by the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulations.

In the current year, the Group has adopted IFRS 7 – "Financial Instruments: Disclosures" together with the amendments to IAS 1 "Presentation of Financial Statements" and the amendments to IFRS 4 "Insurance Contracts" which are effective for annual reporting periods beginning on or after 1st January 2007.

The impact of the adoption of IFRS 7 and the amendments to IAS 1 and IFRS 4 has been to expand the disclosures provided in these Financial Statements regarding the Group's financial instruments and management of capital (Note 34).

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective:

IFRS 2 (Revised)	Share Based Payments
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 (Revised)	Financial Instruments: Presentation
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Scheme, Minimum Funding Requirements and their Interaction.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact (other than presentation and disclosure) on the Financial Statements of the Group when the relevant standards come into effect for periods commencing on or after 1st January 2008.

ACCOUNTING POLICIES

The principal accounting policies adopted by the Board are:

A) Accounting Convention

The Group Financial Statements are prepared under the historical cost convention as modified by the revaluation of land and buildings held for own use, hotel and golf resort assets, investments held for trading at fair value, available for sale investments and investment property.

B) Basis of Consolidation

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings, made up to 31st December. In subsidiary undertakings control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Individual subsidiary accounts are prepared under local GAAP, with relevant adjustments made during preparation of the Group Financial Statements to align their accounting policies with those of the Group.

Minority interests are credited with their share of income and expense.

C) Revenue Recognition

Revenue is measured at the fair value of the consideration received and represents gross premiums written, broking commissions, fees, other commissions, interest and dividends receivable, rents receivable, sales of goods and services and sales by the property, hotel and leisure operations, net of discounts, levies, VAT and other sales related taxes. Sales of goods and services are recognised when the goods are delivered and title has passed.

Revenue from insurance contracts is accounted for in accordance with Accounting Policy (D).

Interest income is accrued on a time basis with reference to the principal outstanding at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income is recognised on a straight-line basis over the period of the lease.

D) Insurance Contracts

(i) Premiums written

Premiums written relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due. Premiums written exclude taxes and duties levied on premiums and directly related expenses e.g. commissions.

(ii) Unearned premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after 31st December 2007. Unearned premiums are computed on a 365ths basis of premium written. At each Balance Sheet date, an assessment is made of whether the provision for unearned premiums is adequate.

(iii) Deferred acquisition costs

Deferred acquisition costs represent the proportion of net acquisition costs which are attributable to the unearned premiums. Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. These costs are recognised as a deferred acquisition cost asset and amortised on the same basis as the related premiums are earned.

(iv) Unexpired risks

Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, after taking account of future investment income.

(v) Claims incurred

Claims incurred comprise the cost of all claims occurring during the year, whether reported or not, and any adjustments to claims outstanding from previous years.

Full provision, net of reinsurance recoveries, is made at the Balance Sheet date for the estimated cost of claims incurred but not settled, including claims incurred but not yet reported and expenses to be incurred after the Balance Sheet date in settling those claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding notified claims and uses this information when estimating the cost of those claims.

The Group uses estimation techniques, based on statistical analysis of past experience, to calculate the estimated cost of claims outstanding at the year-end. It is assumed that the development pattern of the current claims will be consistent with previous experience. Allowance is made, however, for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. These changes or uncertainties may arise from issues such as the effects of inflation, changes in the mix of business or the legal environment.

At each Balance Sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognised in the Income Statement.

Provision is also made in respect of the Group's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland.

(vi) Reinsurance

The Group cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums ceded and claims reimbursed are presented on a gross basis in the Income Statement and Balance Sheet as appropriate. Amounts recoverable from reinsurers are estimated in a matter consistent with the outstanding claims provisions or settled claims associated with the reinsurance contracts. Premiums are expensed over the period of the reinsurance contract.

E) OPERATING PROFIT

Operating profit is reported on the basis of a longer term investment return. Finance costs, the short term fluctuation between the longer term investment return and the actual investment return, which includes realised and unrealised gains and losses and profits or losses arising from substantial non-recurring transactions are charged or credited to the Income Statement after operating profit in arriving at profit before tax. As a result, the operating profit is not subject to distortion from short term fluctuations in investment returns.

F) PROPERTY AND EQUIPMENT

(i) Land and buildings

Hotel and golf resort assets and land and buildings held for own use in the supply of services or for administrative purposes are stated at their revalued amounts, being the fair value at the date of revaluation determined by professional valuers. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the Balance Sheet date. Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised. A decrease on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that asset.

Land and buildings held under financing arrangements which transfer substantially all of the risks and rewards of ownership to the Group are treated as if they had been purchased outright and are included in the Balance Sheet at valuation. The corresponding commitments are shown as liabilities.

It is the Group's policy and practice to maintain all Group properties in a continual state of sound repair. As a result, the Directors consider that the residual values of these properties are such that any depreciation is immaterial and is therefore not provided.

(ii) Fixtures and fittings

Fixtures and fittings are stated at cost less accumulated depreciation. Depreciation is provided in respect of all fixtures and fittings, and is calculated in order to write off the cost or valuation of the assets over their expected useful lives on a straight line basis as follows:

Fixtures and fittings: 5 to 10 years

G) INVESTMENTS

(i) Investment property

Investment property which is property held to earn rentals and/or for capital appreciation is stated at fair value at the Balance Sheet date. Gains or losses arising from changes in the fair value are included in the Income Statement for the period in which they arise. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

(ii) Investments held for trading at fair value

Investments held for trading at fair value include quoted shares and debt securities. They are recognised and derecognised on a trade date basis at cost and are revalued at subsequent reporting dates at fair value, using the closing bid price, with gains and losses being included in the Income Statement in the period in which they arise.

Investments are held for trading if:

- they have been acquired principally for the purpose of selling in the near future; or
- they are part of an identified portfolio of financial instruments that the Group manages together and have a recent actual pattern of short-term profit-taking; or
- they are derivatives that are not designated and effective as hedging instruments.

(iii) Investments held to maturity

Investments held to maturity include debt securities where the intention is to hold them to maturity. They are recognised on a trade date basis at amortised cost. At subsequent reporting dates, these investments are measured at amortised cost using the effective interest rate method, less any impairment loss.

(iv) Available for sale investments
Available for sale investments include unquoted investments, and are stated at fair value where fair value can be reliably measured. Fair value is calculated using prices achieved in most recent transactions. They are recognised and derecognised on a trade date basis at cost, and are subsequently revalued to fair value, with gains and losses being included directly in equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the Income Statement for the period.

(v) Derivative financial instruments
The Group's investment activities expose it to foreign currency exchange risks. The Group uses foreign exchange forward contracts where deemed appropriate to hedge this exposure. Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise.

(vi) Deposits with banks
Deposits with banks comprise cash held for the purpose of investment.

H) LOANS AND RECEIVABLES

(i) Loans
Loans are carried at fair value using the effective interest rate method. When it is not possible to estimate reliably the cash flows or the expected life of a loan the projected cash flows over the full term of the loan are used to determine fair value. Loans are stated in the Balance Sheet recognising any impairment loss to reflect estimated irrecoverable amounts. Specific provisions are made on a case-by-case basis after taking into account factors such as the financial condition of the borrower, security held and costs of realisation.

(ii) Other receivables
Amounts arising out of direct insurance operations and other debtors are measured at initial recognition at fair value and are subsequently measured at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

I) LEASES

All of the Group's leases are classified as operating leases.

(i) The Group as Lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) The Group as Lessee
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

J) INVENTORIES

Inventories comprise work in progress and land held for development and are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in bringing the inventory to its present condition. Net realisable value is the estimated selling price less all further costs to completion and the estimated costs necessary to make the sale.

K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

L) TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Group Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws enacted or substantially enacted at the Balance Sheet date.

Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

M) RETIREMENT BENEFITS

The Group provides both defined benefit and defined contribution retirement benefit schemes for the majority of its Irish based employees.

Defined benefit scheme

A full actuarial valuation of the scheme is undertaken every three years and is updated annually to reflect current conditions in the intervening periods for the purposes of preparing the Financial Statements. Scheme assets are valued at fair value. Scheme liabilities are measured on an actuarial basis and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The surplus or deficit on the scheme is carried on the Balance Sheet as an asset or liability. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions to future contributions to the scheme. Actuarial gains and losses are recognised immediately in equity through the Statement of Recognised Income and Expense.

The current service cost and past service cost of the scheme and the expected return on assets net of the change in the present value of the scheme liabilities arising from the passage of time, are charged to operating profit.

The projected unit credit method is used to calculate scheme liabilities.

Defined Contribution Schemes

Costs arising in respect of the Group's defined contribution retirement benefit schemes are charged to the profit and loss account in the period in which they are incurred.

N) CURRENCY

The functional and the presentation currency of the Group Financial Statements is Euro denoted by the symbol €. Transactions in currencies other than Euro are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies have been translated into Euro at closing rates at the Balance Sheet date. Gains and losses on translation are recognised in the Group Income Statement in the period in which they arise. Non-monetary items are translated at the exchange rate at the date of transaction.

On consolidation, the assets and liabilities of the Group's non-eurozone operations are translated at exchange rates prevailing on the Balance Sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences are classified as equity and transferred to the translation reserve. On disposal, amounts are recognised in the Income Statement.

O) SHARE-BASED PAYMENT

The Group operates a share option scheme based on non-market vesting conditions. The fair value of the options is determined at the date of grant using the Black Scholes model and expensed in the Income Statement over the vesting period at the conclusion of which the employees become unconditionally entitled to the options. The corresponding amount to the expense is credited to a separate reserve in the Balance Sheet. At each period end the Group reviews its estimate of the number of options that it expects to vest and any adjustment relating to current and past vesting period is brought to the Income Statement. Share options are all equity settled.

P) TREASURY SHARES

Where any Group Company purchases the Company's equity share capital, the consideration paid is shown as a deduction from ordinary shareholders' equity. No gain or loss is recognised on the sale, issue or cancellation of treasury shares. Consideration received on the subsequent sale or issue of treasury shares is credited to ordinary shareholders equity. Treasury shares are excluded when calculating earnings per share.

Q) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved.

R) IMPAIRMENT OF ASSETS

The Group assesses at each Balance Sheet date whether there is objective evidence that an asset is impaired. Where the value of an asset has been impaired, any impairment losses are recognised in the period in which they occurred.

S) CONTINGENT ASSETS

Contingent assets are not recognised within the Financial Statements, but are disclosed where an inflow of economic benefits is probable.

T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimation of the ultimate liability arising from claims made under insurance contracts written and assumptions used in estimating retirement benefit obligations are the Group's most critical accounting estimates.

