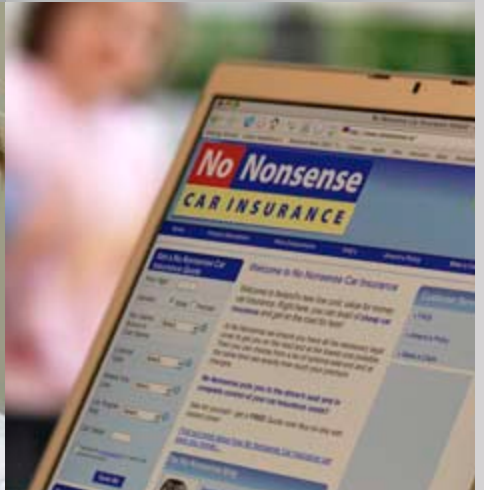




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Competitive Position

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Our aim is to continuously improve our understanding of our customer needs and capitalise on new opportunities in our industry.

Financial Highlights

Gross premiums written

€385,638,000

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Operating profit

€58,174,000

Ordinary dividend per 60c ordinary share

40.25 cent

	2008	2007
	€000s	€000s
Gross premiums written	385,638	407,953
Net premiums earned	343,075	350,321
Operating profit	58,174	235,510
Adjusted operating profit*	65,783	127,883

	2008	2007
	Cent	Cent
Adjusted operating earnings per 60c ordinary share*	171.50	316.33
Ordinary dividend per 60c ordinary share	40.25	79.50
Distribution re Change in Reserving Policy per share (paid)	150.00	–
Distribution of Financial Reserves per share (paid)	–	500.00
Net assets per 60c ordinary share	707.60	1,154.54

* Adjusted to exclude impact of restructuring costs in 2008 and the change in reserving policy in 2007.

CALENDAR

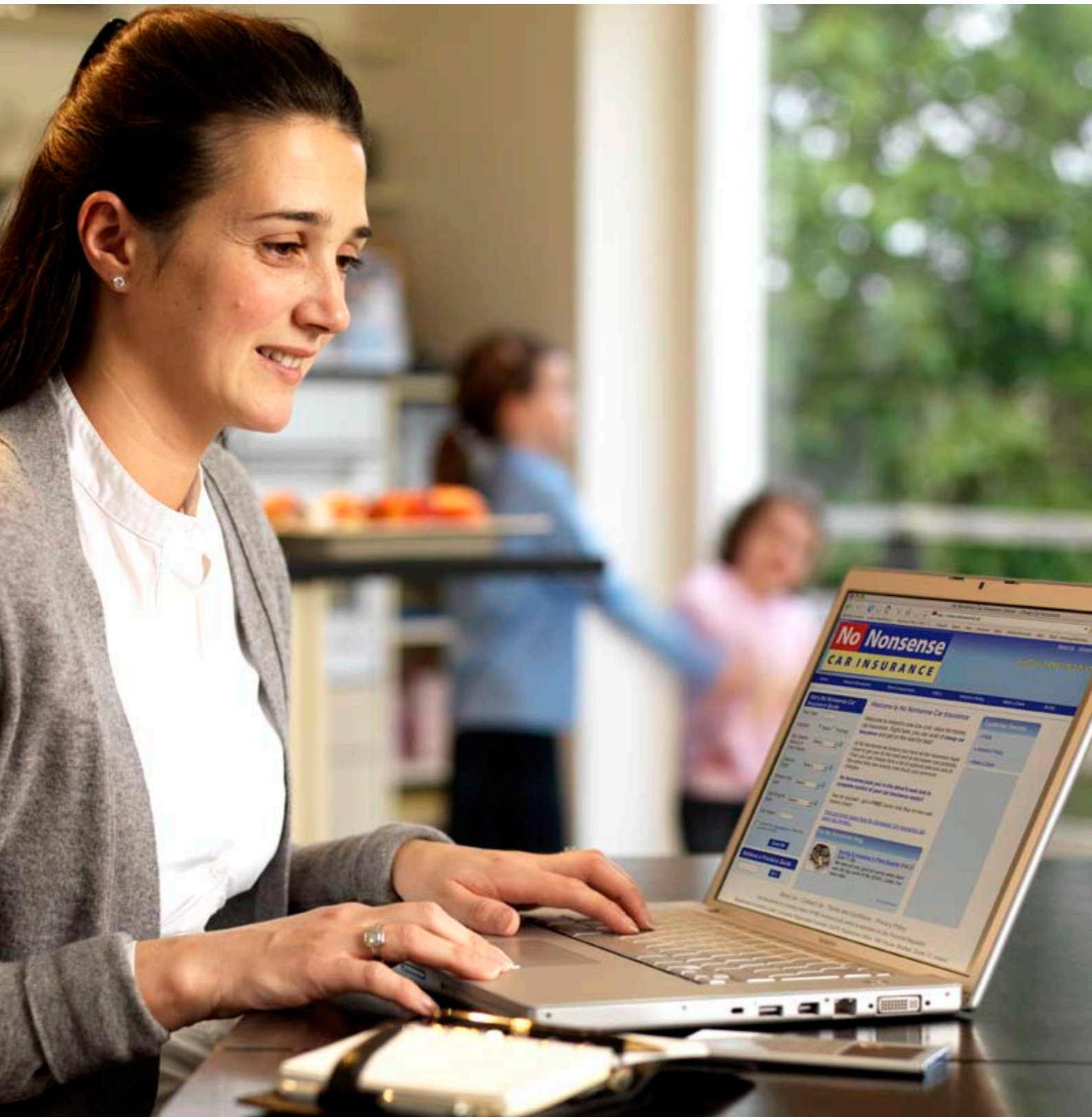
Preliminary announcement	4 March 2009
Annual General Meeting	29 April 2009
Final Dividend Payment Date (provisional)	1 May 2009



Our focus is on service delivery and enhancing our customer experience to attract new customers and improve retention.

Building relationships is fundamental to our approach. It is at the very core of our business success.





We recognise new opportunities and ensure delivery of a competitive proposition for optimum return.

Our commitment to customers is that we will be there, where and when they need us.





Chairman's Statement



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I am very pleased to report that 2008 was another year of significant progress for the FBD Group.

While FBD is not immune to global market volatility and negative growth forecasts for the Irish economy, its insurance business is, by its nature, defensive thereby protecting the Group from significant operational deterioration. In this changing environment, the Group continues to adapt its business to ensure that it meets customers' requirements efficiently and profitably.

Recently published industry data shows that FBD continues to perform ahead of the market, increasing its market share for the eighth consecutive year. The Group has a proven track record of profitable market share growth at all stages of the insurance cycle. In a very competitive environment, the Group maintained its underwriting discipline and offered insurance cover only at economic premium rates.

Premiums began to harden in the Irish insurance market in the last quarter of 2008. Further increases are required to provide an adequate return on capital

across the industry as a whole. I am confident that FBD will continue to outperform its competitors in delivering higher returns for shareholders.

In 2008, the Group enhanced its ability to meet customer needs by completing its investment in the Mullingar Customer Support Centre and by launching its NoNonsense.ie and fbd.ie internet services, which are designed to reflect changes in customer requirements, extend customer reach and further improve customer service levels.

Regaining national competitiveness is key to Irish economic prospects. Claims reforms initiated in recent years have delivered significant benefits to the consumer in the form of lower insurance premiums. However, claims costs in Ireland remain high relative to other economies. Continued reform in the area of road safety, for example the privatisation of speed cameras, is required. Personal injury awards must be brought into line with other jurisdictions to deliver comparable premium levels.

Chairman's Statement *continued*

Market conditions for the Group's leisure and property businesses have been challenging and will continue to be so. Excess capacity exists in both the Irish and Spanish hotel and leisure markets and innovative marketing and cost strategies will be required to protect competitiveness and profitability.

While the Group delivered a solid adjusted operating profit of €65.8m in 2008, the result before tax was adversely impacted by negative fluctuations in investment returns, reflecting the ongoing volatility in equity and property markets and the impact of a weak sterling exchange rate at the end of 2008.

The Group is committed to a progressive dividend strategy while maintaining a strong balance sheet and robust solvency margins. To meet these competing demands, FBD has traditionally followed a prudent ordinary dividend payout policy combined, periodically, with significant special dividends or distributions. In the last four years, on top of ordinary dividends, the Group has made special distributions of €546m to shareholders, including €50m in October 2008.

The Board is recommending a 2008 final dividend payout of 10 cent per ordinary share, bringing the full 2008 dividend to 40.25 cent per ordinary share. This equates to a dividend payout rate of 25% and reflects the Board's view that it is in the long-term interests of all shareholders to maintain particularly strong solvency margins in the current environment.

I want to turn now to changes made to the Board during 2008.

In April of 2008, the Board, management and staff of FBD were very saddened by the sudden death of our Group Chief Executive, Philip Fitzsimons. I want to pay tribute to the truly outstanding contribution which Philip made to the development of the Group during his 37 years with FBD. He was held in huge regard by everyone who encountered him in business and otherwise. He was a great leader and as Group Chief Executive he led FBD through a period of profitable growth. His infectious energy, passion and drive will be missed by the Board and by everyone in the FBD Group.

Andrew Langford was appointed as Group Chief Executive to replace Philip. Andrew has been with the Company since 1996 and joined the Board in 2004. He has been a key executive in FBD and has played a central role in the formulation and implementation of the Group's growth strategy.

I am pleased to welcome Cathal O'Caomh as Group Finance Director. Cathal joined the Company and the Board in October 2008. His extensive proven experience will strengthen both our management team and the Board.

Finally, I would like to extend my sincere thanks to the Board, the Management and the Staff for their combined efforts and dedication in delivering an outstanding operating performance for the Group in difficult circumstances. We will continue to focus on maximising benefits for all stakeholders, and I am confident that FBD will continue to develop successfully into the future.

Michael Berkery
Chairman

3 March 2009

Review of Operations



OVERVIEW

In a period of unprecedented economic volatility, the Group has produced another solid performance with all divisions delivering operating profit. At €65.8m, adjusted operating profit is lower than last year principally because of an increase in claims costs and a lower long-term investment return. The increase in claims relates particularly to unusual weather events and higher property related claims. This trend has, in turn, contributed to a hardening of insurance rates across the Irish market.

Average premiums began to show some upward movement late in 2008. Early in the current year, a number of market participants increased rates on certain business lines and further increases are anticipated. Given FBD's fixed cost base, the Group will benefit from positive operating leverage as prices rise.

Gross premium written in 2008 amounted to €385.6m, down 5.5% in a very competitive market. Rate increases

were implemented on certain products at the expense of volume growth. Despite this, FBD continued to outperform the market and its ability to achieve sustainable growth was demonstrated by increasing market share for the eighth consecutive year. Market share in 2008 grew from 11.3% to 11.6%.

The focus on efficiency and productivity improvements was continued and FBD's competitive position was enhanced through further strengthening of the management team, streamlining of processes and reductions in costs.

New e-commerce facilities are providing a platform for future growth, responding to the needs of customers who increasingly wish to purchase personal lines insurance over the internet. The www.fbd.ie facility gives customers greater choice and control. In addition, NoNonsense.ie provides a "no frills" alternative. Further e-commerce initiatives are planned for the near future.

Review of Operations *continued*

In response to changing customer behaviour, FBD announced plans to realign its local office network in December 2008, reducing the number of offices from 47 to 34, by merging the activities of certain offices. This realignment will enable local offices to focus on farming and commercial customers. Implementing the changes is a significant priority for 2009.

Market conditions for the non-underwriting businesses in Ireland and Spain continued to be very challenging. Likewise, in a difficult climate for investment products, FBD Life focused its resources on the sale of protection products and FBD Brokers dealt with declining premium levels in the commercial insurance sector. These businesses have delivered solid results in difficult trading conditions.

Like all other financial institutions, the value of the Group's investments has been impacted by the fall in financial and property markets. Revaluation adjustments of €126.5m have been booked in 2008 on the basis of mark-to-market accounting principles. The Group's quality portfolio of property assets has been independently valued by professional external valuers.

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BUSINESS REVIEW

Underwriting

Gross premium written fell 5.5% to €385.6m and net earned premium fell 2.1% to €343.1m. FBD maintained pricing discipline, pushing up insurance rates early in 2008, with the result that although average personal lines premiums increased, policy volume decreased.

Government claims reforms and intense market competition led to price reductions in the Irish insurance market each year from 2002 through to 2008. As market premiums became unrealistically low and claims frequency deteriorated, the need for premium rates to increase became clear. In early 2008, FBD decided not to match the uneconomic rates offered by some market participants and implemented rate increases, which restricted growth in policy numbers. Late in 2008 and early this year, there has been evidence of rate increases by a number of market participants. Material benefit will flow through to general insurers in the current year and beyond.

Recently published industry data shows that FBD continued to perform ahead of the market. In 2008, premium income in the Irish general insurance market as a whole reduced by 7.5%, compared to FBD's 5.5%, resulting in market share increasing to 11.6%. FBD has increased its market share for eight consecutive years and is the third largest non-life insurer in Ireland.

