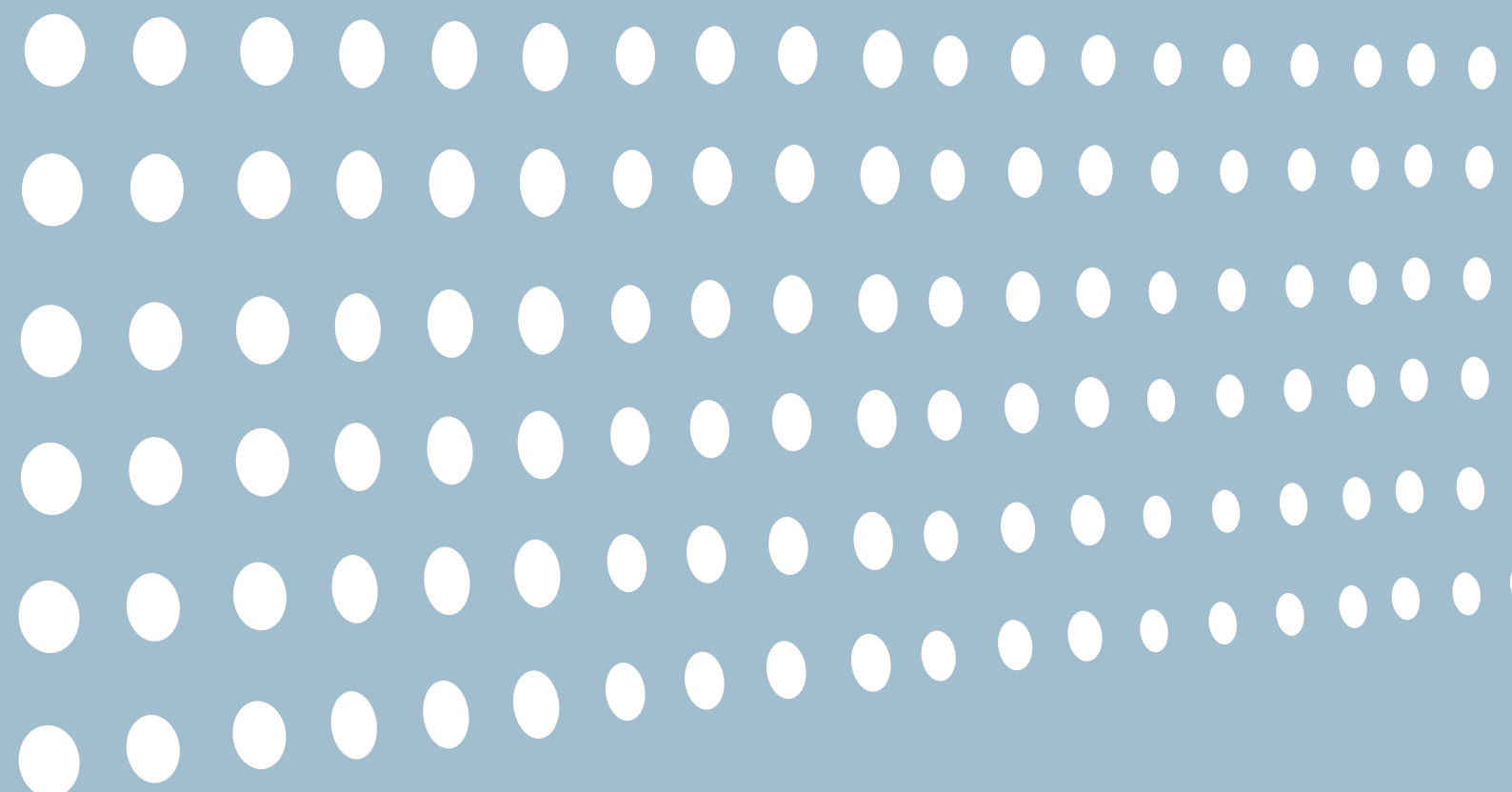




HOLDINGS PLC

Annual Report

05



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FBD Group's core business is insurance underwriting. In addition, the Group has developed complementary financial service businesses