Group Income Statement

For the year ended 31st December 2007

	Notes	2007 €000s	2006 €000s
Turnover	*1(a)*	**567,381**	693,926
Income			
Net premiums earned	*1(c)*	**350,321**	345,959
Non-underwriting operating income	*1(a)*	**15,175**	33,919
Investment income – longer term rate of return	*2(c)*	**53,369**	48,054
		418,865	427,932
Expenses			
Change in insurance liabilities net of reinsurance	*1(c),20*	**99,480**	(31,064)
Claims paid, net of recoveries from reinsurers	*1(c)*	**(230,907)**	(193,648)
Other operating expenses	*1(c)*	**(51,928)**	(44,705)
Operating profit		**235,510**	158,515
Profit on the sale of land at La Cala	*32*	**-**	81,774
Investment income – short term fluctuation	*2(c)*	**(69,253)**	61,350
Finance costs	*3*	**(4,089)**	(4,859)
Profit before tax	*4*	**162,168**	296,780
Income tax expense	*6*	**(22,093)**	(49,948)
Profit for the year	*7*	**140,075**	246,832
Attributable to:			
Equity holders of the parent		**139,874**	246,641
Minority interest		**201**	191
		140,075	246,832

		2007 Cents	2006 Cents
Basic earnings per 60c ordinary share	*8*	**405.71**	678.82
Diluted earnings per 60c ordinary share	*8*	**402.77**	671.30

All results derived from continuing operations.

The Financial Statements were approved by the Board and authorised for issue on 4th March 2008.
They were signed on its behalf by:

Michael Berkery
Chairman

Philip Fitzsimons
Chief Executive

Group Balance Sheet – Assets

At 31st December 2007

	Notes	2007 €000s	2006 €000s
Property and equipment			
Land and buildings	*9*	**225,158**	213,564
Fixtures and fittings	*9*	**18,186**	16,815
		243,344	230,379
Intangible assets			
Deferred acquisition costs	*10*	**15,271**	13,517
Investments	*11*		
Investment property	*11(a)*	**83,019**	81,181
Investments held for trading	*11(b)*	**183,970**	558,850
Investments held to maturity	*11(b)*	**479,902**	171,799
Available for sale investments	*11(b)*	**9,542**	3,727
Deposits with banks		**73,034**	327,973
		829,467	1,143,530
Inventories	*12*	**65,745**	66,433
Loans and receivables	*13*	**147,137**	122,762
Reinsurers' share of technical provisions			
Provision for unearned premiums		**21,994**	21,953
Claims outstanding		**28,489**	50,600
		50,483	72,553
Cash and cash equivalents		**35,618**	37,423
Total assets		**1,387,065**	1,686,597

Group Balance Sheet – Equity and Liabilities

At 31st December 2007

	Notes	2007 €000s	2006 €000s
Equity			
Ordinary share capital	*14*	**21,277**	21,277
Capital reserves	*15*	**12,956**	12,605
Revaluation reserves	*16*	**29,986**	27,540
Translation reserves	*17*	**389**	162
Retained earnings	*18(a)*	**318,981**	435,935
Shareholders' funds – equity interests		**383,589**	497,519
Preference share capital	*19*	**2,923**	2,923
Total shareholders' funds		**386,512**	500,442
Minority interests		**5,689**	6,476
Total equity		**392,201**	506,918
Liabilities			
Technical provisions			
Provision for unearned premiums		**199,074**	197,507
Claims outstanding	*20*	**612,852**	734,439
		811,926	931,946
Bank and other loans	*21*	**60,406**	112,350
Creditors	*22(a)*	**74,483**	90,841
Current tax	*23(a)*	**14,070**	7,728
Deferred tax	*23(b)*	**27,738**	33,227
Retirement benefit obligation	*24*	**6,241**	3,587
Total liabilities		**994,864**	1,179,679
Total equity and liabilities		**1,387,065**	1,686,597

The Financial Statements were approved by the Board and authorised for issue on 4th March 2008.
They were signed on its behalf by:

Michael Berkery
Chairman

Philip Fitzsimons
Chief Executive

Group Cash Flow Statement

For the year ended 31st December 2007

	Notes	2007 €000s	2006 €000s
Cash Flows from Operating Activities			
Profit before tax		**162,168**	296,780
Adjustments for:			
Loss (gains) on investments held for trading and held to maturity	*25(b)*	**77,744**	(30,128)
Depreciation of property and equipment		**4,547**	3,525
Share-based payment expense		**-**	512
Decrease (increase) in fair value of investment property		**5,415**	(4,200)
(Decrease) increase in technical provisions		**(97,953)**	37,077
Profit on sale of land at La Cala		**-**	(81,774)
Operating cash flows before movement in working capital		**151,921**	221,792
Decrease (increase) in receivables		**13,975**	(26,261)
(Decrease) increase in payables		**(23,658)**	29,326
Cash generated from operations		**142,238**	224,857
Income taxes paid		**(20,975)**	(44,348)
Net cash from operating activities		**121,263**	180,509
Investing activities	*25(a)*		
Investments held for trading		**294,057**	(51,495)
Investments held to maturity		**(305,024)**	(157,976)
Investments available for sale		**(5,815)**	13,456
(Purchase) sale of land, buildings and inventory		**(5,452)**	69,469
Purchase of fixtures and fittings		**(5,919)**	(7,038)
Purchase of investment property		**(7,253)**	(28,125)
Loans and advances		**(39,743)**	43,504
Deposits invested with banks		**254,939**	115,069
Net cash used in (from) investing activities		**179,790**	(3,136)
Financing activities			
Ordinary and preference dividends paid	*26*	**(25,430)**	(22,693)
Special dividend on ordinary shares		**(439)**	-
Special dividend on 'A' ordinary shares		**(79,684)**	-
Buyback of 'A' ordinary shares		**(95,873)**	-
Special dividends – La Cala land sale		**-**	(54,979)
Repurchase of ordinary shares		**(52,606)**	(129,213)
Proceeds of re-issue of ordinary shares		**1,881**	5,432
(Decrease) increase in bank loans		**(50,934)**	19,879
Net cash used in financing activities		**(303,085)**	(181,574)
Net decrease in cash and cash equivalents		**(2,032)**	(4,201)
Cash and cash equivalents at the beginning of the year		**37,423**	41,897
Effect of foreign exchange rate changes		**227**	(273)
Cash and cash equivalents at the end of the year		**35,618**	37,423

Group Statement of Recognised Income and Expense

For the year ended 31st December 2007

	2007	2006
	€000s	€000s
Income recognised directly in equity		
Gain on available for sale investments	-	806
Revaluation of owner-occupied property	2,743	8,476
Actuarial loss	(4,677)	(3,869)
Taxation on income/expense recognised directly in equity	(400)	(2,400)
Net (expense) income recognised directly in equity	(2,334)	3,013
Transfers		
Transfers to Income Statement on sale of available for sale investments	-	(30,913)
Transfer to Income Statement on sale of land and buildings	(434)	-
Taxation on transfers to Income Statement	87	3,865
	(347)	(27,048)
Profit after taxation	140,075	246,832
Total recognised income and expense	137,394	222,797
Attributable to:		
Equity holders of the parent	137,193	222,744
Minority interest	201	53
	137,394	222,797

Group Reconciliation of Changes in Shareholders' Funds

For the year ended 31st December 2007

	Ordinary Share capital	Capital reserves	Revaluation and other reserves	Translation reserve	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Minority interests	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
2006									
Balance as at 1st January 2006	23,557	9,813	47,706	435	394,616	**476,127**	2,923	6,423	**485,473**
Profit after taxation	-	-	-	-	246,641	**246,641**	-	191	**246,832**
Exchange translation adjustment	-	-	-	(273)	-	**(273)**	-	-	**(273)**
Dividends paid on ordinary and preference shares	-	-	-	-	(77,672)	**(77,672)**	-	-	**(77,672)**
Buyback of ordinary shares	-	-	-	-	(129,213)	**(129,213)**	-	-	**(129,213)**
Cancellation of ordinary shares	(2,280)	2,280	-	-	-	**-**	-	-	**-**
Reissue of ordinary shares	-	-	-	-	5,432	**5,432**	-	-	**5,432**
Recognition of share based payments	-	512	-	-	-	**512**	-	-	**512**
Transfer to Income Statement on sale of available for sale investments	-	-	(27,048)	-	-	**(27,048)**	-	-	**(27,048)**
Gain on available for sale investments	-	-	706	-	-	**706**	-	-	**706**
Actuarial loss on pension fund valuation	-	-	-	-	(3,869)	**(3,869)**	-	-	**(3,869)**
Revaluation of owner occupied property	-	-	6,176	-	-	**6,176**	-	(138)	**6,038**
Balance at 31st December 2006	**21,277**	**12,605**	**27,540**	**162**	**435,935**	**497,519**	**2,923**	**6,476**	**506,918**
2007									
Profit after taxation	-	-	-	-	139,874	**139,874**	-	201	**140,075**
Exchange translation adjustment	-	-	-	227	-	**227**	-	-	**227**
Dividends paid on ordinary and preference shares	-	-	-	-	(25,430)	**(25,430)**	-	-	**(25,430)**
Special dividend paid on ordinary shares	-	-	-	-	(439)	**(439)**	-	-	**(439)**
Special dividend paid on 'A' ordinary shares	-	-	-	-	(79,684)	**(79,684)**	-	-	**(79,684)**
Buyback of ordinary shares	-	-	-	-	(52,606)	**(52,606)**	-	-	**(52,606)**
Issue of 'A' ordinary shares	351	-	-	-	-	**351**	-	-	**351**
Buyback of 'A' ordinary shares	-	-	-	-	(95,873)	**(95,873)**	-	-	**(95,873)**
Cancellation of 'A' ordinary shares	(351)	351	-	-	-	**-**	-	-	**-**
Reissue of ordinary shares	-	-	-	-	1,881	**1,881**	-	-	**1,881**
Actuarial loss on pension fund valuation	-	-	-	-	(4,677)	**(4,677)**	-	-	**(4,677)**
Revaluation of owner occupied property	-	-	2,446	-	-	**2,446**	-	(988)	**1,458**
Balance at 31st December 2007	**21,277**	**12,956**	**29,986**	**389**	**318,981**	**383,589**	**2,923**	**5,689**	**392,201**

Company Balance Sheet

At 31st December 2007

	Notes	2007 €000s	2006 €000s
Investments			
Interest in subsidiaries		**68,893**	223,521
Deposits with banks		**3**	86
		68,896	223,607
Cash and cash equivalents		**16**	15
Debtors		**366**	312
Total assets		**69,278**	223,934
Capital and reserves			
Ordinary share capital	*14*	**21,277**	21,277
Capital reserves	*15*	**11,392**	11,041
Reserves	*18(b)*	**33,495**	188,302
Shareholders' funds – equity interests		**66,164**	220,620
Preference share capital	*19*	**2,923**	2,923
Total shareholders' funds		**69,087**	223,543
Creditors	*22(b)*	**191**	391
Total equity and liabilities		**69,278**	223,934