Over 70% of motor and home insurance customers are now using the internet or telephone to purchase insurance. For customers wishing to use the internet, FBD Insurance has developed new e-commerce propositions designed to meet this need, extend customer reach and enhance customer service levels:

- In February 2008 "NoNonsense" car insurance was launched, an internet-only offering, aimed at "no frills" customers.
- In September 2008, FBD launched an on-line car insurance offering on www.fbd.ie, which allows customers to choose the level of cover they require and to pay on-line.
- A home insurance product was added to the www.fbd.ie on-line facility early in 2009.

For customers wishing to organise their insurance over the phone, FBD has completed investment in its support centre in Mullingar, established in 2007 and now employing 172 staff. The centre provides the sales and service capacity to grow personal lines business in the most cost efficient and customer focussed manner.

Adjusted net claims incurred amounted to €271.2m (2007: €239.1m) comprised of net claims paid of €262.9m (2007: €230.9m) and an increase in net outstanding reserves of €8.3m (2007: €8.2m increase). The adjusted claims ratio for 2008 was 79%, an increase from the 68% reported in 2007. The Irish Insurance market experienced increasing claims frequency in 2008, particularly property claims arising from persistent poor weather. The year's results have been impacted by the severe flooding countrywide in the summer months at a cost of €7.4m net of reinsurance.

Claims reserves provided a positive runoff in 2008, which validates the Group's decision to revise its claims reserving policy in 2007 and demonstrates the strength of the Group's reserving position.

Net operating expenses amounted to €58.5m (2007: €51.9m). A significant element of the increase arose as a result of completion of the investment in the Mullingar service centre. FBD continues to seek and implement increased efficiencies to enable continued, sustainable and profitable growth in market share while delivering better value premiums to customers.

Non-underwriting

Leisure and property interests include the La Cala and Sunset Beach resorts in Spain and the Tower Hotel Group in Ireland. Market conditions were very challenging during 2008 and measures to protect competitiveness and profitability were implemented, including cost savings, short-term special offers, additional access to the FBD customer database and developing new markets. In difficult trading conditions, these businesses have delivered a solid result. Sunset Beach resort had another record year.

The Group's non-underwriting activities generated a contribution to adjusted operating profit of €8.5m (2007: €15.2m). Leisure and leisure property development contributed €6.0m (2007: €16.1m). Lower property sales at La Cala and overcapacity in the Irish hotel market were the main factors impacting the 2008 result.

The Group's financial service businesses include general insurance broking (FBD Brokers), life assurance/pension broking/investment advice (FBD Life) and instalment finance. FBD Brokers, which is ideally placed to benefit from premium rate increases, delivered a solid result.

In a difficult investment climate, FBD Life refocused its resources on pension and protection products. Lower customer appetite for retail investment products at FBD Life and costs incurred by FBD Holdings in relation to a preliminary approach in the first half of 2008 resulted in a contribution of €3.3m (2007: €5.9m) from financial services.

The Capital Fund, which was liquidated in 2008 following distributions to shareholders, incurred a loss of €0.9m (2007: loss of €6.8m).

Longer term investment return at €43.9m fell by 18% compared to the previous year. Distributions to shareholders, reduced asset values and a change in asset mix were the contributing factors.

Pre-tax result

The result before tax was adversely impacted by negative fluctuations in investment returns amounting to €92.3m (2007: €69.3m). This reflected the ongoing volatility in equity and property markets and the impact of a weak sterling exchange rate at the end of 2008.

The 2008 financial statements include a restructuring charge of €7.6m for the cost of realigning the FBD Insurance local office network and implementing cost restructuring in the property and leisure operations. These programmes reflect the Group's commitment to efficiency so as to maintain its competitive cost base and deliver shareholder value.

After charging finance costs of €4.5m (2007: €4.1m), the Group recorded a loss before taxation of €38.6m (2007: profit of €162.2m).

Adjusted earnings per share

Adjusted operating earnings per share, based on longer term investment returns, amounted to 171.5c, compared to 316.33c the previous year.

DIVIDENDS

The Board is committed to ensuring that the Group's capital position continues to be robust and its balance sheet well-managed. Consequently, in view of the current turbulence in the world financial markets and the uncertain outlook for asset values in the short-term, the Board has concluded that it should be prudent at this time.

The Board is recommending a 2008 final dividend payout of 10 cent per ordinary share bringing the full 2008 dividend to 40.25 cent per share (2007: 79.5 cent). This equates to a dividend payout ratio of 25% (2007: 26%) and reflects the Board's view that it is in the long-term interests of all shareholders to maintain particularly strong solvency and liquidity margins in the current environment. Subject to approval by shareholders at the Annual General Meeting to be held on 29 April 2009, this final dividend for 2008 will be paid on 1 May 2009 to the holders of shares on the register on 13 March 2009.

Review of Operations *continued*

The Group paid a special distribution of €1.50 per share amounting to €49.8m to shareholders on 10 October 2008. This was in keeping with the Group's stated commitment of maximising shareholder returns through efficient capital management.

BALANCE SHEET

Despite recent financial and property market turmoil, the Group's balance sheet remains very strong. Reflecting the distributions to shareholders (€77.3m), the write down of owner occupied property (€34.2m) and negative fluctuations in investment return (€92.3m), total assets at year end amounted

to €1,277.8m (2007: €1,387.1m). Ordinary shareholders' funds amounted to €235.4m (2007: €383.6m) and net assets per share were 707.60c (2007: 1,154.54c).

Since the second quarter of 2007, the Group has reduced its quoted equity and corporate bonds holdings from €330m to €38m at the balance sheet date. During 2008, the Group sold €100m of equities. The following table shows how our underwriting business has reduced its exposure to property and equity dependent investments from 29% to 16% of total assets during 2008:

TABLE 1: UNDERWRITING BUSINESS – ASSET ALLOCATION

	2008		2007	
	€m	%	€m	%
Government gilts	466	46%	482	42%
Deposits and cash	207	20%	94	8%
Loans and accrued interest	71	7%	85	7%
Investment properties	53	5%	83	7%
Own land and buildings	24	2%	33	3%
Quoted equities and corporate bonds	38	4%	163	15%
Working capital	169	16%	210	18%
	1,028	100%	1,150	100%

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In 2008, under mark-to-market accounting principles, the Group booked €92.3m of investment fluctuations through the Income Statement and wrote down a further €34.2m of land and building values directly to reserves. (These adjustments are detailed in Table 2 overleaf.) All properties have been independently valued by professional external valuers at 31 December 2008. The Group believes that the valuations incorporated in the balance sheet are prudent taking into consideration the quality of the underlying assets.

Assets available to cover the solvency requirements of FBD Insurance at 31 December 2008 stood at three times the minimum level. These assets represent 50% of net premium. With total assets of €1,028m and a prudent reserving policy, the underwriting business has a strong capital base and considerable balance sheet strength.

TABLE 2: GROUP ASSETS – VALUATION ADJUSTMENTS

	At start of year	At end of year	Total Adjustments	
	€m	€m	€m	%
Government gilts	482.2	466.3	–	–
Deposits and cash	108.6	218.8	–	–
Hotel and golf resorts	192.4	167.0	(25.1)	(13%)
Quoted equities and corporate bonds	181.6	38.0	(46.1)	(25%)
Investment properties	83.0	52.5	(30.5)	(37%)
Insurance – own land and buildings	32.8	24.3	(9.1)	(28%)
Loans and accrued interest	85.2	70.5	(15.7)	(18%)
Inventories	65.7	62.4	–	–
Working capital	155.6	178.0	–	–
	1,387.1	1,277.8	(126.5)	(9%)
Adjustments made in income statement			(92.3)	
Adjustments made directly to reserves			(34.2)	
Total valuation adjustments			(126.5)	

La Cala Tranche II

In 2006, the Group entered into a conditional agreement to sell a major part of the La Cala building development land for total consideration, originally set at €201m. Of this amount, €121m was received in 2006 and 2007 relating to Tranche I and the balance of €80m in respect of Tranche II is due to the Group subject to receipt of final planning permissions by June 2009. It was originally envisaged that this would be achieved via a Regional Planning process ongoing at the time of signing the contract.

Given the significant delays that have been experienced in finalising the Regional Planning process, for reasons unrelated to La Cala, the likelihood of receiving final planning approval on time has reduced. The Group has therefore reactivated a parallel planning procedure in conjunction with the local administration. While this procedure will not deliver the required permissions on all of the Tranche II lands, it will, if approved, result in planning permission on a substantial proportion of the lands, which is permissible under the contract. FBD is dependent on the local authorities to approve the planning permission in a timely manner and is in contact with the purchaser to explore the various scenarios that may emerge.

OUTLOOK

Underwriting

Ireland, like much of the world, is in a period of unprecedented economic volatility, the severity and duration of which remain uncertain. The Group's underwriting business, by its defensive nature, will be cushioned from the worst effects of economic volatility.

Irish insurance rates are hardening and a number of insurers have already increased premiums in 2009. It is likely that the margins being achieved in the market, the severe weather conditions in January 2009 and lower investment returns will necessitate further increases. Several commentators have pointed to the potential for an increase in suspect claims during a recessionary period. Such claims, if successful, will lead to increases in premiums. Resources to counter suspected fraud will be increased.

The Group's focus on cost containment and efficiency will continue. The realignment of local offices will be completed in 2009 and further opportunities to maximise efficiency have been identified and will be implemented.

Review of Operations *continued*

FBD Insurance will focus on profitable growth, maintaining underwriting discipline and constantly evolving its business to reflect customers' needs.

Non-underwriting

The property and leisure markets in Ireland and Spain are expected to remain difficult throughout 2009. Over-supply in the marketplace is the key challenge facing the property and leisure businesses, both in Ireland and in Spain and market capacity should reduce in the medium-term. New marketing and sales initiatives and operational cost efficiencies are being implemented to achieve targets.

FBD Brokers is developing new market segments while providing enhanced customer value, and is well positioned to benefit from hardening premium rates. FBD Life continues to provide professional advice to customers in the uncertain environment and to concentrate on the sales of pension and protection products as the market for retail investment products remains weak.

Group

The FBD Group has a strong capital base and balance sheet with total assets of €1,277.8m. Its underwriting business has three times the minimum statutory solvency requirement and a prudent reserving strategy. Despite the difficult environment, the Board is confident that the Group has the people, plans, infrastructure and financial strength to continue to deliver long-term profitable growth and superior returns to shareholders, particularly in an environment where premium rates are hardening.

Andrew Langford

Group Chief Executive

3 March 2009

Directors and Other Information

DIRECTORS

Chairman

Michael Berkery

Executive Directors

Andrew Langford *Group Chief Executive*

Cathal O’Caoimh

Adrian Taheny

Non-Executive Directors

John Donnelly

Sean Dorgan

Philip Lynch

Patrick O’Keeffe

Vincent Sheridan *Senior Independent Director*

Johan Thijs

Padraig Walshe

COMPANY SECRETARY

Conor Gouldson

REGISTERED OFFICE

FBD House, Bluebell, Dublin 12, Ireland

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AUDITORS

Deloitte & Touche

Chartered Accountants and Registered Auditors

Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland

SOLICITORS

Dillon Eustace

33 Sir John Rogerson’s Quay, Dublin 2, Ireland

STOCKBROKERS

Bloxham

International Financial Services Centre, 2/3 Exchange Place, Dublin 1, Ireland

Goodbody Stockbrokers

Ballsbridge Park, Ballsbridge, Dublin 4, Ireland

REGISTRAR

Computershare Investor Services (Ireland) Limited

Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland

Report of the Directors

The Directors present their Report and the audited Financial Statements for the year ended 31 December 2008.

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 review of the performance of the Group is contained in the Chairman's Statement on pages 13 and 14 and in the Group Chief Executive's Review of Operations on pages 15 to 20. Information in respect of the significant events since the year end is also included in these sections. Additionally, a comprehensive review of the key performance indicators and the major risks and uncertainties faced by the Group is included within these sections. Information regarding the management of specific risk areas is detailed on pages 78 to 82 (Note 33).

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RESULTS AND DIVIDENDS

The results for the year are shown in the Group Income Statement on page 42. The Directors propose the payment of a final dividend for the year on the 60c ordinary shares of 10.00 cent (2007: 52.00 cent). During the year an interim dividend of 30.25 cent was paid (2007: 27.50 cent). The total dividend for the year amounts therefore to 40.25 cent (2007: 79.50 cent). The policy of the Board in relation to dividends is outlined in the Chairman's Statement on pages 13 and 14.

The Company made a distribution from Financial Reserves during the year of 150 cent per Ordinary Share of €0.60 each (2007: 500 cent).

SUBSIDIARIES

The Company's principal subsidiaries, as at 31 December 2008, are listed on page 75 (Note 28).

DIRECTORS

The present Directors of the Company are listed on page 21.

On 15 July 2008 the Company announced the appointment of Mr. Cathal O'Caomh as Group Finance Director. Mr. O'Caomh joined the Group, and the Board, on 1 October 2008.