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They were signed on its behalf by:

Michael Berkery
Chairman

Philip Fitzsimons
Chief Executive

Company Cash Flow Statement

For the year ended 31st December 2007

	2007	2006
	€000s	€000s
Operating activities		
Profit before tax for the year	**97,012**	191,713
Decrease (increase) in receivables	**175,017**	(24,937)
(Decrease) increase in payables	**(88)**	192
Income taxes paid	**238**	191
Net cash from operating activities	**272,179**	167,159
Investment activities		
Increase in investments	**(20,000)**	(2,220)
Deposits invested with financial institutions	**83**	3,720
Sale of subsidiary investment	**-**	32,705
Net cash (used in) from investing activities	**(19,917)**	34,205
Financing activities		
Dividends paid on ordinary and preference shares	**(25,540)**	(77,672)
Special dividend on ordinary shares	**(439)**	-
Special dividend on 'A' ordinary shares	**(79,684)**	-
Buyback of 'A' ordinary shares	**(95,873)**	-
Repurchase of ordinary shares	**(52,606)**	(129,213)
Proceeds of re-issue of ordinary shares	**1,881**	5,432
Net cash used in financing activities	**(252,261)**	(201,453)
Net increase (decrease) in cash and cash equivalents	**1**	(89)
Cash and cash equivalents at the beginning of the year	**15**	104
Cash and cash equivalents at the end of the year	**16**	15

Company Statement of Changes in Equity

For the year ended 31st December 2007

	Ordinary Share Capital	Capital reserves	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total
	€000s	€000s	€000s	€000s	€000s	€000s
2006						
Balance at 1st January 2006	23,557	8,761	165,086	**197,404**	2,923	**200,327**
Profit after taxation	-	-	191,964	**191,964**	-	**191,964**
Ordinary and preference dividends paid	-	-	(22,693)	**(22,693)**	-	**(22,693)**
Special dividends paid – La Cala land sale	-	-	(54,979)	**(54,979)**	-	**(54,979)**
Buyback of ordinary shares	-	-	(129,213)	**(129,213)**	-	**(129,213)**
Cancellation of ordinary shares	(2,280)	2,280	-	**-**	-	**-**
Re-issue of ordinary shares	-	-	5,432	**5,432**	-	**5,432**
Profit on sale of subsidiary	-	-	32,705	**32,705**	-	**32,705**
Balance at 31st December 2006	**21,277**	**11,041**	**188,302**	**220,620**	**2,923**	**223,543**
2007						
Profit after taxation	-	-	97,344	**97,344**	-	**97,344**
Ordinary and preference dividends paid	-	-	(25,430)	**(25,430)**	-	**(25,430)**
Buyback of ordinary shares	-	-	(52,606)	**(52,606)**	-	**(52,606)**
Issue of 'A' ordinary shares	351	-	-	**351**	-	**351**
Buyback of 'A' ordinary shares	-	-	(95,873)	**(95,873)**	-	**(95,873)**
Cancellation of 'A' ordinary shares	(351)	351	-	**-**	-	**-**
Special dividend paid on ordinary shares	-	-	(439)	**(439)**	-	**(439)**
Special dividend paid on "A" ordinary shares	-	-	(79,684)	**(79,684)**	-	**(79,684)**
Re-issue of ordinary shares	-	-	1,881	**1,881**	-	**1,881**
Balance at 31st December 2007	**21,277**	**11,392**	**33,495**	**66,164**	**2,923**	**69,087**

Notes to the Financial Statements

For the year ended 31st December 2007

1 SEGMENTAL INFORMATION

(a) Business segments

For management purposes, the Group is currently organised in two operating divisions – underwriting and non-underwriting. These divisions are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:
Underwriting – Writing of general insurance business
Non-underwriting – Leisure/property and financial services

2007	**Underwriting**	**Non-underwriting**	**Total**
	€000s	**€000s**	**€000s**
Turnover	467,823	99,558	567,381
Operating profit	220,335	15,175	235,510
Investment return – short term fluctuation	(69,253)	-	(69,253)
Finance costs	-	(4,089)	(4,089)
Interdivisional finance costs	2,392	(2,392)	-
Profit before tax	153,474	8,694	162,168
Other information			
Capital additions	6,401	6,891	13,292
Depreciation and amortisation	4,741	229	4,970
Balance Sheet			
Segment assets	1,122,993	264,072	1,387,065
Segment liabilities	880,954	113,910	994,864

1 SEGMENTAL INFORMATION *(continued)*

2006	Underwriting	Non-underwriting	Total
	€000s	€000s	€000s
Turnover	464,073	229,853	693,926
Operating profit	124,596	33,919	158,515
Profit on the sale of land at La Cala	-	81,774	81,774
Investment return – short term fluctuation	61,350	-	61,350
Finance costs	-	(4,859)	(4,859)
Profit before tax	185,946	110,834	296,780
Other information			
Capital additions	8,185	12,612	20,797
Depreciation and amortisation	3,689	285	3,974
Balance Sheet			
Segment assets	1,260,793	425,804	1,686,597
Segment liabilities	982,699	196,980	1,179,679

	2007	2006
	€000s	€000s
Non-underwriting operating income		
Turnover	**99,558**	229,853
Sale of land at La Cala	**-**	(121,000)
Operating income	**99,558**	108,853
Operating expense	**(84,383)**	(74,934)
Non-underwriting operating profit	**15,175**	33,919

Included in operating expenses is the cost of inventory of **€5,489,000** (2006: €6,143,000).

1 SEGMENTAL INFORMATION *(continued)*

(b) Geographical segments

The Group's operations are located in Ireland and the European Union. The Group's underwriting operation is located in Ireland. The Group's leisure and property operations are located in Ireland and the European Union. The Group's financial services operations are located in Ireland.

The following table provides an analysis of the Group's turnover by geographical market irrespective of the origin of the services.

Turnover by geographical market	2007	2006
	€000s	€000s
Ireland	**525,124**	523,387
European Union	**42,257**	170,539
	567,381	693,926

Geographical Segments	Ireland	European Union	Total
	€000s	€000s	€000s
2007			
Segment assets	1,235,004	152,061	1,387,065
Segment liabilities	877,509	117,355	994,864
2006			
Segment assets	1,511,260	175,337	1,686,597
Segment liabilities	1,034,131	145,548	1,179,679

1 SEGMENTAL INFORMATION *(continued)*

(c) Underwriting result

	2007	2007	2006	2006
	€000s	€000s	€000s	€000s
Earned premiums, net of reinsurance				
Gross premiums written	**407,953**		407,256	
Outward reinsurance premiums	**(56,106)**		(55,284)	
Net premiums written	**351,847**		351,972	
Change in provision for unearned premiums:				
Gross amount	**(1,567)**		(8,554)	
Reinsurers' share	**41**		2,541	
Change in net provision for unearned premiums	**(1,526)**		(6,013)	
Earned premiums, net of reinsurance		**350,321**		345,959
Claims paid, net of recoveries from reinsurers				
Claims paid:				
Gross amount	**(264,783)**		(230,732)	
Reinsurers' share	**33,876**		37,084	
Claims paid, net of recoveries from reinsurers	**(230,907)**		(193,648)	
Change in provision for claims:				
Gross amount	**121,896**		(35,042)	
Reinsurers' share	**(22,416)**		3,978	
Change in insurance liabilities, net of reinsurance (i)	**99,480**		(31,064)	
Claims incurred net of reinsurance		**(131,427)**		(224,712)
Gross operating expenses	**(70,786)**		(62,975)	
Reinsurers' share	**18,858**		18,270	
Net operating expenses		**(51,928)**		(44,705)
Underwriting result		**166,966**		76,542

(i) After taking into account the impact of the change in reserving policy. The gross impact is **€120,029,000**, the net impact is **€107,627,000** (see also Note 20).

Insurance risk is not concentrated in any one area or any one line of business.

All reinsurance contracts are for no more than one year so have no material effect on the amount, timing and uncertainty of cash flows.

The impact of buying reinsurance was a debit to the Income Statement of **€25,747,000** (2006: credit of €13,400,000).

The above note shows the movement on the insurance liabilities between 1st January 2007 and 31st December 2007 and the movement on the reinsurance assets for the same period. The movement in deferred acquisition costs for the period was a credit to the Income Statement of **€1,754,000** (2006: €1,668,000).

2 INVESTMENT INCOME

(a) Actual return

	2007	2006
	€000s	€000s
Income from rental properties	3,427	8,483
Interest and similar income	31,244	19,257
Dividend income	7,119	13,908
Unrealised (losses) gains on investments	(65,902)	16,368
Realised gains on investments (i)	8,228	51,388
	(15,884)	109,404
By classification of investment		
Investment properties held for rental	(1,988)	8,483
Bank deposits	6,385	19,257
Investments held for trading	(39,840)	40,916
Available for sale investments (i)	202	33,533
Investments held to maturity	13,820	1,716
Loans and receivables	5,537	5,499
	(15,884)	109,404

(i) In 2006 realised gains on investments included €33,744,000 being a gain on the sale of shares in Farmer Business Developments plc.

(b) Longer term investment return

The rates of investment return underlying the calculation of the longer term investment return are set out below. These rates are reviewed annually and reflect both historical experience and the Directors' current expectations for investment returns.

	2007	2006
	%	%
Government gilts	4.00	3.50
Other quoted debt securities	6.00	6.00
Quoted shares	7.50	7.00
Deposits with banks	3.63	2.75
Investment properties held for rental	6.00	6.00
Investments held to maturity	Actual	Actual

2 INVESTMENT INCOME *(continued)*

(c) Comparison of longer term investment return with actual return

	2007	2006
	€000s	€000s
Actual investment return	**(15,884)**	109,404
Longer term investment return	**53,369**	48,054
Short term fluctuation	**(69,253)**	61,350

3 FINANCE COSTS

	2007	2006
	€000s	€000s
Interest on bank and other loans	**4,089**	4,859

4 PROFIT BEFORE TAX

	2007	2006
	€000s	€000s
Profit before taxation has been stated after charging:		
Fees paid to audit firms in respect of:		
- Audit services	**480**	461
- Non-audit services: Taxation	**495**	385
Actuarial	**107**	90
Other	**-**	110
	602	585
Depreciation	**4,970**	3,794

The remuneration of Directors is set out in detail on pages 65 to 67 (Note 27).

5 STAFF COSTS AND NUMBERS

The average number of persons employed in the Group in the financial year was **2,034** (2006: 1,980). All staff are employed in underwriting, financial services and leisure and property operations.