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, they each offer themselves for re-election.

In accordance with Provision A.7.1 of the Combined Code on Corporate Governance, Mr. Padraig Walshe will retire at the Annual General Meeting having last been re-elected on 26 April 2006 and, being eligible, he offers himself for re-election.

In accordance with the Article 83 (b) Mr. Cathal O'Caomh will retire at the Annual General Meeting having been appointed as a Director since the last Annual General Meeting and, being eligible, he 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.

BIOGRAPHIES OF THE NON-EXECUTIVE DIRECTORS

Michael Berkery, Chairman

Michael Berkery was elected Chairman of the Company in 1996. He served as Chief Executive Officer of the Irish Farmers' Association for 25 years. He is a Director of the Agricultural Trust Limited. 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. He is a Director of a number of other companies.

John Donnelly

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

Sean Dorgan is currently non-executive Chairman of both Ulster Bank Limited and Tesco Ireland Limited and he is also Chairman of the Governing Body of Dublin Institute of Technology. He is a non-executive Director of Short Brothers plc and Fineos Corporation Limited. He was Chief Executive of IDA Ireland for nine years until his retirement at the end of 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.

Philip Lynch

Philip Lynch is the Chief Executive Officer of One51 plc. He is also Chief Executive and an executive Director of the Irish Agricultural Wholesale Society Limited. He is a non-executive Director of C & C Group plc, Coillte Teoranta and OpenHydro Group Limited and is Chairman of the National Paediatric Hospital Development Board.

Dr. Patrick O'Keeffe

Patrick O'Keeffe retired as Chairman of the Company in 1996 having served in that role since the Company's incorporation in 1988. He was Chairman of the original FBD companies, which comprise the Group, since their incorporation in the early 1970s. A former Editor and Chief Executive of the Irish Farmers' Journal, he is currently Chairman of the Agricultural Trust Limited and is also a Director of a number of other companies.

Vincent Sheridan, Senior Independent Director

Vincent Sheridan retired as Chief Executive of Vhi Healthcare during 2008 after seven years in that role. Prior to that, he was Group Chief Executive of the Norwich Union Insurance Group in Ireland for ten years. He is the immediate past 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 also a former council member of the International Federation of Health Plans and the Financial Reporting Council in the UK.

Johan Thijs

Johan Thijs is Senior General Manager – Non-Life Insurance with KBC Bank & Insurance Group in Belgium. He obtained a Master of Science (Applied Mathematics) degree and qualified as an Actuary at KU Leuven. He joined KBC Insurance in 1998 and held a number of executive positions prior to his appointment to his current role.

Padraig Walshe

Padraig Walshe is the 12th President of The Irish Farmers' Association and took up office in January 2007. 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. Between 1987 and 1989 he was President of Macra na Feirme.

BIOGRAPHY OF EXECUTIVE DIRECTOR RECOMMENDED FOR ELECTION AT THE ANNUAL GENERAL MEETING

Cathal O'Caoimh, Group Finance Director

Cathal O'Caoimh joined the Group in October 2008 and was appointed to the Board as Group Finance Director. A Chartered Accountant, Cathal joined FBD from Horizon Technology Group plc where he was Chief Financial Officer since 2001. Prior to that Cathal was Group Finance Director of Hibernian Insurance Group having previously been Group Finance Director of Norwich Union in Ireland.

Report of the Directors *continued*

DIRECTORS' AND COMPANY SECRETARY'S INTERESTS

The interests of the Directors (together with their respective family interests) in the share capital of the Company, at 31 December 2008 and 1 January 2008 were as follows:

Number of Ordinary Shares of €0.60 each

Beneficial	31 December 2008	1 January 2008
Michael Berkery	30,000	22,500
John Donnelly	24,256	23,256
Andrew Langford	9,250	6,250
Philip Lynch	20,000	20,000
Patrick O'Keeffe	72,770	72,770
Adrian Taheny	13,500	13,500
Padraig Walshe	600	600

The interests of the Directors and the Company Secretary in share options and conditional awards over the share capital of the Company under the shareholder approved share schemes are detailed in Note 27 to the Financial Statements.

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SUBSTANTIAL SHAREHOLDINGS

As at 4 March 2009 the Company has been notified of the following interests of 3% or more in its share capital:

Ordinary Shares of €0.60 each

	%
Farmer Business Developments plc	25.64%
FBD Trust Company Limited	8.97%
Allied Irish Banks plc and its subsidiaries	3.91%
Bank of Ireland Asset Management Limited	3.90%
Irish Life Investment Managers Limited	3.57%

14% Non-Cumulative Preference Shares of €0.60 each

Farmer Business Developments plc	100%
----------------------------------	------

8% Non-Cumulative Preference Shares of €0.60 each

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

Share Capital

The Company had four 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:

Voting Shares

	Number in Issue	% of Total
Ordinary Shares of €0.60 each	* 33,269,476	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
	38,141,768	100.0

* excluding 2,291,730 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.

Non-Voting Shares

	Number in Issue
'A' Ordinary Shares of €0.01 each	13,169,428

During the year the Company issued a total of 33,269,476 'A' Ordinary Shares of €0.01 each and repurchased 20,100,048 of these for a consideration of €1.50 per share. The holders of the 'A' Ordinary Shares not repurchased received a special dividend of €1.49 per share and it is these 'A' Ordinary Shares which remain outstanding as at 31 December 2008. The rights attaching to the 'A' Ordinary Shares are clearly set out in the Articles of Association of the Company. They are not transferable except only to the Company. Other than a right to a return of paid up capital of €0.01 per 'A' Ordinary Share in the

event of a winding up, the 'A' Ordinary Shares have no right to participate in the capital or the profits of the Company.

AUDITORS

The auditors, Deloitte & Touche, Chartered Accountants, will continue in office in accordance with the provisions of 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 requirement to keep proper books of account – through 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 29 April 2009 in FBD House, Bluebell, Dublin 12, is set out on pages 83 to 86.

SPECIAL BUSINESS FOR THE ANNUAL GENERAL MEETING

In addition to the usual business, your Board proposes the following special resolutions numbered 6 to 10 which are summarised as follows:

Resolution 6 – Authority to Allot Shares

Resolution 6 will be proposed at the meeting as a Special Resolution which will renew the authority of the Board to allot the authorised but un-issued shares in the capital of the Company. This authority was last renewed in 2005 and can only be granted by shareholders for a maximum period of 5 years after which time it can be renewed. The current authority expires on 27 April 2009.

Resolution 7 – Limited disapplication of pre-emption rights

Resolution 7 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 8 – Authority to purchase own shares

Resolution 8 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 9 – 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.

Resolution 10 – Change in limit to number of executive Directors

The current Articles of Association limit the number of executive Directors of the Company to three. While neither the Nomination Committee nor the Board have in mind any particular change to the structure of the Board at this time, Resolution 10 will be proposed as a Special Resolution to increase the cap from three to four to afford the Board the flexibility in the future should an additional executive Director appointment be considered necessary or desirable.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 3 March 2009.

Signed on behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

3 March 2009

Corporate Governance Statement

COMPLIANCE WITH THE COMBINED CODE ON CORPORATE GOVERNANCE

The Board of FBD Holdings plc is committed to maintaining the highest standards of corporate governance throughout the Group. This statement sets out in detail how FBD has applied the principles set out in Section 1 of the Combined Code on Corporate Governance (June 2006) (the "Combined Code" or the "Code") which was published by the Financial Reporting Council in the UK and adopted by both the Irish Stock Exchange and the UK Listing Authority.

The Board considers that FBD has been in compliance with the Code provisions throughout the year except for the fact that the Chairman continues to be Chairman of the Remuneration Committee. The Board's view is that he is the most appropriate person for this position.

THE BOARD OF DIRECTORS

The Board provides leadership and maintains effective control over the activities in the Group. The Board meets on a regular basis and has a formal schedule of matters reserved to it. This includes the approval of the Group's objectives and strategy, approval of financial statements, dividends, appointments of Directors and the Company Secretary, approval of the annual budget including capital expenditure and the review of the Group's systems of internal control.

The Board has delegated responsibility for the management of the Group to the Group Chief Executive and, through him, to executive management. The Board has also delegated some additional responsibilities to Committees of the Board established by it whose powers, obligations and responsibilities are set out in written terms of reference.

The Board is comprised of three executive Directors and eight non-executive Directors, including its Chairman. Brief biographies of the Directors are set out on page 23. All of the Directors bring independent judgement to bear on all matters coming before the Board for decision.

On appointment, and regularly thereafter, Directors are briefed in writing and orally by the executive management. Papers are sent to each member of the Board in sufficient time before Board meetings. Each member of the Board may take independent professional advice at the Company's expense if deemed necessary for the furtherance of their duties. They have access to the advice and the services of the Company Secretary who has responsibility to ensure that Board procedures are followed and that applicable rules, regulations and other obligations are complied with.

BOARD COMMITTEES

As stated earlier, 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 written terms of reference which were approved by the Board which set out the Committee's powers and responsibilities and obligations. All of these terms of reference are available on the Group's website www.fbdgroup.com.

THE AUDIT COMMITTEE

The Audit Committee consists solely of independent non-executive Directors. The Group Chief Executive, the Group 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.

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

During 2008 the Committee was comprised of Vincent Sheridan (its chairman), Sean Dorgan and Patrick O'Keeffe. The Board has determined that Vincent Sheridan is the Audit Committee's financial expert.

During 2008 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 the provision of non-audit services;
- External auditor's re-appointment and remuneration;
- Internal audit work plans and reports;
- The Committee's terms of reference;
- Evaluation of the Committee's own performance;
- The effectiveness of the system of internal control;
- Assessment of significant risks to the achievement of Group objectives;
- Regulatory compliance; and
- 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 the types of non-audit work which the external auditor can undertake;
- Fee limits for such work above which Committee pre-approval is required; and
- 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 REMUNERATION COMMITTEE

The Remuneration Committee consists solely of non-executive Directors. During 2008 the Committee was comprised of Michael Berkery (its chairman), Philip Lynch and Patrick O'Keeffe.

The principal responsibilities of the Committee are to determine the broad policy for the remuneration of the Group 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 NOMINATION COMMITTEE

The Nomination Committee consists solely of non-executive Directors. During 2008 the Committee was comprised of Michael Berkery (its chairman), John Donnelly, Philip Lynch and Patrick O'Keeffe.

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 Company and 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 two recommendations to the Board – one for an appointment of an executive Director to the Board and one for changes to the responsibilities of an executive Director. While no open advertising was used by the Committee, it did avail of the services of an external search consultancy as part of the process of identifying appropriate candidates.

Corporate Governance Statement *continued*

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. By virtue of the office he holds, the Board does not consider the Chairman to be independent. The Board has concluded that all of the other non-executive Directors holding office during 2008 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; and
- (c) Serving on the Board for a period of greater than 9 years.

In relation to (a) and (b), at the year end Patrick O’Keeffe and Padraig Walshe were directors of Farmer Business Developments plc, which is a founding, strategic and major investor in FBD Holdings plc, holding 25.64% of the ordinary share capital (excluding treasury shares) at 31 December 2008 (2007: 25.68%). 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. Patrick O’Keeffe, Michael Berkery, John Donnelly and Padraig Walshe are all directors of FBD Trust Company Limited which held 8.97% of the ordinary share capital (excluding treasury shares) at 31 December 2008 (2007: 8.98%). The principal objective of the Trust is the provision of grants and scholarships for educational and research projects contributing to the advancement of agriculture.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING 2008

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	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
Michael Berkery	11	11	–	–	1	1	2	2
John Donnelly	11	11	–	–	–	–	2	2
Sean Dorgan	11	11	5	5	–	–	–	–
Philip Fitzsimons	3	3	–	–	–	–	–	–
Andrew Langford	11	11	–	–	–	–	–	–
Philip Lynch	11	8	–	–	1	1	2	2
Cathal O’Caoimh	2	2	–	–	–	–	–	–
Patrick O’Keeffe	11	11	5	5	1	1	2	2
Vincent Sheridan	11	11	5	5	–	–	–	–
Adrian Taheny	11	11	–	–	–	–	–	–
Johan Thijs	11	7	–	–	–	–	–	–
Padraig Walshe	11	11	–	–	–	–	–	–

A indicates the number of **meetings held** during the period the Director was a member of the Board or Committee.

B indicates the number of **meetings attended** during the period the Director was a member of the Board or Committee.

In relation to (c), Michael Berkery, John Donnelly, Philip Lynch and Patrick O’Keeffe have served on the Board for a period of greater than nine years.

Having considered all of the foregoing, the Board has concluded that each of the relevant Directors held and continues to hold a challenging and independent outlook on business issues and continues to act at all times in the best interests of all FBD Holdings plc shareholders.

PERFORMANCE EVALUATION

The Board has conducted an evaluation of its performance and that of its Committees and individual Directors. This was achieved through discussion and written evaluation submissions. The Chairman’s performance was evaluated by the non-executive Directors, led by Vincent Sheridan, the Senior Independent Director, and taking into account the views of the executive Directors.

REMUNERATION OF DIRECTORS

Details of Directors’ Remuneration are set out in Note 27 on pages 72 to 75.

ACCOUNTABILITY AND AUDIT

A statement dealing with the responsibilities of the Directors in relation to the preparation of the financial statements is set out on page 31. The responsibilities of the Company’s independent auditors are set out in their report on pages 32 and 33.

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.fbdgroup.com 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 other members of 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 at the meeting after the result is declared on the show of hands. These details are also published on the Group’s website.

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. Relevant feedback from such meetings is provided to the Board on a regular basis. Analyst and broker notes on the Company are circulated to the Board on receipt throughout the year.

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 2009, the key risks facing the business and the medium-term plans as set out in the Group corporate strategy.

INTERNAL CONTROL

The Company, as required by the Listing Rules of the Irish Stock Exchange and the UK Listing Authority, has complied with 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.

Corporate Governance Statement *continued*

The Board has overall responsibility for the Group's systems of internal control and risk management. It also has responsibility for monitoring the effectiveness of these systems on an ongoing basis. The systems of internal control provide 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 it produces, 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 both the internal and the external auditors.

A formal process for identifying, evaluating and managing the significant risks facing the Group that complies with the guidance "Internal Control: the 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. The Board has carried out its annual assessment of the effectiveness of the systems of internal control as operated up to and including the date of approval of the Financial Statements which included consideration of the nature and extent of the significant risks facing the Group, the monitoring of those risks by management and the communication of the results of such 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 31 December 2008 up to the date of this Report and considers that no material change has occurred.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under such law, the Directors have prepared the Company and Group financial statements in accordance with International Financial reporting Standards as adopted by the EU ("IFRSs") and in accordance with the provisions of the Companies Acts, 1963 to 2006.

The Company and Group financial statements are required by law and IFRSs to present fairly the financial position and performance of the Company and the Group. The Companies Acts, 1963 to 2006 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Company and Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with applicable IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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 the Group and enable them to ensure that the financial statements are free from material misstatement or error and comply with the Companies Acts, 1963 to 2006. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Interim Transparency Rules of the Irish Financial Services Regulatory Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company and the Group.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance that comply with that law and those Rules. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities and financial position for the Group as at 31 December 2008 and of the result for the year then ended; and
- the Report of the Directors, the Chairman's Statement and the Review of Operations include a fair review of the development and performance of the Group's business and the state of affairs of the Group at 31 December 2008, together with a description of the principal risks and uncertainties facing the Group.

On behalf of the Board

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

3 March 2009

Independent Auditors' Report To the members of FBD Holdings plc

We have audited the financial statements of FBD Holdings plc for the year ended 31 December 2008 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.

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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 Financial Highlights, Chairman's Statement, the Review of Operations, the Report of the Directors, the Corporate Governance Statement and Notice of Annual General Meeting. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 31 December 2008 and of its loss 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 31 December 2008; 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 31 December 2008 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

3 March 2009

Statement of Accounting Policies For the year ended 31 December 2008

BASIS OF PREPARATION

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

In the current year, the Group has adopted IAS 39 (Amended) Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRIC Interpretation 10 – Interim Financial Reporting and Impairment and IFRIC Interpretation 11 – IFRS 2 – Group and Treasury Share Transactions.

The adoption of the above has had no impact on the financial statements. Recent amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures permit the reclassification of certain financial instruments from held for trading and available-for-sale financial assets. The Group has not made any such reclassifications.

At the date of authorisation of these financial statements, the following new Standards and Interpretations and amendments to existing Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standard	Description	Nature of impending change	Effective date
IFRS 8	Operating segments	The identification of an entity's segments may or may not change	1 January 2009
IAS 23 (Amended)	Borrowing costs	Eliminate the option available under the previous version of the Standard to recognise all borrowing costs immediately as an expense	1 January 2009
IAS 1 (Amended)	Presentation of financial statements	Changes in terminology, including changes to the titles of individual financial statements	1 January 2009
IFRS 3	Business Combinations	Costs incurred to effect a business combination are expensed in the period incurred	1 July 2009
IAS 27	Consolidation and Separate Financial Statements	The term 'non-controlling interest' (NCI) replaces minority interest. At an acquisition date, the acquirer may choose whether to measure NCI at fair value or at the NCI's proportionate share of the net identifiable assets of the entity acquired.	1 July 2009
IFRS 2	Vesting Conditions and cancellations	Clarify the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement.	1 January 2009
IAS 32 & IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	Address the classification of puttable financial instruments and obligations arising only on liquidation	1 January 2009
IFRS 1 & IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time.	1 January 2009
IAS 39	Eligible Hedged Items	The amendments provide clarification on two issues in relation to hedge accounting.	1 July 2009

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 1 January 2009.

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 31 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. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups), that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement.

Minority interests are credited with their share of income and expense. Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

C) REVENUE RECOGNITION

Revenue 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 and services 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.

Brokerage revenue is recognised on a cash receipts basis.

Fees for liability claims handling are recognised in the year to which they relate.

Hotel revenue is recognised in line with the provision of the related service. Receipts from advance bookings are deferred and recognised as revenue at the time of use.

Statement of Accounting Policies *continued*

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 31 December 2008.

Unearned premiums are computed on a daily pro rata basis of premium written. At 31 December each year, 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, and are tested for impairment at 31 December each year.

(iv) Unexpired risks

At 31 December each year, an assessment is made of whether the provision for unearned premiums is adequate. 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 ("MIBI"). This provision is based on our estimated current market share and the current outstanding claims of the MIBI.

(vi) Reinsurance

Premiums payable in respect of reinsurance ceded, are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not determined at the balance sheet date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis.

A reinsurance asset (reinsurers' share of insurance liabilities) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on

the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer.

The reinsurers' share of each unexpired risk provision is recognised on the same basis.

E) OPERATING PROFIT

Operating profit is reported on the basis of a longer term investment return. The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management, short-term realised and unrealised investment gains and losses are treated as non-operating items. The Group focuses instead on an operating profit measure that incorporates an expected return on investments. Finance costs (Note 3), the fluctuation between the longer term investment return and the actual investment return (Note 2 (c)), 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 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 fair value. 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 dates. 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 are stated at fair value and 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.

Statement of Accounting Policies *continued*

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.

Investments other than Investments held for trading may be designated as an FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the Investment forms part of a group of Investments or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as an FVTPL.

(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 fair value and are subsequently measured 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 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 enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised under "Investment Income – Fluctuation" in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as an asset or a liability.

(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 that element of deferred tax charged to the Income Statement. Deferred tax charged to equity is recognised in the Statement of Recognised Income and Expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are 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 recognised for all taxable temporary differences, and deferred tax assets are 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.

Statement of Accounting Policies *continued*

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 in 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.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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 Income Statement 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 except when they relate to items for which gains and losses are recognised in equity. 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-euro-zone 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, in which case the exchange rates at the date of transactions are used. Exchange differences are classified as equity and transferred to the translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed.

O) SHARE-BASED PAYMENT

The Group operates share option schemes based on market and non-market vesting conditions. The fair value of the options is determined at the date of grant using either the Black Scholes or Monte Carlo Simulation models 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

(i) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews, the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss other than in relation to goodwill is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL (fair value through the profit and loss), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

S) CONTINGENT ASSETS

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

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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. Further consideration of the Group's critical accounting estimates and judgements have been dealt with in Note 33 Risk Management.

Group Income Statement

For the year ended 31 December 2008

		2008	2007
	Notes	€000s	€000s
Revenue	1(a)	521,571	567,381
Income			
Gross premium written		385,638	407,953
Gross premium earned		399,065	408,788
Gross claims incurred		(316,848)	(144,965)
Gross result		82,217	263,823
Net premiums earned	1(c)	343,075	350,321
Non-underwriting operating income	1(a)	8,453	15,175
Investment income – longer term rate of return	2(c)	43,930	53,369
		395,458	418,865
Expenses			
Change in insurance liabilities net of reinsurance	1(c),20	(8,281)	99,480
Claims paid, net of recoveries from reinsurers	1(c)	(262,924)	(230,907)
Other operating expenses	1(c)	(58,470)	(51,928)
Restructuring costs	34	(7,609)	–
Operating profit		58,174	235,510
Investment income – fluctuation	2(c)	(92,307)	(69,253)
Finance costs	3	(4,474)	(4,089)
(Loss)/profit before tax	4	(38,607)	162,168
Income tax credit/(expense)	6	5,607	(22,093)
(Loss)/profit for the year	7	(33,000)	140,075
Attributable to:			
Equity holders of the parent		(33,270)	139,874
Minority interest		270	201
		(33,000)	140,075
		2008	2007
		Cent	Cent
Basic earnings per 60c ordinary share	8	(100.94)	405.71
Diluted earnings per 60c ordinary share	8	(100.59)	402.77

All results derived from continuing operations.

The financial statements were approved by the Board and authorised for issue on 3 March 2009.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Group Balance Sheet

At 31 December 2008

ASSETS

		2008	2007
	Notes	€000s	€000s
Property and equipment			
Land and buildings	9	191,423	225,158
Fixtures and fittings	9	17,236	18,186
		208,659	243,344
Inventories			
	12	62,383	65,745
Financial Assets			
	11		
Investments held to maturity	11(b)	479,626	479,902
Available for sale investments	11(b)	11,051	9,542
Investment property	11(a)	52,538	83,019
Investments held for trading	11(b)	24,112	183,970
Deposits with banks		183,143	73,034
		750,470	829,467
Reinsurance assets			
Provision for unearned premiums		25,450	21,994
Claims outstanding		33,544	28,489
		58,994	50,483
Intangible assets			
Deferred acquisition costs	10	17,733	15,271
Loans and receivables			
	13	139,028	147,137
Current tax			
	23(a)	4,820	–
Cash and cash equivalents			
		35,713	35,618
Total assets		1,277,800	1,387,065

Group Balance Sheet

At 31 December 2008

EQUITY AND LIABILITIES

		2008	2007
	Notes	€000s	€000s
Equity			
Ordinary share capital	14	21,409	21,277
Capital reserves	15	13,599	12,956
Revaluation reserves	16	3,295	29,986
Translation reserves	17	(681)	389
Retained earnings	18(a)	197,788	318,981
Shareholders' funds – equity interests		235,410	383,589
Preference share capital	19	2,923	2,923
Equity attributable to equity holders of the parent		238,333	386,512
Minority interests		4,151	5,689
Total equity		242,484	392,201
Insurance contract liabilities			
Provision for unearned premiums		188,017	199,074
Claims outstanding	20	626,188	612,852
		814,205	811,926
Borrowings		110,968	60,406
Retirement benefit obligation		16,112	6,241
Payables		78,969	74,483
Deferred tax		15,062	27,738
Current tax		–	14,070
Total liabilities		1,035,316	994,864
Total equity and liabilities		1,277,800	1,387,065

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The financial statements were approved by the Board and authorised for issue on 3 March 2009.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Group Cash Flow Statement

For the year ended 31 December 2008

		2008	2007
	Notes	€000s	€000s
Cash flows from operating activities			
(Loss)/profit before tax		(38,607)	162,168
Adjustments for:			
Loss on investments held for trading, held to maturity, loans and receivables	25(b)	47,095	77,744
Depreciation of property and equipment		5,432	4,547
Share-based payment expense		442	–
Decrease in fair value of investment property		30,481	5,415
(Decrease) in insurance contract liabilities		(6,233)	(97,953)
Operating cash flows before movement in working capital		38,610	151,921
(Increase) decrease in receivables		(1,187)	13,975
Increase (decrease) in payables		12,899	(23,658)
Cash generated from operations		50,322	142,238
Income taxes paid		(24,007)	(20,975)
Net cash from operating activities		26,315	121,263
Cash flows from investing activities			
Investments held for trading	25(a)	113,039	294,057
Investments held to maturity		–	(305,024)
Investments available for sale		(1,310)	(5,815)
Sale (purchase) of land, buildings and inventory		259	(5,452)
Purchase of fixed assets		(6,144)	(5,919)
Purchase of investment property		–	(7,253)
Loans and advances		6,214	(39,743)
Deposits invested with banks		(110,109)	254,939
Net cash generated from investing activities		1,949	179,790
Cash flows from financing activities			
Ordinary dividends paid	26	(27,623)	(25,430)
Special dividend on ordinary shares		(416)	(439)
Special dividend on 'A' ordinary shares		(19,622)	(79,684)
Buyback of 'A' ordinary shares		(30,150)	(95,873)
Repurchase of ordinary shares		–	(52,606)
Proceeds of re-issue of ordinary shares		180	1,881
Increase (decrease) in bank and other loans		50,532	(50,934)
Net cash generated from financing activities		(27,099)	(303,085)
Net increase (decrease) in cash and cash equivalents		1,165	(2,032)
Cash and cash equivalents at the beginning of the year		35,618	37,423
Effect of foreign exchange rate changes		(1,070)	227
Cash and cash equivalents at the end of the year		35,713	35,618