	2007	2006
	€000s	€000s
The aggregate payroll of these persons was as follows:		
Wages and salaries	**66,200**	62,963
Social welfare costs	**8,301**	7,757
Pension costs	**3,880**	2,383
Share based payments	**-**	512
	78,381	73,615

6 INCOME TAX EXPENSE

	2007	2006
	€000s	€000s
Irish corporation tax	**(28,594)**	(22,278)
Foreign tax	**-**	(26,034)
Adjustments in respect of prior years	**612**	(369)
Current tax charge	**(27,982)**	(48,681)
Deferred tax credit (charge)	**5,889**	(1,267)
	(22,093)	(49,948)

The tax assessed for the year is higher than the standard rate of corporation tax in Ireland. The differences are explained below:

	2007	2006
	€000s	€000s
Profit before tax	**162,168**	296,780
Corporation tax at standard rate of **12.5%** (2006: 12.5%)	**20,271**	37,098
Effects of:		
Higher rates of tax on overseas earnings	**-**	15,985
Depreciation for period in excess of capital allowances	**192**	34
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	**6,796**	(4,181)
Higher rates of tax on other income	**111**	114
Adjustments in respect of prior years	**612**	(369)
Current tax charge	**27,982**	48,681
Deferred tax (credit) charge	**(5,889)**	1,267
	22,093	49,948

7 PROFIT FOR THE YEAR

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year determined in accordance with IFRS is **€97,344,000** (2006: €191,964,000).

8 EARNINGS PER 60C ORDINARY SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders is based on the following data:

Earnings	2007	2006
	€000s	€000s
Profit for the year	**140,075**	246,832
Minority interest	**(201)**	(191)
Preference dividend	**(282)**	(282)
Earnings for the purpose of basic and diluted earnings per share	**139,592**	246,359

Number of shares	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	**34,407,000**	36,292,000
Effect of dilutive potential of share options outstanding	**226,000**	407,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**34,633,000**	36,699,000

The calculation of the operating earnings per share is based on the following data:

	2007	2006
	€000s	€000s
Operating profit after taxation	**203,499**	137,149
Minority interest	**(201)**	(191)
Preference dividend	**(282)**	(282)
Earnings for the purpose of operating earnings per share	**203,016**	136,676
Number of shares	**34,407,000**	36,292,000

	Cent	Cent
Operating earnings per share	**590.04**	376.60

The calculation of the adjusted operating earnings per share is based on the following data:

	2007	2006
	€000s	€000s
Adjusted operating profit after taxation	**109,322**	137,149
Minority interest	**(201)**	(191)
Preference dividend	**(282)**	(282)
	108,839	136,676

	Cent	Cent
Adjusted operating earnings per share	**316.33**	376.60

9 PROPERTY AND EQUIPMENT

	Land and buildings held for own use	Hotels and golf resort assets	Total land and buildings	Fixtures and fittings	Total property and equipment
	€000s	€000s	€000s	€000s	€000s
Cost or valuation					
At 1st January 2006	28,665	168,258	**196,923**	**42,319**	**239,242**
Additions	745	12,511	**13,256**	**7,541**	**20,797**
Disposals	-	(4,888)	**(4,888)**	**(503)**	**(5,391)**
Revaluations	3,785	4,488	**8,273**	**-**	**8,273**
At 1st January 2007	33,195	180,369	**213,564**	**49,357**	**262,921**
Additions	71	6,750	**6,821**	**6,471**	**13,292**
Disposals	(460)	(221)	**(681)**	**(552)**	**(1,233)**
Revaluations	-	5,454	**5,454**	**-**	**5,454**
At 31st December 2007	32,806	192,352	**225,158**	**55,276**	**280,434**
Comprising:					
At cost	-	137	**137**	**55,276**	**55,413**
At valuation	32,806	192,215	**225,021**	**-**	**225,021**
	32,806	192,352	**225,158**	**55,276**	**280,434**
Accumulated depreciation and impairment					
At 1st January 2006	-	-	**-**	**29,017**	**29,017**
Depreciation charge for the year	-	-	**-**	**3,974**	**3,974**
Elimination on disposals	-	-	**-**	**(449)**	**(449)**
At 1st January 2007	-	-	**-**	**32,542**	**32,542**
Depreciation charge for the year	-	-	**-**	**4,970**	**4,970**
Elimination on disposals	-	-	**-**	**(422)**	**(422)**
At 31st December 2007	-	-	**-**	**37,090**	**37,090**
Carrying amount					
At 31st December 2007	32,806	192,352	**225,158**	**18,186**	**243,344**
At 31st December 2006	33,195	180,369	**213,564**	**16,815**	**230,379**

9 PROPERTY AND EQUIPMENT *(continued)*

Included in hotels and golf resort assets, are assets valued at **€32,000,000** (2006: €29,011,000) on which the Group has recognised obligations under property financing arrangements amounting to **€18,517,000** (2006: €19,527,000) (Note 21).

Land and buildings held for own use were valued on an open market existing use basis at 31st December 2006 by CB Richard Ellis, Valuation Surveyors. At 31st December 2007 they are valued by the Directors at open market existing use basis.

Hotels and golf resort assets located outside Ireland are included at a Directors' valuation at 31st December 2007 at open market existing use basis. They were valued on an open market existing use basis at 31st December 2006 by American Appraisal, Valuation Surveyors. Irish hotels and golf resort assets were valued as at 31st December 2007 on an open market existing use basis by CB Richard Ellis, Valuation Surveyors.

At the 31st December 2007 had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately **€168,508,000** (2006: €164,849,000).

10 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the year were:

	2007	2006
	€000s	€000s
Gross carrying amount at 1st January	**13,517**	11,849
Gross acquisition costs deferred during the year	**1,754**	1,668
Gross carrying amount at 31st December	**15,271**	13,517

All deferred acquisition costs are expected to be recovered within one year from the Balance Sheet date.

11 INVESTMENTS

(a) Investment Property

	2007	2006
	€000s	€000s
Fair value of investment property		
At beginning of the year	**81,181**	48,856
(Decrease) increase in fair value during the year	**(5,415)**	4,200
Purchase of investment property	**7,253**	28,125
At end of the year	**83,019**	81,181

Investment properties held for rental are included at Directors' valuation on an open market existing use basis.

The rental income earned by the Group from its investment properties amounted to **€3,770,000** (2006: €3,103,000). Direct operating costs associated with investment properties amounted to **€343,000** (2006: €307,000).

The historical cost of investment property is **€80,023,000** (2006: €72,770,000).

11 INVESTMENTS *(continued)*

Non-cancellable operating lease receivables	2007	2006
	€000s	€000s
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	3,080	4,486
Longer than 5 years	41,177	45,585
	44,257	50,071

(b) Financial Assets:

Categories of Financial Instruments

	2007	2006
	€000s	€000s
Fair value through profit or loss		
Investments held for trading		
Quoted shares	164,014	327,170
Quoted debt securities	19,956	231,680
	183,970	558,850
Investments held for maturity at amortised cost – quoted debt securities	479,902	171,799
Fair value 2007 **€480,714,000** (2006: €170,815,000)		
Available for sale investments – unquoted shares	9,542	3,727
Loans and receivables		
Loans and receivables at fair value	76,703	36,960
Loans and receivables at amortised cost (i)	179,086	451,198
Financial Liabilities:		
Amortised cost (ii)	(134,889)	(203,191)

(i) Loans and receivables includes cash and cash equivalents and deposits with bank.

(ii) Financial liabilities at amortised cost consists of bank and other loans and creditors.

12 INVENTORIES

	2007	2006
	€000s	€000s
Work in progress	**34,964**	33,825
Development land	**30,781**	32,608
	65,745	66,433

Inventories valued at €4,915,000 are expected to be recovered within 1 year.

13 LOANS AND RECEIVABLES

	2007	2006
	€000s	€000s
(a) Loans	**76,703**	36,960
(b) Other receivables		
Policyholders	**31,337**	29,867
Intermediaries	**1,181**	1,233
Due from re-insurers	**187**	531
Other debtors	**17,025**	39,910
Prepayments and accrued income	**9,483**	5,440
Accrued interest and rent	**11,221**	8,821
	70,434	85,802
	147,137	122,762
Expected to be recovered in less than one year	**70,434**	85,802
Expected to be recovered in more than one year	**76,703**	36,960

The Directors consider that the carrying amount of receivables approximates to their fair value. Loans do not have a fixed repayment schedule. All other receivables are due within one year.

Credit Risk

At 31st December 2007, the Group has provided loans with a maximum credit risk exposure of **€76,703,000** (2006: €36,960,000). **€62,000,000** (2006: €29,000,000) of the loans are secured on land and the Group has first charge. The remaining loans outstanding are unsecured.

Debtors arising out of direct insurance operations are a low credit risk and there is no significant concentration of risk. As such, the Group has not made provision for bad or doubtful debts. There is no significant concentration of risk in other debtors.

14 ORDINARY SHARE CAPITAL

	Number	2007 €000s	2006 €000s
(i) Ordinary Shares of €0.60 each			
Authorised:			
At beginning and end of the year	51,326,000	**30,796**	30,796
Issued and fully paid:			
At the beginning of the year	35,461,206	**21,277**	23,557
Cancellation of shares	-	**-**	(2,280)
At the end of the year	35,461,206	**21,277**	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning of the year	-	**-**	-
Authorised during the year	120,000,000	**1,200**	-
At the end of the year	120,000,000	**1,200**	-
Issued and fully paid:			
At the beginning of the year	-	**-**	-
Issued during the year	35,111,399	**351**	-
Cancellation of shares	(35,111,399)	**(351)**	-
At the end of the year	-	**-**	-

The Company has two classes of ordinary shares which carry no right to fixed income. In the event of the Company being wound up, ordinary shareholders rank behind preference shareholders.

Options outstanding on ordinary shares at 31st December 2007 were **294,825** (2006: 531,793). All of these options may be exercised prior to October 2013 at a subscription price of 399c per share. The total number of shares held as treasury shares at 31st December 2007 was 2,236,730 and the average purchase price was €25.88 per share. 236,968 treasury shares were re-issued during the year and the proceeds credited to distributable reserves (see note 18(a)). The weighted average number of shares in the earnings per share calculation has been reduced by the number of shares held in treasury.