Group Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008	2007
	€000s	€000s
Income recognised directly in equity		
Gain on available for sale investments	199	–
Revaluation of owner occupied property	(34,166)	2,743
Actuarial loss	(10,174)	(4,677)
Taxation on income/(expense) recognised directly in equity	5,840	(400)
Net expense recognised directly in equity	(38,301)	(2,334)
Transfers		
Transfer to income statement on sale of land and buildings	–	(434)
Taxation on transfers to income statement	–	87
	–	(347)
(Loss)/profit for the year	(33,000)	140,075
Total recognised income and expense	(71,301)	137,394
Attributable to:		
Equity holders of the parent	(71,571)	137,193
Minority interest	270	201
	(71,301)	137,394

Group Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2008

	Ordinary Share Capital	Capital reserves	Re- valuation and other reserves	Trans- lation reserve	Retained earnings	Attributable to ordinary share- holders	Pref- erence Share Capital	Minority interests	Total Equity
	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s	€000s
2007									
Balance at 1 January 2007	21,277	12,605	27,540	162	435,935	497,519	2,923	6,476	506,918
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 dividends 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 31 December 2007	21,277	12,956	29,986	389	318,981	383,589	2,923	5,689	392,201
2008									
(Loss) after taxation	–	–	–	–	(33,270)	(33,270)	–	270	(33,000)
Exchange translation adjustment	–	–	–	(1,070)	–	(1,070)	–	–	(1,070)
Dividends paid on ordinary and preference shares	–	–	–	–	(27,741)	(27,741)	–	–	(27,741)
Special dividend paid on ordinary shares	–	–	–	–	(416)	(416)	–	–	(416)
Special dividends paid on 'A' ordinary shares	–	–	–	–	(19,622)	(19,622)	–	–	(19,622)
Issue of 'A' ordinary shares	333	–	–	–	–	333	–	–	333
Buyback of 'A' ordinary shares	–	–	–	–	(30,150)	(30,150)	–	–	(30,150)
Cancellation of 'A' ordinary shares	(201)	201	–	–	–	–	–	–	–
Reissue of ordinary shares	–	–	–	–	180	180	–	–	180
Actuarial loss on pension fund valuation	–	–	–	–	(10,174)	(10,174)	–	–	(10,174)
Revaluation of owner occupied property	–	–	(26,865)	–	–	(26,865)	–	(1,808)	(28,673)
Revaluation of AFS investments	–	–	174	–	–	174	–	–	174
Recognition of share-based payments	–	442	–	–	–	442	–	–	442
Balance at 31 December 2008	21,409	13,599	3,295	(681)	197,788	235,410	2,923	4,151	242,484

Company Balance Sheet

At 31 December 2008

		2008	2007
	Notes	€000s	€000s
ASSETS			
Investments			
Interest in subsidiaries		56,692	68,893
Deposits with banks		203	3
		56,895	68,896
Cash and cash equivalents		84	16
Receivables		608	366
Total assets		57,587	69,278
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	14	21,409	21,277
Capital reserves	15	11,593	11,392
Reserves	18(b)	19,346	33,495
Shareholders' funds – equity interests		52,348	66,164
Preference share capital	19	2,923	2,923
Equity attributable to equity holders of the parent		55,271	69,087
Payables	22(b)	2,316	191
Total equity and liabilities		57,587	69,278

The financial statements were approved by the Board and authorised for issue on 3 March 2009.

They were signed on its behalf by:

Michael Berkery
Chairman

Andrew Langford
Group Chief Executive

Company Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	€000s	€000s
Cash flows from operating activities		
Profit before tax for the year	63,075	97,012
Decrease in receivables	12,490	175,017
Increase (decrease) in payables	2,013	(88)
Income taxes paid	321	238
Net cash from operating activities	77,899	272,179
Cash flows from investment activities		
(Increase) in investments	–	(20,000)
Deposits invested with financial institutions	(200)	83
Net cash used in investing activities	(200)	(19,917)
Cash flows from financing activities		
Dividends paid on ordinary and preference shares	(27,623)	(25,540)
Special dividend on ordinary shares	(416)	(439)
Special dividend on 'A' ordinary shares	(19,622)	(79,684)
Buyback of 'A' ordinary shares	(30,150)	(95,873)
Repurchase of ordinary shares	–	(52,606)
Proceeds of re-issue of ordinary shares	180	1,881
Net cash used in financing activities	(77,631)	(252,261)
Net increase in cash and cash equivalents	68	1
Cash and cash equivalents at the beginning of the year	16	15
Cash and cash equivalents at the end of the year	84	16

Company Statement of Changes in Equity

For the year ended 31 December 2008

	Ordinary Share Capital	Capital reserves	Retained Earnings	Attributable to ordinary share- holders	Preference share capital	Total equity
	€000s	€000s	€000s	€000s	€000s	€000s
2007						
Balance at 1 January 2007	21,277	11,041	188,302	220,620	2,923	223,543
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 31 December 2007	21,277	11,392	33,495	66,164	2,923	69,087
2008						
Profit after taxation	–	–	63,600	63,600	–	63,600
Ordinary and preference dividends paid	–	–	(27,741)	(27,741)	–	(27,741)
Issue of 'A' ordinary shares	333	–	–	333	–	333
Buyback of 'A' ordinary shares	–	–	(30,150)	(30,150)	–	(30,150)
Cancellation of 'A' ordinary shares	(201)	201	–	–	–	–
Special dividend paid on ordinary shares	–	–	(416)	(416)	–	(416)
Special dividend paid on 'A' ordinary shares	–	–	(19,622)	(19,622)	–	(19,622)
Re-issue of ordinary shares	–	–	180	180	–	180
Balance at 31 December 2008	21,409	11,593	19,346	52,348	2,923	55,271

Notes to the Financial Statements

For the year ended 31 December 2008

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 segment information.

Principal activities are as follows:

- Underwriting – Writing of general insurance business
- Non-underwriting – Leisure/property and financial services

	Underwriting	Non-underwriting	Total
	€000s	€000s	€000s
2008			
Revenue	441,368	80,203	521,571
Operating profit*	50,159	8,015	58,174
Investment return – fluctuation	(92,307)	–	(92,307)
Finance costs	–	(4,474)	(4,474)
Interdivisional finance costs	2,554	(2,554)	–
(Loss)/profit before tax	(39,594)	987	(38,607)
Other information			
Capital additions	4,300	1,844	6,144
Depreciation and amortisation	5,176	256	5,432
Balance sheet			
Segment assets	1,018,774	259,026	1,277,800
Segment liabilities	855,570	179,746	1,035,316
		2008	2007
		€000s	€000s
Non-underwriting operating income			
Revenue		80,641	99,558
Operating income		80,641	99,558
Operating expense		(72,626)	(84,383)
Non-underwriting operating profit		8,015	15,175

Included in operating expenses is the cost of inventory of **€11,319,000** (2007: €17,392,000).

*After providing for underwriting (€7,171,000) and non-underwriting (€438,000) restructuring costs.

Notes to the Financial Statements *continued*

1 SEGMENTAL INFORMATION *continued*

	Underwriting	Non- underwriting	Total
	€000s	€000s	€000s
2007			
Revenue	467,823	99,558	567,381
Operating profit	220,335	15,175	235,510
Investment return – 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

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(b) Geographical segments

The Group's operations are located in Ireland and the rest of 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 rest of the European Union. The Group's financial services operations are located in Ireland.

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

	2008	2007
	€000s	€000s
Revenue by geographical market		
Ireland	488,022	525,124
Rest of the European Union	33,549	42,257
	521,571	567,381

1 SEGMENTAL INFORMATION *continued*

Geographical Segments

	Ireland	European Union	Total
	€000s	€000s	€000s
2008			
Segment assets	1,132,601	145,199	1,277,800
Segment liability	961,466	73,850	1,035,316
2007			
Segment assets	1,235,004	152,061	1,387,065
Segment liability	877,509	117,355	994,864

(c) Underwriting result

	2008	2008	2007	2007
	€000s	€000s	€000s	€000s
Earned premiums, net of reinsurance				
Gross premiums written	385,638		407,953	
Outward reinsurance premiums	(57,083)		(56,106)	
Net premiums written	328,555		351,847	
Change in provision for unearned premiums				
Gross amount	11,060		(1,567)	
Reinsurers' share	3,460		41	
Change in net provision for unearned premiums	14,520		(1,526)	
Earned premiums, net of reinsurance		343,075		350,321
Claims paid, net of recoveries from reinsurers				
Claims paid				
Gross amount	(302,240)		(264,783)	
Reinsurers' share	39,316		33,876	
Claims paid, net of recoveries from reinsurers	(262,924)		(230,907)	
Change in provision for claims				
Gross amount	(11,760)		121,896	
Reinsurers' share	3,479		(22,416)	
Change in insurance liabilities, net of reinsurance	(8,281)		99,480(i)	
Claims incurred net of reinsurance		(271,205)		(131,427)
Gross operating expenses	(77,226)		(70,786)	
Reinsurers' share	18,756		18,858	
Net operating expenses		(58,470)		(51,928)
Underwriting result		13,400		166,966

(i) 2007: 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).

Notes to the Financial Statements *continued*

1 SEGMENTAL INFORMATION *continued*

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 **€7,928,000** (2007: debit of €25,747,000).

The above note shows the movement on the insurance liabilities between 1 January 2008 and 31 December 2008 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 **€2,462,000** (2007: €1,754,000).

2 INVESTMENT INCOME

	2008	2007
	€000s	€000s
(a) Actual return		
Income from rental properties	3,594	3,427
Interest and similar income	19,700	31,244
Dividend income	3,877	7,119
Unrealised (losses) on investments	(52,280)	(65,902)
Realised (losses) gains on investments	(23,268)	8,228
	(48,377)	(15,884)

By Classification of investment

	2008	2007
	€000s	€000s
Investment properties held for rental	(26,885)	(1,988)
Bank deposits	6,867	6,385
Investments held for trading	(41,356)	(39,840)
Available for sale investments	12	202
Investments held to maturity	20,803	13,820
Loans and receivables	(7,818)	5,537
	(48,377)	(15,884)

(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.

	2008	2007
	%	%
Government gilts	4.00	4.00
Other quoted debt securities	6.00	6.00
Quoted shares	7.50	7.50
Deposits with banks	3.63	3.63
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

	2008	2007
	€000s	€000s
Actual investment return	(48,377)	(15,884)
Longer term investment return	43,930	53,369
Fluctuation	(92,307)	(69,253)

3 FINANCE COSTS

	2008	2007
	€000s	€000s
Interest on bank and other loans	4,474	4,089

4 (LOSS)/PROFIT BEFORE TAX

	2008	2007
	€000s	€000s
(Loss)/profit before tax has been stated after charging:		
Fees paid to audit firms in respect of:		
– Audit services	477	470
	477	470
– Non-audit services: Taxation	506	530
Actuarial	104	107
	610	637
Depreciation	5,432	4,970

The remuneration of Directors is set out in detail on pages 72 to 75 (Note 27).

5 STAFF COSTS AND NUMBERS

The average number of persons employed in the Group in the financial year was **1,941** (2007: 2,034). All staff are employed in underwriting, financial services and leisure and property operations.

	2008	2007
	€000s	€000s
The aggregate payroll of these persons was as follows:		
Wages and salaries	70,898	66,200
Social welfare costs	8,927	8,301
Pension costs	5,912	3,880
Share-based payments	442	–
	86,179	78,381

6 INCOME TAX CREDIT/(EXPENSE)

	2008	2007
	€000s	€000s
Irish corporation tax	2,118	(28,594)
Foreign tax	(3,281)	–
Adjustments in respect of prior years	(66)	612
Current tax charge	(1,229)	(27,982)
Deferred tax credit	6,836	5,889
	5,607	(22,093)

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

	2008	2007
	€000s	€000s
(Loss)/profit before tax	(38,607)	162,168
Corporation tax at standard rate of 12.5% (2007: 12.5%)	4,826	(20,271)
Effects of:		
Depreciation for period in excess of capital allowances	(88)	(192)
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	850	(907)
Higher rates of tax on other income	(47)	(111)
Adjustments in respect of prior years	66	(612)
Income tax credit/(expense)	5,607	(22,093)

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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 **€63,600,000** (2007: €97,344,000).

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:

	2008	2007
	€000s	€000s
Earnings		
(Loss)/profit for the year	(33,000)	140,075
Minority interest	(270)	(201)
Preference dividend	(282)	(282)
Earnings for the purpose of basic and diluted earnings per share	(33,552)	139,592

8 EARNINGS PER 60C ORDINARY SHARE *continued*

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	33,241,000	34,407,000
Effect of dilutive potential of share options outstanding	114,000	226,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	33,355,000	34,633,000

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

	2008	2007
	€000s	€000s
Operating profit after taxation*	50,902	203,499
Minority interest	(270)	(201)
Preference dividend	(282)	(282)
Earnings for the purpose of operating earnings per share	50,350	203,016
Number of shares	33,241,000	34,407,000
	Cent	Cent
Operating earnings per share	151.47	590.04

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

	2008	2007
	€000s	€000s
Adjusted operating profit after taxation*	57,560	109,322
Minority interest	(270)	(201)
Preference dividend	(282)	(282)
	57,008	108,839
	Cent	Cent
Adjusted operating earnings per share	171.50	316.33

*2008 effective tax rate of 12.5% (2007: 13.6%).

Notes to the Financial Statements *continued*

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 1 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 1 January 2008	32,806	192,352	225,158	55,276	280,434
Additions	639	1,010	1,649	4,494	6,143
Disposals	–	(1,218)	(1,218)	(62)	(1,280)
Revaluations	(9,110)	(25,056)	(34,166)	–	(34,166)
At 31 December 2008	24,335	167,088	191,423	59,708	251,131
Comprising:					
At cost	–	137	137	59,708	59,845
At valuation	24,335	166,951	191,286	–	191,286
	24,335	167,088	191,423	59,708	251,131
Accumulated depreciation and impairment					
At 1 January 2007	–	–	–	32,542	32,542
Depreciation charge for the year	–	–	–	4,970	4,970
Elimination on disposals	–	–	–	(422)	(422)
At 1 January 2008	–	–	–	37,090	37,090
Depreciation charge for the year	–	–	–	5,432	5,432
Elimination on disposals	–	–	–	(50)	(50)
At 31 December 2008	–	–	–	42,472	42,472
Carrying amount					
At 31 December 2008	24,335	167,088	191,423	17,236	208,659
At 31 December 2007	32,806	192,352	225,158	18,186	243,344

Included in hotels and golf resort assets, are assets valued at **€22,836,221** (2007: €32,000,000) on which the Group has recognised obligations under property financing arrangements amounting to **€18,517,000** (2007: €18,517,000) (Note 21).

Land and buildings held for own use were valued on an open market existing use basis at 31 December 2008 by CB Richard Ellis, Valuation Surveyors. At 31 December 2007 they were valued by the Directors at open market existing use basis.

9 PROPERTY AND EQUIPMENT *continued*

Hotels and golf resort assets located outside Ireland are valued on an open market existing use basis at 31 December 2008 by American Appraisal, Valuation Surveyors. At 31 December 2007 they were valued by the Directors at open market existing use basis. Irish hotels and golf resort assets were valued as at 31 December 2008 on an open market existing use basis by CB Richard Ellis, Valuation Surveyors.

At the 31 December 2008 had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately **€170,596,000** (2007: €168,508,000).

10 DEFERRED ACQUISITION COSTS

The movements in deferred acquisition costs during the year were:

	2008	2007
	€000s	€000s
Gross carrying amount at 1 January	15,271	13,517
Net acquisition costs deferred during the year	2,462	1,754
Gross carrying amount at 31 December	17,733	15,271

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

11 INVESTMENTS

(a) Investment Property

	2008	2007
	€000s	€000s
Fair value of investment property		
At beginning of year	83,019	81,181
Decrease in fair value during the year	(30,481)	(5,415)
Purchase of investment property	–	7,253
At end of year	52,538	83,019

Investment properties held for rental are valued on an open market existing use basis at 31 December 2008 by Savills.

The rental income earned by the Group from its investment properties amounted to **€3,895,000** (2007: €3,770,000). Direct operating costs associated with investment properties amounted to **€301,000** (2007: €343,000).

The historical cost of investment property is **€80,023,000** (2007: €80,023,000).

	2008	2007
	€000s	€000s
Non-cancellable operating lease receivables		
Not longer than 1 year	3,368	3,870
Longer than 1 year and not longer than 5 years	11,970	13,422
Longer than 5 years	22,890	26,965
	38,228	44,257

Notes to the Financial Statements *continued*

11 INVESTMENTS *continued*

(b) Financial Assets and Liabilities

	2008	2007
	€000s	€000s
Categories of Financial Instruments		
Fair value through profit or loss		
Investments held for trading at closing bid prices		
Quoted shares	20,303	164,014
Quoted debt securities	3,809	19,956
	24,112	183,970
Investments held for maturity at amortised cost – quoted debt securities	479,626	479,902
Fair value at closing bid prices 2008 €508,648,000 (2007: €480,714,000)	–	–
Available for sale investments – unquoted shares	11,051	9,542
Loans and receivables		
Loans and receivables at fair value	70,489	76,703
Loans and receivables at amortised cost (i)	287,396	179,086
Financial Liabilities:		
Amortised cost (ii)	(189,937)	(134,889)

(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

	2008	2007
	€000s	€000s
Work in progress	31,577	34,964
Development land	30,806	30,781
	62,383	65,745

Inventories valued at €879,849 are expected to be recovered within 1 year. (2007: €4,915,000).

13 LOANS AND RECEIVABLES

	2008	2007
	€000s	€000s
(a) Loans	70,489	76,703
(b) Other receivables		
Policyholders	33,347	31,337
Intermediaries	1,133	1,181
Due from reinsurers	(1)	187
Other debtors	21,514	17,025
Accrued interest and rent	576	9,483
Prepayment and accrued income	11,970	11,221
	68,539	70,434
	139,028	147,137
Expected to be recovered in less than one year	68,539	70,434
Expected to be recovered in more than one year	70,489	76,703

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 31 December 2008, the Group has provided loans with a maximum credit risk exposure of **€70,489,000** (2007: €76,703,000). Of these **€57,863,000** (2007: €62,000,000) are secured on land and the Group has first charge. The remaining loans outstanding are unsecured. The Directors consider that the carrying amount of these loans approximate to their fair value. There are no loans past due at 31 December 2008.

Receivables 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 receivables.

14 ORDINARY SHARE CAPITAL

	Number (2008 only)	2008 €000s	2007 €000s
(i) Ordinary Shares of €0.60 each			
Authorised:			
At the beginning and the end of the year	51,326,000	30,796	30,796
Issued and fully paid:			
At the beginning and the end of the year	35,461,206	21,277	21,277
(ii) 'A' Ordinary shares of €0.01 each			
Authorised:			
At the beginning and the end of the year	120,000,000	1,200	1,200
Issued and fully paid:			
At the beginning of the year	–	–	–
Issued during the year	33,269,476	333	351
Cancellation of shares	20,100,048	(201)	(351)
At the end of the year	13,169,428	132	–
		21,409	21,277

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The Company has two classes of ordinary shares in issue which carry no right to fixed income. In the event of the Company being wound up, the holders of the two classes of Non-Cumulative Preference Shares rank ahead of the holders of the ordinary shares.

The number of Ordinary Shares of €0.60 each held as treasury shares at the beginning of the year (and the maximum number held during the year) was 2,236,730. This represented 6.31% of the shares of this class in issue and had a nominal value of €1.345m. There were no Ordinary Shares of €0.60 each purchased by the Company during the year. A total of 45,000 Ordinary Shares of €0.60 each were re-issued from treasury during the year for €3.99 per share consequent to the exercise of options under the Executive Share Option Scheme and the proceeds were credited directly to distributable reserves. This left a balance of 2,191,730 Ordinary Shares of €0.60 each in treasury which had a nominal value of €1.320m and represented 6.18% of the Ordinary Shares of €0.60 each in issue.

The weighted average number of Ordinary Shares of €0.60 each in the earnings per share calculation has been reduced by the number of such shares held in treasury.

At 31 December 2008, the total number of Ordinary Shares of €0.60 each under option amounted to 397,477 (2007: 294,825). The related options had been granted under the FBD Holdings plc Executive Share Option Scheme ("ESOS") and the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). The 249,825 (2007: 294,825) options outstanding under the ESOS may be exercised prior to October 2013 at a subscription price of €2.50 per share. The 147,652 (2007: nil) options outstanding under the SAYE Scheme may be exercised after February 2011 at a subscription price of €18.46 per share.

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 1 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 1 January 2008	5,540	1,627	4,225	11,392	1,564	12,956
Recognition of share-based payments	–	–	–	–	442	442
Share buyback of 'A' Ordinary Shares	–	–	201	201	–	201
Balance at 31 December 2008	5,540	1,627	4,426	11,593	2,006	13,599

16 REVALUATION RESERVES

	Properties	Available for sale investments	Total
	€000s	€000s	€000s
Balance at 1 January 2007	26,345	1,195	27,540
Transfer to realised gain on sale of property	(434)	–	(434)
Revaluation of land and buildings	2,793	–	2,793
Deferred tax on revaluation of land and buildings	87	–	87
Balance at 1 January 2008	28,791	1,195	29,986
Revaluation of land and buildings	(34,166)	–	(34,166)
Deferred tax on revaluation of land and buildings	7,301	–	7,301
Revaluation of AFS investments	–	199	199
Deferred tax on revaluation of AFS investments	–	(25)	(25)
Balance at 31 December 2008	1,926	1,369	3,295

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17 TRANSLATION RESERVES

	2008	2007
	€000	€000s
At beginning of the year	389	162
Exchange differences on translation of non-euro zone operations	(1,070)	227
At the end of the year	(681)	389

18 (A) RETAINED EARNINGS – GROUP

	2008	2007
	€000s	€000s
At beginning of the year	318,981	435,935
Ordinary and preference dividends paid	(27,741)	(25,430)
Dividend paid on 'A' ordinary shares	(19,622)	(79,684)
Special dividend paid on ordinary shares	(416)	(439)
Profit for the year attributable to equity holders	(33,270)	139,874
Buyback of ordinary shares	–	(52,606)
Buyback of 'A' ordinary shares	(30,150)	(95,873)
Re-issue of ordinary shares	180	1,881
Actuarial loss on pension fund valuation	(10,174)	(4,677)
At the end of year	197,788	318,981

18 (B) RETAINED EARNINGS – COMPANY

	2008	2007
	€000s	€000s
At beginning of the year	33,495	188,302
Transfer from Income Statement	63,600	97,344
Ordinary and preference dividends paid	(27,741)	(25,430)
Dividend paid on 'A' ordinary shares	(19,622)	(79,684)
Special dividend paid on ordinary shares	(416)	(439)
Buyback of ordinary shares	–	(52,606)
Buyback of 'A' ordinary shares	(30,150)	(95,873)
Re-issue of ordinary shares	180	1,881
At the end of year	19,346	33,495

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19 PREFERENCE SHARE CAPITAL

		2008	2007
	Number	€000s	€000s
Authorised:			
At the beginning and the 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 the beginning and the 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, the holders of the 14% Non-Cumulative Preference Shares rank ahead of the holders of the 8% Non-Cumulative Preference Shares, who in turn, rank ahead of the holders of both the 'A' Ordinary Shares of €0.01 each and the holders of the Ordinary Shares of €0.60 each.

20 CLAIMS OUTSTANDING

	Prior years	2001	2002	2003	2004	2005	2006	2007	2008	Total
	€000s	€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	383,918	–
One year later	–	200,668	222,441	225,267	277,415	278,281	306,441	316,394	–	–
Two years later	–	198,406	209,284	206,220	255,510	243,243	299,096	–	–	–
Three years later	–	182,112	198,551	185,363	223,571	229,877	–	–	–	–
Four years later	–	168,013	174,132	165,686	215,480	–	–	–	–	–
Five years later	–	162,933	165,741	156,734	–	–	–	–	–	–
Six years later	–	158,137	158,403	–	–	–	–	–	–	–
Seven years later	–	155,619	–	–	–	–	–	–	–	–
Estimate of cumulative claims	1,134,746	155,619	158,403	156,734	215,480	229,877	299,096	316,394	383,918	3,050,267
Cumulative payments	(1,114,113)	(140,126)	(145,835)	(135,318)	(172,577)	(161,630)	(207,449)	(187,903)	(159,128)	(2,424,079)
Claims outstanding	20,633	15,493	12,568	21,416	42,903	68,247	91,647	128,491	224,790	626,188
2007:	29,904	21,343	20,057	41,803	66,987	100,913	122,994	208,851	–	612,852
Movement:	(9,271)	(5,850)	(7,489)	(20,387)	(24,084)	(32,666)	(31,347)	(80,360)	224,790	13,336

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.

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 were obtained prior to the introduction of the reform measures). This reserving policy was kept under regular review.

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

The positive runoff of prior year claims experienced in 2008 validates the Group's decision to revise the claims reserving policy in 2007.

21 BANK AND OTHER LOANS

	2008	2007
	€000s	€000s
Bank and other loans	92,451	41,889
Obligation under property financing arrangements	18,517	18,517
	110,968	60,406

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

	2008	2007
	€000s	€000s
Bank and other Loans	92,451	41,889
The borrowings are repayable as follows:		
On demand or within one year	3,816	342
In the second year	2,647	2,847
In the third year	52,982	2,847
In the fourth year	6,632	2,847
In the fifth year	6,609	6,632
After five years	19,765	26,374
	92,451	41,889

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All bank and other loans at 31 December 2008 and 2007 are denominated in euro and are at floating interest rates, exposing the Group to cash flow interest rate risk.