15 CAPITAL RESERVES

	Share premium	Capital conversion reserve	Capital redemption reserve	Total Company	Share option reserve	Total Group
	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1st January 2006	5,540	1,627	1,594	**8,761**	1,052	**9,813**
Recognition of share-based payments	-	-	-	**-**	512	**512**
Cancellation of shares	-	-	2,280	**2,280**	-	**2,280**
Balance at 1st January 2007	5,540	1,627	3,874	**11,041**	1,564	**12,605**
Share buyback of 'A' Ordinary Shares	-	-	351	**351**	-	**351**
Balance at 31st December 2007	5,540	1,627	4,225	**11,392**	1,564	**12,956**

16 REVALUATION RESERVES

	Properties	Available for sale investments	Total
	€000s	€000s	€000s
Balance at 1st January 2006	20,169	27,537	**47,706**
Transfer to Income Statement on sale of available for sale investments	-	(30,913)	**(30,913)**
Deferred tax on transfer to Income Statement on sale of available for sale investments	-	3,865	**3,865**
Increase in fair value of available for sale investments	-	806	**806**
Deferred tax on available for sale investments	-	(100)	**(100)**
Revaluation of land and buildings	8,476	-	**8,476**
Deferred tax on revaluation of land and buildings	(2,300)	-	**(2,300)**
Balance at 1st January 2007	26,345	1,195	**27,540**
Revaluation of land and buildings	2,793	-	**2,793**
Deferred tax on revaluation of land and buildings	87	-	**87**
Transfer to realised gain on sale of property	(434)	-	**(434)**
Balance at 31st December 2007	28,791	1,195	**29,986**

17 TRANSLATION RESERVES

	Translation reserve
	€000s
Balance at 1st January 2006	**435**
Exchange differences on translation of Non-Eurozone operations	**(273)**
Balance at 1st January 2007	**162**
Exchange differences on translation of Non-Eurozone operations	**227**
Balance at 31st December 2007	**389**

18 (a) RETAINED EARNINGS – GROUP

	2007	2006
	€000s	€000s
At beginning of the year	435,935	394,616
Ordinary and preference dividends paid	(25,430)	(22,693)
Dividend paid on 'A' ordinary shares	(79,684)	-
Special dividend paid on ordinary shares	(439)	-
Special dividend – La Cala land sale	-	(54,979)
Profit for the year attributable to equity holders	139,874	246,641
Buyback of ordinary shares	(52,606)	(129,213)
Buyback of 'A' ordinary shares	(95,873)	-
Re-issue of ordinary shares	1,881	5,432
Actuarial loss on pension fund valuation	(4,677)	(3,869)
At end of the year	318,981	435,935

Distributable reserves amount to **€286,828,000** (2006: €341,830,000)

(b) RETAINED EARNINGS – COMPANY

	2007	2006
	€000s	€000s
At beginning of the year	188,302	165,086
Transfer from Income Statement	97,344	136,985
Ordinary and preference dividends paid	(25,430)	(22,693)
Dividend paid on 'A' ordinary shares	(79,684)	-
Special dividend paid on ordinary shares	(439)	-
Buyback of ordinary shares	(52,606)	(129,213)
Buyback of 'A' ordinary shares	(95,873)	-
Re-issue of ordinary shares	1,881	5,432
Profit on disposal of subsidiary company	-	32,705
At end of the year	33,495	188,302

19 PREFERENCE SHARE CAPITAL

		2007	2006
	Number	€000s	€000s
Authorised:			
At beginning and end of the year			
14% non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% non-cumulative preference shares of €0.60 each	12,750,000	**7,650**	7,650
		8,454	8,454
Issued and fully paid:			
At beginning and end of the year			
14% non-cumulative preference shares of €0.60 each	1,340,000	**804**	804
8% non-cumulative preference shares of €0.60 each	3,532,292	**2,119**	2,119
		2,923	2,923

In the event of the Company being wound up, 14% non-cumulative preference shareholders rank ahead of 8% non-cumulative preference shareholders, who, in turn, rank ahead of ordinary shareholders.

20 CLAIMS OUTSTANDING

	Prior years	2001	2002	2003	2004	2005	2006	2007	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Estimate of cumulative claims:									
At end of underwriting year	-	204,550	269,756	262,132	329,087	329,501	393,944	340,460	
One year later	-	200,668	222,441	225,267	277,415	278,281	306,441	-	
Two years later	-	198,406	209,284	206,220	255,510	243,243	-	-	
Three years later	-	182,112	198,551	185,363	223,571	-	-	-	
Four years later	-	168,013	174,132	165,686	-	-	-	-	
Five years later	-	162,933	165,741	-	-	-	-	-	
Six years later	-	158,137	-	-	-	-	-	-	
Estimate of cumulative claims	1,142,227	158,137	165,741	165,686	223,571	243,243	306,441	340,460	**2,745,506**
Cumulative payments	(1,112,323)	(136,794)	(145,684)	(123,883)	(156,584)	(142,330)	(183,447)	(131,609)	**(2,132,654)**
Claims outstanding	29,904	21,343	20,057	41,803	66,987	100,913	122,994	208,851	**612,852**

The Irish insurance industry has undergone a period of structural reform in recent years. Measures including the introduction of penalty points, the Civil Liability and Courts Acts, random breath testing and the establishment of the Personal Injuries Assessment Board have resulted in reduced incidence and average costs of claims.

20 CLAIMS OUTSTANDING *(continued)*

The reform measures were introduced in the period 2002 to 2006 and as the success and sustainability of the measures was uncertain, the Group deemed it prudent to continue to provide for outstanding claims on the basis of its historical reserving policy (i.e: on the basis of claims costs that obtained prior to the introduction of the reform measures). This reserving policy has been kept under regular review.

During the review at 31st December 2007, the Group concluded that, sufficient evidence has now emerged through claims settlement that the positive impact arising from the measures on the claims environment has been maintained and has decided to revise its reserving policy to reflect this. The decision has resulted in a non-recurring credit to claims costs in the Income Statement of €107,627,000 and an increase in shareholders' funds of €94,174,000.

21 BANK AND OTHER LOANS

	2007	2006
	€000s	€000s
Bank loans	41,889	92,823
Obligation under property financing arrangements	18,517	19,527
	60,406	112,350

Liabilities in respect of obligations under property financing arrangements fall due for settlement in 2012. There is no interest payable in respect of the obligation under property financing arrangements.

	2007	2006
	€000s	€000s
Bank Loans	41,889	92,823
The borrowings are repayable as follows:		
On demand or within one year	342	1,723
In the second year	2,847	1,076
In the third year	2,847	3,345
In the fourth year	2,847	3,341
In the fifth year	6,632	3,109
After five years	26,374	37,784
	41,889	50,378
Loans with no repayment schedule	-	42,445
	41,889	92,823

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

	Euro	Sterling	Total
	€000s	€000s	€000s
31st December 2007			
Bank Loans	**41,889**	**Nil**	**41,889**
31st December 2006			
Bank Loans	91,754	1,069	92,823

The average interest rates were as follows:

	2007	2006
Bank Loans	**5.25%**	4.6%

All bank loans at 31st December 2007 and 2006 are at floating interest rates, exposing the Group to cash flow interest rate risk.

22 CREDITORS

(a) Group

	2007	2006
	€000s	€000s
Creditors arising out of direct insurance operations	**16,341**	12,763
Amounts falling due within one year:		
Creditors and accruals	**56,468**	76,275
PAYE/PRSI	**1,505**	1,521
Proposed dividends on preference shares	**169**	282
	58,142	78,078
	74,483	90,841

(b) Company

	2007	2006
	€000s	€000s
Amounts falling due within one year:		
Creditors and accruals	**22**	109
Proposed dividends on preference shares	**169**	282
	191	391

23 (a) CURRENT TAX

	2007	2006
	€000s	€000s
Income tax payable	**14,070**	7,728

(b) DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Revaluation of land and buildings	Revaluation of investment property	Revaluation of financial investments	Insurance contracts	Retirement benefit obligations	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
At 1st January 2006	9,649	828	13,581	8,285	623	907	**33,873**
Charged (credited) to equity	2,300	-	(3,765)	-	(448)	-	**(1,913)**
Charged (credited) to Income Statement	-	840	830	(1,261)	498	360	**1,267**
At 1st January 2007	11,949	1,668	10,646	7,024	673	1,267	**33,227**
Charged to equity	-	-	-	-	400	-	**400**
Charged (credited) to Income Statement	-	-	(8,134)	-	403	1,842	**(5,889)**
At 31st December 2007	11,949	1,668	2,512	7,024	1,476	3,109	**27,738**

24 RETIREMENT BENEFIT OBLIGATION

The Group operates a defined benefit retirement benefit scheme for the majority of its Irish based staff. A full actuarial valuation was carried out on 1st January 2006 and updated to 31st December 2007 by the schemes' independent and qualified actuary. The major assumptions used by the actuary were:

	2007	2006
	%	%
Assumptions used to calculate scheme liabilities:		
Inflation rate increase	**2.50**	2.00
Salary rate increase	**4.50**	4.00
Pension payment increase	**2.50**	2.00
Discount rate	**5.50**	4.75

	2007	2006
	%	%
Expected rate of return on scheme assets:		
Equities	**7.50**	7.00
Bonds	**4.00**	3.50
Property	**6.00**	6.00

24 RETIREMENT BENEFIT OBLIGATION *(continued)*

Mortality Assumptions	2007	2006
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:	Male	Male
	21.4	21.4
	Female	Female
	26.4	26.4

	2007	2006
	€000s	€000s
Group Income Statement:		
Charged to operating profit:		
Current service cost	4,678	3,767
Death in service cost	64	41
	4,742	3,808
Interest on scheme liabilities	(5,354)	(4,037)
Expected return on scheme assets	6,740	5,599
	1,386	1,562
	3,356	2,246
Analysis of amount recognised in Group Statement of Recognised Income and Expense:		
Actual return less expected return on scheme assets	(9,735)	7,114
Experience gains and losses on scheme liabilities	(2,300)	(5,000)
Changes in demographic and financial assumptions	7,358	(6,137)
Actuarial loss	(4,677)	(4,023)
Deferred tax credit	-	154
Total actuarial loss	(4,677)	(3,869)

History of Experience Gains and Losses

	2007	2006	2005	2004	2003
	€000s	€000s	€000s	€000s	€000s
Present value of defined benefit obligations	115,871	112,706	94,995	76,536	62,454
Fair value of plan assets	109,630	109,119	92,645	76,577	49,871
Deficit (surplus)	6,241	3,587	2,350	(41)	12,583

24 RETIREMENT BENEFIT OBLIGATION *(continued)*

	2007	2006	2005	2004	2003
	€000s	€000s	€000s	€000s	€000s
Difference between expected and actual return on assets	**(9,735)**	7,114	9,399	2,186	(2,352)
Experience gains and losses on scheme liabilities	**(2,300)**	(5,000)	(3,289)	(1,899)	(4,301)
Total actuarial loss	**(4,677)**	(3,869)	(3,802)	(9,031)	(3,091)

	2007	2006
	€000s	€000s
Assets in schemes at market value:		
Equities	**69,515**	73,059
Bonds	**22,827**	25,421
Property and other	**17,288**	10,639
	109,630	109,119
Actuarial value of liabilities	**(115,871)**	(112,706)
Net pension liability	**(6,241)**	(3,587)

Movement in Deficit During the Year

	2007	2006
	€000s	€000s
Net deficit in scheme at start of the year	**(3,587)**	(2,056)
Current service cost	**(4,678)**	(3,767)
Employer contributions	**5,314**	4,991
Interest on scheme liabilities	**(5,353)**	(4,037)
Expected return on scheme assets	**6,740**	5,599
Actuarial loss	**(4,677)**	(4,023)
Deferred tax credit	**-**	(294)
Net deficit at end of the year	**(6,241)**	(3,587)

The current best estimate of 2008 contributions to be made by the Group to the pension fund is €5,794,000.

24 RETIREMENT BENEFIT OBLIGATION *(continued)*

Movement on Assets and Liabilities

	2007	2006
	€000s	€000s
Assets		
Assets in scheme at 1st January 2007	**109,119**	92,645
Actual return less expected return on scheme assets	**(9,735)**	7,114
Contributions	**5,314**	4,991
Employee contributions	**239**	245
Expected return on scheme assets	**6,740**	5,599
Benefits paid	**(2,047)**	(1,475)
Assets in scheme at 31st December 2007	**109,630**	109,119
Liabilities		
Liabilities in scheme at 1st January 2007	**112,706**	94,995
Experience gains and losses on scheme liabilities	**2,300**	5,000
Changes in demographic and financial assumptions	**(7,358)**	6,137
Current service cost	**4,678**	3,767
Employee contributions	**239**	245
Interest on scheme liabilities	**5,353**	4,037
Benefits paid	**(2,047)**	(1,475)
Liabilities in scheme at 31st December 2007	**115,871**	112,706

The Group recognised an expense of **€589,877** (2006: €179,681) relating to its defined contribution pension schemes.

25 (a) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	€000s	€000s
Investment activities		
Purchase of investments held for trading	**546,190**	2,048,299
Sale of investments held for trading	**(840,247)**	(1,996,804)
Purchase of investments held to maturity	**305,024**	157,976
Purchase of available for sale investments	**5,945**	14,172
Sale of available for sale investments	**(130)**	(27,628)
Decrease in deposits with banks	**(254,939)**	(115,069)
Increase (decrease) in loans and advances	**39,743**	(43,504)
Increase in land and buildings	**6,140**	8,368
Decrease in land and buildings	**-**	(81,774)
Increase in inventories	**-**	3,937
Decrease in inventories	**(688)**	-
Increase in fixtures and fittings	**5,919**	7,038
Increase in investment property	**7,253**	28,125
	(179,790)	3,136

25 (b) MOVEMENT IN CASH, PORTFOLIO INVESTMENT AND FINANCING

	1/1/07	Cash flow	Changes to market value	31/12/07
	€000s	€000s	€000s	€000s
Cash	37,423	(1,805)	-	**35,618**
Investments held for trading	558,850	(294,057)	(80,823)	**183,970**
Investments held to maturity	171,799	305,024	3,079	**479,902**
Investments available for sale	3,727	5,815	-	**9,542**
Deposits with financial institutions	327,973	(254,939)	-	**73,034**
Loans and advances	36,960	39,743	-	**76,703**
Land, buildings and inventory	279,997	5,452	2,791	**288,240**
Investment property	81,181	7,253	(5,415)	**83,019**
Bank loans	(92,823)	50,934	-	**(41,889)**
	1,405,087	(136,580)	(80,368)	**1,188,139**

26 DIVIDENDS

	2007	2006
	€000s	€000s
Paid in period:		
Dividend of **4.8c** (2006: 4.8c) per share on 8% non-cumulative preference shares of 60c each	**169**	169
Dividend of **8.4c** (2006: nil) per share on 14% non-cumulative preference shares of 60c each	**113**	-
2006 Final dividend of **45.0c** (2005: 37.5c) per share on ordinary shares of 60c each	**15,753**	14,277
2007 Interim dividend of **27.5c** (2006: 24.0c) per share on ordinary shares of 60c each	**9,395**	8,247
Special dividend of **nil** (2006: 160.0c) per share on ordinary shares of 60c each	**-**	54,979
Special dividend of **1.25c** (2006: nil) on ordinary shares of 60c each	**439**	-
Special dividend of **499.0c** (2006: nil) on 'A' ordinary shares of 1c each	**79,684**	-
	105,553	77,672
Proposed:		
Dividend of **nil** (2006: 8.4c) per share on 14% non-cumulative preference shares of 60c each	**-**	113
Dividend of **4.8c** (2006: 4.8c) per share on 8% non-cumulative preference shares of 60c each	**169**	169
Final dividend of **52.0c** (2006: 45.0c) per share on ordinary shares of 60c each	**17,277**	15,714
	17,446	15,996

In respect of 2007, the Directors propose that a dividend of 52.00 cents per share will be paid to shareholders on 2nd May 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements. The proposed dividend is payable to all shareholders on the Register of Members on 25th March 2008. The total estimated dividend to be paid is €17,277,000.

27 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS

Remuneration Policy

The objective of the remuneration policy in respect of Executive Directors is to attract, retain and motivate the Executives concerned through remuneration packages which are both competitive and an incentive to the development of the Group, and in the best interests of shareholders. Base salaries for Executive Directors reflect job responsibilities and reflect levels prevailing in the market for comparable companies. Executive Directors participate in annual bonus schemes under which payments are made based on the profit performance of the Group. The remuneration packages of Executive Directors are reviewed on an annual basis. Executive Directors are considered the only key management of the Group.

	Fees	Salary	Bonus	Other Remuneration (a)	Pension Contributions	2007 Total	2006 Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Executive Directors:							
Philip Fitzsimons	-	600	280	27	102	1,009	962
Andrew Langford	-	340	85	12	58	495	430
Adrian Taheny	-	340	85	23	58	506	444
Non-Executive Directors:							
Michael Berkery (Chairman)	149	-	-	-	-	149	135
John Dillon (i)	-	-	-	-	-	-	7
John Donnelly	44	-	-	-	-	44	40
Philip Lynch	44	-	-	-	-	44	40
Patrick O'Keeffe	44	-	-	-	-	44	40
Joseph Rea (ii)	22	-	-	-	-	22	40
Vincent Sheridan	83	-	-	-	-	83	75
Johan Thijs	44	-	-	-	-	44	40
Padraig Walshe (iii)	44	-	-	-	-	44	33
	474	1,280	450	62	218	2,484	2,286

(a) Relates to motor allowance/VHI

(i) Retired 3rd February 2006

(ii) Died 30th June 2007

(iii) Appointed 7th March 2006

27 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS *(continued)*

The Executive Directors' pension benefits earned during the year and accrued at year end are as follows:

	Service Costs 2007	Increase in accrued benefits during 2007	Accrued benefit at year end	Transfer value of increase in accrued benefits
	€000s	€000s	€000s	€000s
Philip Fitzsimons	211	22	388	318
Andrew Langford	76	13	64	45
Adrian Taheny	110	27	162	302
	397	62	614	665

The transfer values shown above do not represent sums paid or payable to the individual Directors. Instead they represent a potential liability of the pension scheme.

Share Options

To encourage focus on long-term shareholder value, Executive Directors are eligible for grants of share options under the terms of the Executive Share Option Scheme approved by shareholders. The exercise of options granted since 18th April 2000 is conditional on growth in earnings per share of at least 2% p.a. compound above the increase in the Consumer Price Index over not less than 3 years from date of grant. The percentage of share capital which may be issued under the Scheme complies with the guidelines of the Irish Association of Investment Managers. Details of the Executive Directors' share options are given below.

Service Contracts

No service contracts exist for any of the Directors which provide for a notice period of more than one year.

Directors' and Secretary's Interests

The beneficial interests of the Directors and Secretary of the Company and their spouses and minor children in the ordinary share capital of the Company, at 31st December 2007, were as follows:

	Shareholding	
Directors:	**31/12/07**	1/1/07
Michael Berkery	**22,500**	20,000
John Donnelly	**23,256**	23,256
Philip Fitzsimons	**155,000**	100,000
Andrew Langford	**6,250**	5,250
Philip Lynch	**20,000**	20,000
Patrick O'Keeffe	**72,770**	69,770
Adrian Taheny	**13,500**	10,000
Padraig Walshe	**600**	600

27 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS *(continued)*

Directors' Share Options

	Number of options at 1/1/07	Exercised during year	Granted during year	Number of options at 31/12/07	Exercise price €
Philip Fitzsimons (i)	112,918	112,918	-	-	-
Andrew Langford (i)	30,000	-	-	30,000	3.99
Adrian Taheny (i)	70,000	-	-	70,000	3.99

(i) Options exercisable from October 2006, expire October 2013

28 PRINCIPAL SUBSIDIARIES

Subsidiaries	Nature of Operations	% Owned
FBD Insurance plc	General insurance underwriter	100
FBD Insurance Brokers Limited	General insurance brokers	100
FBD Life & Pensions Limited	Investment services, pensions and life brokers	100
FBD Property & Leisure Limited	Property investment and marketing	100
La Cala Golf Club S.L.	Golf resort	75
Ranchos Reunidos S.A.	Property	100
Sunset Beach Club S.A.	Hoteliers	100
Tower Hotel Group Limited	Hoteliers	100

The Registered Office of each of the above subsidiaries is at FBD House, Bluebell, Dublin 12, with the exception of Ranchos Reunidos S.A. and La Cala Golf Club S.L. which are at La Cala Resort, La Cala de Mijas, 29647 Mijas-Costa, Malaga, Spain and Sunset Beach Club S.A. which is at Avenida Del Sol No. 5, Benalmadena-Costa, Malaga, Spain.

All shareholdings are in the form of ordinary shares.

The financial year end for all subsidiaries is 31st December.

FBD Holdings plc is an Irish registered public limited company. The Company's ordinary shares of €0.60 each are listed on the Irish Stock Exchange and the UK Listing Authority and are traded on both the Irish Stock Exchange and the London Stock Exchange.

29 CAPITAL COMMITMENTS

	2007	2006
	€000s	€000s
Capital commitments at 31st December authorised by the Directors but not provided for in the Financial Statements:		
Contracted for	653	4,246
Not contracted for	562	2,456

30 SHARE BASED PAYMENTS

Equity settled share option scheme

To encourage focus on long-term shareholder value, the Company has an Executive share option scheme. The exercise of options granted since the 18th April 2000 is conditional on growth in earnings per share of at least 2% p.a. compound above the increase in the consumer price index over not less than three years from date of grant. The percentage of share capital which may be issued under the scheme complies with the guidelines of the Irish Association of Investment Managers. The options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of seven years from the date of vesting, the options expire. Options are forfeited if the employee leaves the Group before the options vest. The most recent grant of options under this scheme was in September 2003. The fair value of these options was €12.03.