The average interest rates were as follows:

	2008	2007
	5.81%	5.25%

22 PAYABLES**(a) Group**

	2008	2007
	€000s	€000s
Payables arising out of direct insurance operations	16,703	16,341
Amounts falling due within one year:		
Payables and accruals	60,573	56,468
PAYE/PRSI	1,524	1,505
Proposed dividends on preference shares	169	169
	62,266	58,142
	78,969	74,483

22 PAYABLES *continued*

(b) Company

	2008	2007
	€000s	€000s
Amounts falling due within one year:		
Payables and accruals	2,147	22
Proposed dividends on preference shares	169	169
	2,316	191

23 (A) CURRENT TAX

	2008	2007
	€000s	€000s
Income tax (receivable)/payable	(4,820)	14,070

23 (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.

	Re- valuation of land and buildings	Re- valuation of investment property	Re- valuation of financial investments	Insurance contracts	Retirement benefit obligations	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
At 1 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 1 January 2008	11,949	1,668	2,512	7,024	1,476	3,109	27,738
(Credited) to equity	(5,840)	–	–	–	–	–	(5,840)
Charged (credited) to income statement	–	(880)	(2,847)	–	231	(3,340)	(6,836)
At 31 December 2008	6,109	788	(335)	7,024	1,707	(231)	15,062

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 1 January 2006 and updated to 31 December 2008 by the schemes' independent and qualified actuary. The major assumptions used by the actuary were:

Assumptions used to calculate scheme liabilities:

	2008	2007
	%	%
Inflation rate increase	1.75	2.50
Salary rate increase	3.75	4.50
Pension payment increase	1.75	2.50
Discount rate	5.75	5.50

Expected rate of return on scheme assets:

	2008	2007
	%	%
Quoted shares	7.50	7.50
Government gilts	4.00	4.00
Investment properties held for rental	6.00	6.00

Mortality Assumptions:

The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:

	2008	2007
	Male	Male
	21.4	21.4
	Female	Female
	26.4	26.4

Group income statement:

	2008	2007
	€000s	€000s
Charged to operating profit:		
Current service cost	4,537	4,678
Past service cost	1,120	–
Death in service cost	103	64
	5,760	4,742
Interest on scheme liabilities	(6,373)	(5,354)
Expected return on scheme assets	7,099	6,740
	726	1,386
	5,034	3,356

24 RETIREMENT BENEFIT OBLIGATION *continued*

Analysis of amount recognised in Group Statement of Recognised Income and Expense:

	2008	2007
	€000s	€000s
Expected return on scheme assets	7,099	6,740
Actual return on scheme assets	(29,977)	(2,995)
Actual return less expected return on scheme assets	(37,076)	(9,735)
Experience gains and losses on scheme liabilities	2,889	(2,300)
Changes in demographic and financial assumptions	24,013	7,358
Actuarial loss	(10,174)	(4,677)
Deferred tax credit	–	–
Total actuarial loss	(10,174)	(4,677)

History of Experience Gains and Losses:

	2008	2007	2006	2005	2004
	€000s	€000s	€000s	€000s	€000s
Present value of defined benefit obligations	98,956	115,871	112,706	94,995	76,536
Fair value of plan assets	82,844	109,630	109,119	92,645	76,577
Deficit (surplus)	16,112	6,241	3,587	2,350	(41)
Difference between expected and actual return on assets	(37,076)	(9,735)	7,114	9,399	2,186
Experience gains and losses on scheme liabilities	2,889	(2,300)	(5,000)	(3,289)	(1,899)
Total actuarial loss	(10,174)	(4,677)	(3,869)	(3,802)	(9,031)

Assets in schemes at market value:

	2008	2007
	€000s	€000s
Equities	43,500	69,515
Bonds	23,851	22,827
Property and other	15,493	17,288
	82,844	109,630
Actuarial value of liabilities	(98,956)	(115,871)
Net pension liability	(16,112)	(6,241)

24 RETIREMENT BENEFIT OBLIGATION *continued***Movement in Deficit During the Year:**

	2008	2007
	€000s	€000s
Net deficit in scheme at start of year	(6,241)	(3,587)
Current service cost	(4,537)	(4,678)
Past service cost	(1,120)	–
Employer contributions	5,234	5,314
Interest on scheme liabilities	(6,373)	(5,353)
Expected return on scheme assets	7,099	6,740
Actuarial loss	(10,174)	(4,677)
Net deficit at end of year	(16,112)	(6,241)

The current best estimate of 2009 contributions to be made by the Group to the pension fund is €5,483,000 (2008: €5,794,000).

Movement on Assets and Liabilities:

	2008	2007
	€000s	€000s
Assets		
Assets in scheme at 1 January 2008	109,630	109,119
Actual return less expected return on scheme assets	(37,076)	(9,735)
Contributions	5,234	5,314
Employee contributions	242	239
Expected return on scheme assets	7,099	6,740
Benefits paid	(2,285)	(2,047)
Assets in scheme at 31 December 2008	82,844	109,630
Liabilities		
Liabilities in scheme at 1 January 2008	115,871	112,706
Experience gains and losses on scheme liabilities	(2,889)	2,300
Changes in demographic and financial assumptions	(24,013)	(7,358)
Current service cost	4,537	4,678
Past service cost	1,120	–
Employee contributions	242	239
Interest on scheme liabilities	6,373	5,353
Benefits paid	(2,285)	(2,047)
Liabilities in scheme at 31 December 2008	98,956	115,871

The Group recognised an expense of **€981,931** (2007: €589,877) relating to its defined contributions pension schemes.

A 1% increase in the discount rate would reduce the value of the scheme liabilities by €21.2m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €18.6m.

The effect of inflation and salaries have been analysed together because they are linked. A rise in the long-term inflation assumption will increase the long-term salary increase assumption and similarly for a fall in the long-term inflation assumption.

A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €18.2m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €21.2m.

The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €2.1m.

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

	2008	2007
	€000s	€000s
Investment activities		
Purchase of investments held for trading	(92,972)	(546,190)
Sale of investments held for trading	206,011	840,247
Purchase of investments held to maturity	–	(305,024)
Purchase of available for sale investments	(1,348)	(5,945)
Sale of available for sale investments	38	130
(Increase) decrease in deposits with banks	(110,109)	254,939
Increase (decrease) in loans and advances	6,214	(39,743)
Increase (decrease) in land and buildings	430	(6,140)
(Increase) decrease in inventories	(171)	688
(Increase) in fixtures and fittings	(6,144)	(5,919)
(Increase) in investment property	–	(7,253)
	1,949	179,790

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

	1/1/08	Cash flow	Changes to market value	31/12/08
	€000s	€000s	€000s	€000s
Cash	35,618	95	–	35,713
Investments held for trading	183,970	(113,039)	(46,819)	24,112
Investments held to maturity	479,902	–	(276)	479,626
Investments available for sale	9,542	1,310	199	11,051
Deposits with financial institutions	73,034	110,109	–	183,143
Loans and advances	76,703	(6,214)	–	70,489
Land, buildings and inventory	288,240	(259)	(34,175)	253,806
Investment property	83,019	–	(30,481)	52,538
Bank and other loans	(41,889)	(50,532)	–	(92,421)
	1,188,139	(58,530)	(111,552)	1,018,057

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26 DIVIDENDS

	2008	2007
	€000s	€000s
Paid during year:		
Dividend of 4.8c (2007: 4.8c) per share on 8% Non-Cumulative Preference Shares of 60c each	169	169
Dividend of 8.4c (2007: 8.4c) per share on 14% Non-Cumulative Preference Shares of 60c each	113	113
2007 Final dividend of 52.0c (2006: 45.0c) per share on Ordinary Shares of 60c each	17,277	15,753
2008 Interim dividend of 30.25c (2007: 27.5c) per share on Ordinary Shares of 60c each	10,064	9,395
Special dividend of 1.25c (2007: 1.25c) on Ordinary Shares of 60c each	416	439
Special dividend of 149c (2007: 499c) on 'A' Ordinary Shares of 1c each	19,622	79,684
	47,661	105,553

26 DIVIDENDS *continued*

	2008	2007
	€000s	€000s
Proposed:		
Dividend of 4.8c (2007: 4.8c) per share on 8% Non-Cumulative Preference Shares of 60c each	169	169
Final dividend of 10c (2007: 52c) per share on Ordinary Shares of 60c each	3,327	17,277
	3,496	17,446

27 REPORT ON DIRECTORS' REMUNERATION

Remuneration Policy

The remuneration of the non-executive Directors is determined by the Board, and reflects the time commitment and responsibilities of the role.

The Group's policy in respect of the remuneration of the executive Directors aims to attract, retain and motivate the Directors concerned and – through ensuring strong links between performance and reward – ensure alignment between the interests of Directors and shareholders.

The basic salary of executive Directors is reviewed annually having due regard to personal performance, the performance of the Group and the remuneration levels prevailing in the market for companies of comparable size and complexity. Bonuses payable to executive Directors are based on individual performance and the performance of the Group.

The following table sets out in detail the remuneration payable in respect of any Director who held office for any part of the financial year.

	Fees	Salary	Bonus	Benefits	Pension Contribution	2008 Total
	€000s	€000s	€000s	€000s	€000s	€000s
Executive Directors:						
Philip Fitzsimons	–	200	500	9	34	743
Andrew Langford	–	469	119	21	79	688
Cathal O'Caomh	–	75	16	6	11	108
Adrian Taheny	–	375	85	26	63	549
Non-Executive Directors:						
Michael Berkery (Chairman)	149	–	–	–	–	149
John Donnelly	44	–	–	–	–	44
Sean Dorgan	44	–	–	–	–	44
Philip Lynch	44	–	–	–	–	44
Patrick O'Keeffe	44	–	–	–	–	44
Vincent Sheridan	83	–	–	–	–	83
Johan Thijs	44	–	–	–	–	44
Pdraig Walshe	44	–	–	–	–	44
	496	1,119	720	62	187	2,584

27 REPORT ON DIRECTORS' REMUNERATION *continued*

Notes

Benefits relate principally to motor allowance and health insurance subsidy.

Mr. Philip Fitzsimons died on 20 April 2008.

Mr. Joseph Rea died on 30 June 2007.

Mr. Sean Dorgan was appointed with effect from 1 January 2008.

Mr. Cathal O'Caoimh was appointed with effect from 1 October 2008.

Pension contributions in respect of Mr. Cathal O'Caoimh are paid to a defined contribution pension scheme.

Pension contributions in respect of other executive Directors are to a Group defined benefit plan.

At the meeting of the Remuneration Committee held on 16 February 2009 a waiver by the executive Directors of between 10% and 15% of their base salaries for 2009 was accepted by the Committee and approved.

At the meeting of the Board held on 3 March 2009 it was agreed that the Chairman would waive 15% of his fees for 2009 and that the other non-executive Directors would waive 10% of their fees.

The following table sets out the detail for the previous financial year:

	Fees	Salary	Bonus	Benefits	Pension Contribution	2007 Total
	€000s	€000s	€000s	€000s	€000s	€000s
Executive Directors:						
Philip Fitzsimons	–	600	280	27	102	1,009
Andrew Langford	–	340	85	12	58	495
Adrian Taheny	–	340	85	23	58	506
Non-Executive Directors:						
Michael Berkery (Chairman)	149	–	–	–	–	149
John Donnelly	44	–	–	–	–	44
Philip Lynch	44	–	–	–	–	44
Patrick O'Keeffe	44	–	–	–	–	44
Joseph Rea	22	–	–	–	–	22
Vincent Sheridan	83	–	–	–	–	83
Johan Thijs	44	–	–	–	–	44
Padraig Walshe	44	–	–	–	–	44
	474	1,280	450	62	218	2,484

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

	Service Costs 2008	Increase in accrued benefits During 2008	Accrued benefit at year end	Transfer value of increase in accrued benefits
	€000s	€000s	€000s	€000s
Andrew Langford	89	47	114	301
Adrian Taheny	126	18	186	220
	215	65	300	521

The transfer values shown above do not represent sums paid or due to the individual Directors. Rather they represent the amount which the Pension Scheme would transfer to another pension scheme, in relation to the benefits accrued during 2008 in the event of the Director leaving service.

27 REPORT ON DIRECTORS' REMUNERATION *continued***Service Contracts**

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

Share Options*The FBD Holdings plc Executive Share Option Scheme*

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 18 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.

Directors' Share Options

	At 1 January 2008	Exercised during year	Granted during year	At 31 December 2008	Exercise Price
					€
Andrew Langford	30,000	–	–	30,000	2.50
Adrian Taheny	70,000	–	–	70,000	2.50

All of the above options have vested and are exercisable between October 2006 and October 2013.

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The FBD Group Save as You Earn (SAYE) Scheme

The SAYE Scheme was approved by shareholders in 2007. Late in 2007 options were granted under the Scheme to those eligible Group employees, including executive Directors, who joined the Scheme and entered into the necessary 3 year savings contract under the Scheme rules. Savings commenced in January 2008. The options were granted at an option price of €19.95 per share, which represented a discount of 20% to the then market price for the shares as permitted under the Scheme Rules. Consequent to the Return of Capital and the Special Dividend of €1.49 declared and paid in October 2008, the Option Price was reduced by €1.49 per share as permitted under the Scheme Rules having obtained the necessary prior approval of the Revenue Commissioners.