Details of the options outstanding during the year are as follows:

	2007		2006	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
		€		€
Outstanding at the beginning of the year	**531,793**	**8.96**	1,179,918	10.11
Exercised during the year	**(236,968)**	**7.94**	(648,125)	8.38
Outstanding at the end of the year	**294,825**	**3.99**	531,793	8.96
Exercisable at the end of the year	**294,825**		531,793	

The weighted average share price at the date of exercise for share options exercised during the year was €36.28.

The options outstanding at the end of the year have a weighted average remaining contractual life of **5.75 years** (2006: 6.7 years).

The fair value was calculated using the Black Scholes option pricing model. The inputs were as follows:

Share price	10.59
Exercise price	10.59
Expected volatility	20%
Expected life	3
Risk free rate	2.98%
Dividend yield	2%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years.

The Group recognised total expenses of **nil** (2006: €512,000) relating to equity settled share-based payment transactions.

On 31st May 2007 shareholders approved a savings related share option scheme (SAYE) and a long-term incentive plan (LTIP).

31 GUARANTEES

The Group has guaranteed a loan secured on Castleknock Hotel and Country Club of €18,517,000. The guarantee is deemed to have a fair value of nil.

32 CONTINGENT ASSETS

On 23rd February 2006, Ranchos Reunidos S.A., a 100% subsidiary of the Group, entered into a conditional agreement to sell a major portion of the building development land which it owned at La Cala Resort, Mijas, Costa del Sol, Spain, for a total consideration of €201,000,000. The consideration was constituted in two parts, apportioned between two tranches of land.

Total consideration at €121,000,000 on the Tranche I land has been received. The Group recognised a profit of €81,774,000 on the sale of the Tranche I development land in the year to 31st December 2006.

The consideration, amounting to €80,000,000, for the Tranche II land, becomes payable at a later date, contingent on receipt of final planning approval from the Spanish Regional Planning Authority.

33 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a 25.68% shareholding in the Group at 31st December 2007. Included in the Financial Statements at the year end is **€175,714** (2006: €139,000) due to Farmer Business Developments plc. Interest is charged on this balance at the market rate. The amount due is payable on demand. No guarantees have been given or received.

Details of Directors remuneration are outlined in Note 27.

34 RISK MANAGEMENT

The Group recognises the critical importance of efficient and effective risk management.

Risk is categorised as follows:

- General Insurance risk
- Capital risk
- Operational risk
- Liquidity risk
- Market risk
- Credit risk

(a) General Insurance risk

The risk attached to any insurance policy written is the possibility that an insured event occurs and the uncertainty of the amount of the resulting claim.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks written and within each of the types of risk, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The principal risks covered include motor, employers' and public liability and property. All risks underwritten are located in the Republic of Ireland, with no significant concentration in any one area.

The frequency and severity of claims can be affected by several factors, most notably the level of awards and inflation on settling claims.

34 RISK MANAGEMENT *(continued)*

The Group manages these risks through its underwriting strategy, proactive claims handling and its reinsurance arrangements.

The Group's underwriting strategy is incorporated in the overall corporate strategy which is approved by the Board of Directors and includes the employment of appropriately qualified underwriting personnel; the targeting of certain types of business; constant review of the Group's pricing policy using up-to-date statistical analysis and claims experience; and the surveying of risks carried out by experienced personnel. All risks underwritten are within the terms of the Group's reinsurance treaties.

For its motor, employers' liability and public liability business, the Group has in place excess of loss reinsurance treaties and for its property business, quota share and catastrophe reinsurance treaties operate. The Group's retention on all reinsurance treaties is approved by the Board of Directors on an annual basis.

The Group uses independent actuaries to review its liabilities to ensure that the carrying amount of the liabilities is adequate. Where the liabilities net of any related deferred acquisition costs are deemed to be inadequate, the deficiency is recognised immediately in the Group Income Statement.

Key assumptions used in calculating insurance liabilities

The Group uses estimation techniques, based on statistical analysis of past experience, to calculate the estimated cost of claims outstanding at the year end. It is assumed that the development pattern of current claims will be consistent with previous experience. Allowance is made, however, for any changes or uncertainties that may cause the cost of unsettled claims to increase or reduce. At each Balance Sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognised in the Income Statement.

When estimating the cost of claims outstanding at year end, the principle assumption underlying the estimates is the Group's past development pattern. This includes assumptions in respect of certain historic average claim costs, claims handling costs, and claims inflation factors. The effect of changes in these assumptions are illustrated in a table under the heading of sensitivity analysis.

Delays in settlement and legal rulings are also other key assumptions. The effect of legislative change is not quantifiable.

(b) Capital risk management

The Group is committed to managing its capital so as to maximise returns to shareholders while maintaining an adequate regulatory solvency position. The Board of Directors review the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans while maintaining an adequate solvency position. The capital of the Group comprises of issued capital, reserves and retained earnings as disclosed in notes 14 to 18(a). Repatriations to shareholders of €496m since March 2005 in the form of buy-backs and distributions are evidence of the Groups' commitment.

(c) Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events.

This definition is intended to include all risks to which the Group is exposed, other than the financial risks described previously, and strategic and Group risks that are considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks.

In accordance with Group policies, business unit management has primary responsibility for the effective identification, management, monitoring and reporting of risks. There is an annual review by Executive management of all major risks.

34 RISK MANAGEMENT *(continued)*

The audit committee review Executive management's risk assessment to ensure that all risks are identified and evaluated. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against financial, operational and reputational criteria.

(d) Liquidity risk

The Group is exposed to daily calls on its cash resources, mainly from claims payments. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In addition to its strong liquidity position, the Group has committed borrowing facilities from a highly rated bank to further mitigate this risk.

The following table provides an analysis of assets into their relevant maturity groups based on the remaining period at the Balance Sheet date to their contractual maturities.

Assets	Total	Within 1 year	Within 2-5 years	After 5 years
	€000s	€000s	€000s	€000s
Assets 31st December 2007	1,387,065	504,097	556,605	326,363
Assets 31st December 2006	1,686,597	1,166,278	208,759	311,560

Analysis of expected maturity of general insurance liabilities

The following table shows the gross general insurance liabilities at 31st December analysed by duration. Total liabilities are split up by duration in proportion to the present value of the cash flows estimated to arise during that period.

Liabilities	Total	Within 1 year	Within 2-5 years	After 5 years
	€000s	€000s	€000s	€000s
General insurance liabilities 31st December 2007	811,926	366,780	385,038	60,108
General insurance liabilities 31st December 2006	931,946	398,486	461,427	72,033

(e) Market risk

The Group has invested in quoted debt securities and shares. These investments are subject to market risk, whereby the value of the investments may fluctuate as a result of changes in market prices, changes in market interest rates or changes in the foreign exchange rates of the currency in which the investments are denominated. The extent of the exposure to market risk is managed by the formulation of, and adherence to, an investment policy incorporating clearly defined investment guidelines, as approved annually by the Board of Directors and employment of appropriately qualified and experienced personnel to manage the Group's investment portfolio.

Interest rate risk

Interest rate risk arises primarily from the Group's investments in quoted debt securities.

The Investment Committee regularly reviews the appropriate level of exposure to interest rate risk from trading. Factors taken into consideration are yield volatility and historical returns.

34 RISK MANAGEMENT *(continued)*

At 31st December 2007, the Group held the following quoted debt securities for trading:

	2007		2006	
	Market value	Weighted average interest rate	Market value	Weighted average interest rate
	€000s			€000s
Time to maturity				
In one year or less	**12,412**	**4.47%**	34,927	4.39%
In more than one year, but not more than two years	**-**	**-**	22,124	3.90%
In more than two years, but not more than three years	**-**	**-**	-	-
In more than three years, but not more than four years	**-**	**-**	42,818	3.89%
In more than four years, but not more than five years	**-**	**-**	29,441	3.93%
More than five years	**7,544**	**5.67%**	102,370	3.95%
	19,956		231,680	

These financial instruments are exposed to fair value interest rate risk.

Loans made by the Group are at floating interest rates.

Equity price risk

The Group is subject to equity price risk due to daily changes in the market values of its quoted shares. Equity price risk is actively managed by the Groups' Investment Committee using the framework set out in the Group's investment policy which is approved annually by the Board of Directors. The Investment Committee places limits on the type of shares held, liquidity of shares, size of share-holding and exposure to any one sector. In addition local asset admissibility solvency regulations require the Group to hold a diversified portfolio of assets thereby reducing exposure to individual sectors. Part of the portfolio is held directly while part is outsourced to a number of external investment managers.

Foreign currency risk

The Group holds investment assets and equities in foreign currencies hence exposure to exchange rate fluctuations arise. The Group is primarily exposed to Sterling and US dollars. Derivative instruments are used for the purposes of protecting the Euro value of assets denominated in non-Euro currencies in circumstances where the cost of the hedge is deemed commercial having regard to the potential foreign currency risk.

The Group did not hold any derivative instruments at 31st December 2007.

34 RISK MANAGEMENT *(continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Assets	
	2007	2006
	€000s	€000s
GBP	**41,838**	76,370
USD	**14,602**	20,104
Other	**3,342**	3,364

(f) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. All of the Group's bank deposits are with A rated or higher financial institutions. Quoted debt securities comprise €499,848,000 government gilts which carry a sovereign rating and €17,671,000 corporate bonds which carry a rating of BB-.

The Group's loans are primarily to a small number of international property developers who are considered to be credit worthy counterparties.

All of the Group's current reinsurers have credit ratings of A- or better. The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its reinsurance receivables.

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Sensitivity analysis

The table below identifies the Group's key sensitivity factors. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity Factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in market interest rates by ±0.5% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4.5% and 5.5%).
Exchange rates movement	The impact of a change in foreign exchange rates by ± 5%.
Equity market values	The impact of a change in equity market values by ±10%
Property market values	The impact of a change in property market values by ±10%
Net loss ratios	The impact of an increase in net loss ratios for general insurance business by 5%.