Directors' SAYE Scheme Options

Details of SAYE options held by executive Directors are given below:

	At 1 January 2008	Exercised during year	Granted during year	At 31 December 2008	Exercise Price
					€
Andrew Langford	599	–	–	599	18.46
Adrian Taheny	599	–	–	599	18.46

All of the above options are exercisable from February 2011.

27 REPORT ON DIRECTORS' REMUNERATION *continued*

FBD Performance Share Plan

The FBD Performance Share Plan ('LTIP') was approved by shareholders in 2007. Conditional awards under the LTIP are dependent on the Group meeting onerous performance targets in terms of EPS growth, total shareholder returns and maintenance of the combined operating ratio ahead of peer companies in the European general insurance sector. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined by the Remuneration Committee. The performance targets applying ensure absolute alignment between the interests of the plan participants and those of shareholders.

Conditional awards under the LTIP were made to senior Group executives, including executive Directors, during the year. Details of the conditional share awards made by the Group under the LTIP to the executive Directors, and the Company Secretary, are given below. The number of shares is the maximum possible number which could vest for the individual concerned if *all* of the performance conditions previously described are met.

Directors' and Secretary's Conditional LTIP Awards

	At 1 January 2008	Granted during year	Lapsed during year	At 31 December 2008
Executive Directors				
Andrew Langford	–	26,563	–	26,563
Cathal O'Caoimh	–	11,627	–	11,627
Adrian Taheny	–	14,534	–	14,534
Company Secretary				
Conor Gouldson	–	4,156	–	4,156

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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.L. 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 31 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 London Stock Exchange.

29 CAPITAL COMMITMENTS

	2008	2007
	€000s	€000s
Capital commitments at 31 December authorised by the Directors but not provided for in the financial statements:		
Contracted for	172	653
Not contracted for	141	562

30 SHARE-BASED PAYMENTS**FBD Holdings plc Executive Share Option Scheme**

In September 1989 the Group established an equity settled executive share option scheme, the FBD Holdings plc Executive Share Option Scheme ("ESOS") under which options to purchase Ordinary Shares of €0.60 each ("ordinary Shares") in the Company are granted to certain executive Directors and senior management. Under the terms of the ESOS the options are exercisable at the market price prevailing at the date of the grant of the option (the "option price"). Under the terms of an amendment to the ESOS approved by shareholders in April 2006, the option price may be reduced by the amount of any special dividends paid to shareholders. Options were granted under the ESOS in September 1989, September 1995, May 2000 and October 2003. The exercise of options granted since 18 April 2000 is conditional on growth in earnings per share of at least 2% per annum, compound, over the increase in the consumer price index over not less than three years from the date of grant. The fair value of the most recent grant of options under the ESOS in October 2003 was €12.03.

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All of the 249,825 options outstanding under the ESOS at 31 December 2008 (2007: 294,825) were granted in October 2003. The options can be exercised at any time up to October 2013 and have an option price of €2.50 (2007: €3.99). The option price was reduced by €1.49 during the year as a consequence of the payment of a special dividend of €1.49 per share in October 2008. Options over a total of 45,000 ordinary shares were exercised during the year at an option price of €3.99 per share.

The fair value of the options granted under the ESOS in October 2003 were calculated using the assumptions overleaf.

FBD Group Save as You Earn (SAYE) Scheme

In May 2007, shareholders approved the establishment of the FBD Group Save as You Earn (SAYE) Scheme (the "SAYE Scheme"). Under the SAYE Scheme eligible Group employees can be granted options to subscribe for ordinary shares in the Company at a discount of up to 25% to the prevailing market price of the Company's ordinary shares, as provided for under the SAYE Scheme Rules which are Revenue Commissioners approved. The option price can be reduced, in accordance with the SAYE Scheme Rules, by the amount of any special dividends paid to shareholders provided that any such reduction has the approval of the Revenue Commissioners.

The only grant of options under the plan to date was made in October 2007 and was aligned to three year savings contracts which commenced in January 2008. Options were granted over a total of 164,573 ordinary shares at an option price of €19.95 which represented a discount of 20% to the prevailing market price at the time of grant. As a consequence of the payment of a special dividend of €1.49 per share during the year the option price was reduced, by agreement with the Revenue Commissioners, to €18.46. Options over 16,921 shares lapsed during the year. No options under the SAYE Scheme were exercised during the year. Options remain outstanding over a total of 147,652 ordinary shares at 31 December 2008, none of which are exercisable.

The fair value of the options under the SAYE Scheme has been calculated at €5.84 using the assumptions overleaf.

30 SHARE-BASED PAYMENTS *continued*

FBD Group Performance Share Plan

The FBD Group Performance Share Plan (the "LTIP") was approved by shareholders in May 2007. Conditional awards of ordinary shares under the LTIP are dependent on the Group meeting onerous performance targets in terms of EPS growth, total shareholder returns and maintenance of the combined operating ratio ahead of peer companies in the European general insurance sector. The extent to which these conditions have been met and any award (or part of an award) has therefore vested will be determined in due course by the Remuneration Committee. Only one conditional award has been made under the LTIP to date, in August 2008. This award was over a total of 98,149 ordinary shares. The fair value of the award has been calculated to be €6.45 per share.

Fair value calculations

The fair values of the options and conditional share awards noted above have been calculated using the following assumptions:

	ESOS Grant October 2003	SAYE Grant October 2007	LTIP Award August 2008
Share price at grant	€10.59	€24.42	€12.90
Initial option/award price	€10.59	€19.95	€12.90
Expected volatility	20%	20%	35%
Expected life in years	3	3	2.58
Risk free interest rate	2.98%	4.1%	4.0%
Dividend yield %	2%	3%	n/a

Accounting Charge for Share-based payments

Grant Date	Vesting Period (Years)	Number of Options Granted	Number outstanding at 31 December 2008	Grant Price *	Market Value at Grant Date	Fair Value at Grant Date		
							2008	2007
							€'000	€'000
26.10.07 SAYE	3.00	164,573	147,652	18.46	24.94	5.84	299	64
27.08.08 LTIP	2.58	98,149	98,149	–	12.90	6.45	79	–
Total							378	64

* adjusted for special dividends paid since grant date.

31 GUARANTEES

The Group has guaranteed loans secured on Castleknock Hotel and Country Club of €18,517,000 and €3,985,000. The Group has also guaranteed a loan from Farmer Business Developments plc to FBD Property & Leisure of €50,000,000 granted during 2008.

The guarantees are deemed to have a fair value of nil.

32 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a 25.64% shareholding in the Group at 31 December 2008. Included in the financial statements at the year end is **€484,170** (2007: €175,714) due from Farmer Business Developments plc. This balance is made up of recharges for services provided and recoverable costs. Interest is charged on this balance at the market rate. The amount due payable on demand. No guarantees have been given or received. Included in the financial statements at the year end is **€50,335,000** (2007: €NIL) due to Farmer Business Developments plc. This amount is made up of a loan of €50,000,000 granted during the year and interest outstanding at the year end. Interest is charged on this balance at the market rate.

Details of Directors' remuneration are outlined in Note 27.

33 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

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(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.

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.

33 RISK MANAGEMENT *continued*

(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 – Notes 14 to 18(a). To provide protection against material events or shocks, the Group would normally expect to hold sufficient capital to maintain significant regulatory surpluses. Repatriations to shareholders of €546m since March 2005 in the form of buy-backs and distributions are evidence of the Group's 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 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. 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.

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(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 31 December 2008	1,402,423	410,812	731,136	260,475
Assets 31 December 2007	1,494,987	528,500	638,038	328,449

Analysis of expected maturity of general insurance liabilities

The following table shows the gross general insurance liabilities at 31 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
Liabilities 31 December 2008	1,042,814	536,858	380,833	125,123
Liabilities 31 December 2007	998,260	456,700	420,987	120,573

33 RISK MANAGEMENT *continued***(e) Market risk**

The Group has invested in quoted debt securities, investment property and quoted and unquoted 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, deposits and borrowings.

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.

At 31 December 2008, the Group held the following quoted debt securities for trading:

	2008		2007	
	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%
In more than one year, but not more than two years	–	–	–	–
In more than two years, but not more than three years	–	–	–	–
In more than three years, but not more than four years	–	–	–	–
In more than four years, but not more than five years	–	–	–	–
More than five years	3,809	6.85%	7,544	5.67%
	3,809	–	19,956	–

These financial instruments are exposed to fair value interest rate risk. Loans and deposits made by the Group are at floating interest rates. All borrowings are also 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 holdings of quoted shares. Equity price risk is actively managed by the Group's 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 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 31 December 2008 or 31 December 2007.

33 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 2008	Assets 2007
	€000s	€000s
GBP	4,761	41,838
USD	–	14,602
Other	857	3,342

(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 €495,068,000 government gilts which carry a sovereign rating and €17,389,000 corporate bonds which carry a rating of BB-.

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.

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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 the ECB benchmark reference interest rate by $\pm 0.5\%$ (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 $\pm 5\%$.
Equity market values	The impact of a change in equity market values by $\pm 10\%$
Property market values	The impact of a change in property market values by $\pm 10\%$
Net loss ratios	The impact of an increase in net loss ratios for general insurance business by 5%.

33 RISK MANAGEMENT *continued*

The above sensitivity factors are applied using actuarial and statistical models, with the following pre-tax impacts on profit and shareholders' equity at 31 December 2008 and at 31 December 2007:

		2008	2007
		€000s	€000s
Interest rates	0.5%	726	896
Interest rates	(0.5%)	(726)	(896)
FX rates	5%	281	2,989
FX rates	(5%)	(281)	(2,989)
Equity	10%	2,030	16,400
Equity	(10%)	(2,030)	(16,400)
Property	10%	5,254	8,302
Property	(10%)	(5,254)	(8,302)
Net loss ratio	5%	(17,035)	(17,389)

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 share- holders' Equity
		€000s	€000s	€000s	€000s
31 December 2008					
Average claim costs	+10%	62,618	59,264	(59,264)	(51,856)
Frequency of injury claims	+10%	11,260	9,610	(9,610)	(8,409)

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.

34 RESTRUCTURING COSTS

The 2008 financial statements include a one-off restructuring charge of €7.6m for the cost of realigning the FBD Insurance local office network, reducing the number of offices from 47 to 34, and implementing cost restructuring in the property and leisure operations.

The breakdown of the restructuring costs are as follows:

	€000s
Redundancy costs	6,269
Termination of leases	685
Other	655
Total	7,609

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 Wednesday 29 April 2009, 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 31 December 2008.
- 2 To declare a dividend on the 8% non-cumulative preference shares.
- 3 To declare the final dividend of €0.10 per ordinary share which is recommended by the Directors.
- 4 To re-elect the following persons as Directors of the Company under Article 80 (c)
Mr. Michael Berkery Resolution 4 (a)
Mr. John Donnelly Resolution 4 (b)
Mr. Philip Lynch Resolution 4 (c)
Dr. Patrick O’Keeffe Resolution 4 (d)
Mr. Pdraig Walshe Resolution 4 (e)

To re-elect the following person as a Director of the Company pursuant to Article 83 (b)
Mr. Cathal O’Caoimh Resolution 4 (f)
- 5 To authorise the Directors to fix the remuneration of the Auditors.

AS SPECIAL BUSINESS

- 6 To renew the general authority of the Directors to allot shares under Section 20 of the Companies (Amendment) Act, 1983 by the deletion of the current Article number 8 (b) and replacing it with the following:

(b) “The directors are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the meaning of Section 20 of the Companies (Amendment) Act 1983. The maximum amount of relevant securities which may be allotted under the authority hereby conferred shall be the authorised but un-issued shares in the capital of the Company now in existence on 29 April 2009. The authority shall expire on 28 April 2014, unless and to the extent that such authority is renewed, revoked or extended prior to such date. The Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement, notwithstanding that the authority hereby conferred has expired.”

Please note that Resolution 6 is to be proposed as a Special Resolution.
- 7 To consider and, if thought fit, pass the following Special Resolution, subject to the passing of 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 the Ordinary Resolution of the Company passed on 29 April 2009 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 and 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

Notice of Annual General Meeting *continued*

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”

and

“that the expiry date noted in Article 8 (c) be amended to read “28 July 2010”, being fifteen months after the date of this Annual General Meeting in accordance with the foregoing.”

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

“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.”

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

“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”.

Notice of Annual General Meeting *continued*

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

“That the Articles of Association of the Company be and are amended by the substitution of Article 86 (a) (ii) which currently reads “The maximum number of Executive Directors at any time shall be three” with the following:

“(ii) The maximum number of Executive Directors at any time shall be four.”

By order of the Board

Conor Gouldson

Secretary

FBD House, Bluebell, Dublin 12

30 March 2009

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 6p.m. on the day which is two days before the date of the meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time.

Notes

Notes



FBD Holdings plc

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