The above sensitivity factors are applied using actuarial and statistical models, with the following pre-tax impacts on profit and shareholders' equity at 31st December 2007 and at 31st December 2006:

34 RISK MANAGEMENT *(continued)*

Sensitivities as at 31st December 2007

Impact on profit and shareholders' equity before tax (€000s)

	Interest Rates	Interest Rates	FX Rates	FX Rates	Equity	Equity	Property	Property	Net Loss Ratios
	+0.5%	-0.5%	+5%	-5%	+10%	-10%	+10%	-10%	+5%
Total	896	(896)	2,989	(2,989)	16,400	(16,400)	8,302	(8,302)	(17,389)

Sensitivities as at 31st December 2006

Impact on profit and shareholders' equity before tax (€000s)

	Interest Rates	Interest Rates	FX Rates	FX Rates	Equity	Equity	Property	Property	Net Loss Ratios
	+0.5%	-0.5%	+5%	-5%	+10%	-10%	+10%	-10%	+5%
Total	2,705	(2,705)	4,992	(4,992)	32,637	(32,637)	8,118	(8,118)	(17,286)

In addition the impact of changes in the assumptions used to calculate general insurance liabilities and sensitivities are indicated in the table below:

	Change in assumptions	Increase in gross technical reserves	Increase in net technical reserves	Impact on profit before tax	Reduction in shareholders' equity
		€000s	€000s	€000s	€000s
31st December 2007					
Average claim costs	+10%	53,491	49,835	(49,835)	(43,605)
Frequency of injury claims	+10%	11,521	10,254	(10,254)	(8,972)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all interest rates move in an identical fashion.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in FBD House, Bluebell, Dublin 12, on Tuesday 29th April 2008, at 12 noon for the following purposes:

AS ORDINARY BUSINESS

1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st December 2007 (Resolution 1).

2 To declare a dividend on the 8% non-cumulative preference shares (Resolution 2).

3 To declare the final dividend of €0.52 per ordinary share which is recommended by the Directors (Resolution 3).

4 To re-elect the following persons as Directors of the Company under Article 80 (c)

Mr. Andrew Langford	(Resolution 4 (a))
Mr. Vincent Sheridan	(Resolution 4 (b))
Mr. Adrian Taheny	(Resolution 4 (c))
Mr. Johan Thijs	(Resolution 4 (d))
Mr. Michael Berkery	(Resolution 4 (e))
Mr. John Donnelly	(Resolution 4 (f))
Mr. Philip Lynch	(Resolution 4 (g))
Dr. Patrick O'Keeffe	(Resolution 4 (h))

To re-elect the following person as a Director of the Company pursuant to Article 83 (b)

Mr. Sean Dorgan	(Resolution 4 (i))

5 To authorise the Directors to fix the remuneration of the Auditors (Resolution 5).

AS SPECIAL BUSINESS

6 To consider and, if thought fit, pass the following Special Resolution (Resolution 6):

"In accordance with the provisions of the Companies (Amendment) Act, 1983, the Directors be and are hereby empowered to allot "equity securities" (as defined in Section 23 (13) of the Companies (Amendment) Act, 1983) pursuant to the authority conferred on them by Special Resolution of the Company passed on the 27th April 2005 as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to any allotment made pursuant to the said authority provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal value of 5 per cent of the issued ordinary share capital as at the date of this Resolution that the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or a date 15 months from the date of passing hereof and that the Directors be entitled to make at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after the expiry of such power. Provided that such power shall, subject as aforesaid, cease to have effect when the said authority is revoked or would, if renewed, expire but if the authority is renewed the said power may also be renewed, for a period not longer than that for which the authority is renewed, by a further Special Resolution of the Company passed in General Meeting."

7 To consider and, if thought fit, pass the following Special Resolution (Resolution 7):

"That the Company and/or any of its subsidiaries be and are hereby generally authorised to make market purchases (as defined in Section 212 of the Companies Act, 1990) of shares of any class of the Company ("the Shares") on such terms and conditions and in such manner as the Directors may from time to time determine but subject, however, to the provisions of the Companies Act, 1990, the Articles of Association of the Company and to the following restrictions and provisions:

(a) the aggregate nominal value of the Shares authorised to be acquired pursuant to the terms of this resolution shall not exceed 10 per cent of the aggregate nominal value of the issued share capital of the Company as at the close of business on the date of the passing of this resolution;

(b) the minimum price which may be paid for any Share shall be the nominal value of the Share;

(c) the maximum price which may be paid for any Share (a "Relevant Share") shall be an amount equal to 105 per cent of the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to the Shares of the same class as the Relevant Share shall be appropriate for each of the five consecutive business days immediately preceding the day on which the Relevant Share is purchased, as determined from the information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day

and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported, for any particular day then that day shall not count as one of the said business days for the purposes of determining the maximum price. If the means of providing the foregoing information as to dealings and prices by reference to which the maximum price is to be determined is altered or is replaced by some other means, then a maximum price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange Limited or its equivalent.

The authority hereby conferred will expire at the close of business on the date of the next Annual General Meeting of the Company or the date which is fifteen months after the date on which this resolution is passed or deemed to have been passed whichever is the earlier, unless previously varied, revoked or renewed in accordance with the provisions of Section 215 of the Companies Act, 1990. The Company or any such subsidiary may before such expiry enter into a contract for the purchase of Shares which would or might be wholly or partly executed after such expiry and may complete any such contract as if the authority conferred hereby had not expired."

8 To consider and, if thought fit, pass the following Special Resolution (Resolution 8):

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

(a) the maximum price shall be an amount equal to 120 per cent of the Appropriate Price as defined in paragraph (c); and

(b) subject to sub-paragraph (c) hereof, the minimum price shall be:

(i) in the case of an Option Scheme (as defined in paragraph (d) below), an amount equal to the option price as provided for in such Option Scheme; or

(ii) in all other cases and circumstances where treasury shares are reissued off-market, an amount equal to 95% of the Appropriate Price (as defined in paragraph (c)); and

(c) "Appropriate Price" means the average of the five amounts resulting from determining whichever of the following ((i), (ii) or (iii) specified below) in relation to shares of the class of which such treasury shares to be re-issued shall be appropriate in respect of each of the five business days immediately preceding the day on which the treasury share is re-issued, as determined from information published in the Irish Stock Exchange Daily Official List reporting the business done on each of those five business days;

(i) if there shall be more than one dealing reported for the day, the average of the prices at which such dealings took place; or

(ii) if there shall be only one dealing reported for the day, the price at which such dealing took place; or

(iii) if there shall not be any dealing reported for the day, the average of the closing bid and offer prices for the day;

and if there shall be only a bid (but not an offer) or an offer (but not a bid) price reported, or if there shall not be any bid or offer price reported for any particular day, then that day shall not count as one of the said business days for the purposes of determining the Appropriate Price. If the means of providing the foregoing information as to dealings and prices by reference to which the Appropriate Price is to be determined is altered or is replaced by some other means, then the Appropriate Price shall be determined on the basis of the equivalent information published by the relevant authority in relation to dealings on the Irish Stock Exchange Limited or its equivalent; and

(d) "Option Scheme" means any scheme or plan which involves either the issue of options to acquire Ordinary Shares in the Company or the conditional award of Ordinary Shares in the Company which has been approved by the Company's shareholders in General Meeting.

The authority hereby conferred shall expire at the close of business on the date of the next Annual General Meeting of the Company, or the date which is fifteen months after the date on which this resolution is passed or deemed to have been passed whichever is the earlier, unless previously varied or renewed in accordance with the provisions of Section 209 of the Companies Act, 1990".

9 To consider and, if thought fit, pass the following Special Resolution (Resolution 9):

"That the Board of Directors (or a Committee of the Board of Directors) shall have authority to execute a contract (within the meaning of section 213 of the Companies Act, 1990) relating to the proposed purchase from time to time by the Company of the "A" Ordinary Shares in the capital of the Company from the holders of the "A" Ordinary Shares. The authority hereby granted shall be limited to purchases of the "A" Ordinary Shares in the capital of the Company up to a limit of €190,000,000 in aggregate, which approximates to 20% of the market capitalisation of the Company at the date of this Notice. The authority hereby granted shall expire at the close of business on the date of the next Annual General Meeting of the Company or the date 15 months after the date of the passing of this Special Resolution, whichever comes first, save that the Company may before such expiry make a contract of purchase which would or might be executed wholly or partly after the expiry of this authority."

10 To consider and, if thought fit, pass the following Special Resolution (Resolution 10):

"That, subject to the passing by the Company of Resolution 9 and subject to the Board of Directors (or a Committee of the Board of Directors) exercising their power from time to time to issue "A" Ordinary Shares, one or more dividends may be declared by the Board of Directors and paid by the Company on the "A" Ordinary Shares ("Special Dividends") to the holders of the "A" Ordinary Shares who have made a valid election by completing, signing and returning the election form for the receipt of the Special Dividend when declared approved and paid (the "Election") and that the Board of Directors (or a Committee of the Board of Directors) be and they are hereby authorised and instructed to do all such acts and things and to execute all such documents as the Board of Directors (or a Committee of the Board of Directors) may consider to be necessary expedient, desirable or appropriate in connection with the issue of "A" Ordinary Shares and the payment of dividends and generally to give effect thereto and to do all such other acts as may be ancillary or expedient thereto in order to give effect to the same. The authority hereby granted shall be limited to the declaration and payment of Special Dividends on the "A" Ordinary Shares which, when combined with purchases of "A" Ordinary Shares pursuant to the authority granted by Resolution 9, shall not exceed the aggregate limit of €190,000,000 provided for under that Resolution."

11 To consider and if thought fit, pass the following Special Resolution (Resolution 11):

"That the Articles of Association of the Company be and are amended by the insertion of the following article as Article 120 (b)

(b) Subject to and in accordance with the provisions of the Transparency (Directive 2004/109/EC) Regulations, 2007 and these Articles of Association the Company is authorised to send, convey or supply all types of notices, documents, share certificates or information to the members by means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means including, without limitation, by sending such notices, documents or information by electronic mail or by making such notices, documents or information available on a website.

and

that the associated minor amendments to the Articles designed to give effect to the new Article 120 (b) shown in the draft copy of the proposed new Articles of Association of the Company which have been signed by the Chairman for identification purposes and which have been available for inspection at the registered office of the Company since the date of notice of this meeting be and are hereby approved".

BY ORDER OF THE BOARD

Conor Gouldson
Secretary

Dated: 31st March 2008

Notes For Shareholders

1. Any shareholder entitled to attend and vote at any General Meeting of the Company is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in his or her stead. Completion and submission of a form appointing a proxy will not affect the right of a shareholder to attend, speak and vote at the meeting in person. A form to be used for appointing a proxy is enclosed.
2. To be valid, any form appointing a proxy must be lodged with the Company's appointed Registrar, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, by post, by hand, online or via CREST message to arrive no later than 48 hours before the time appointed for the holding of the Annual General Meeting.
3. Pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996, the Company hereby specifies that only those Shareholders registered in the Register of Members of the Company as at the close of business on the day which is two days before the date of the meeting, or in the case of an adjournment as at 48 hours before the time of the adjourned meeting, shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in his/her/their name at that time.