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Financial Highlights

Operating profit

€162,624,000

Operating earnings per 60c ordinary share

363.54 cent

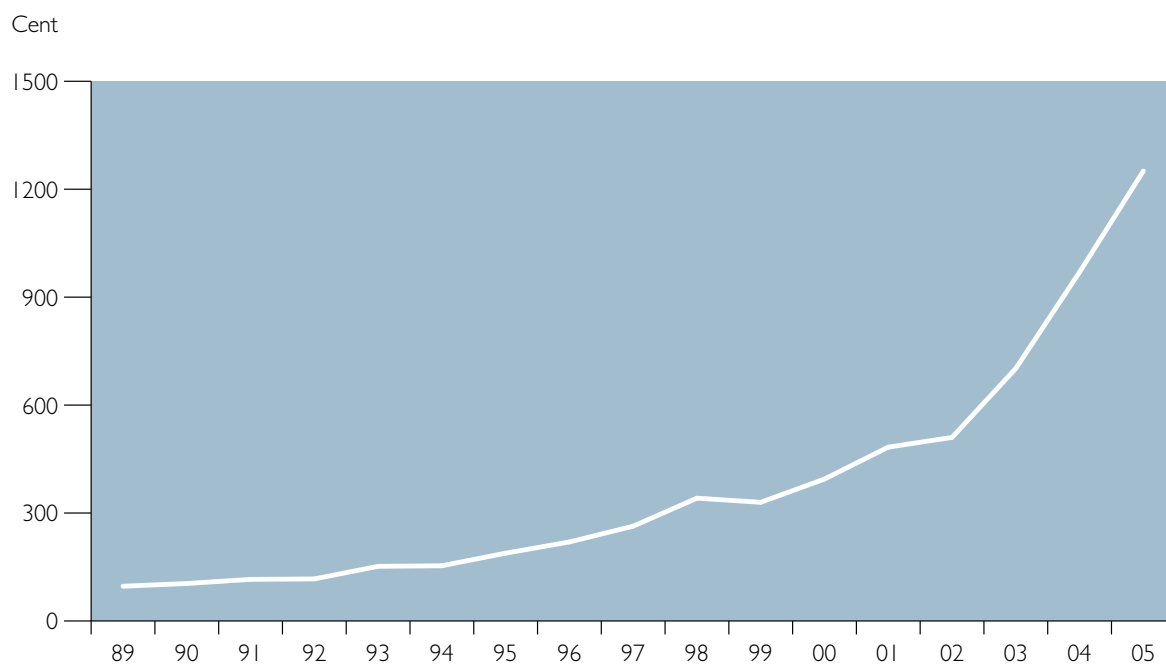
Dividend per 60c ordinary share

57.50 cent

Net assets per 60c ordinary share

1250.62 cent

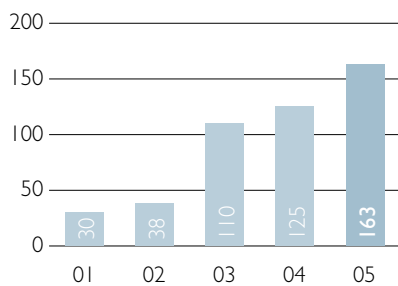
Growth in net assets per 60c ordinary share 1989-2005



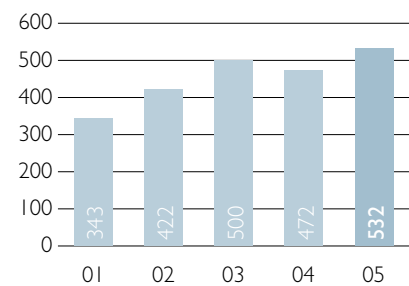
“Delivering long term sustainable value”

	2005	2004	
	€000s	€000s as restated	Change %
Gross premiums written	389,472	351,487	+10.8%
Net premiums earned	332,371	296,237	+12.2%
Operating profit	162,624	124,794	+30.3%

Operating profit (€m)

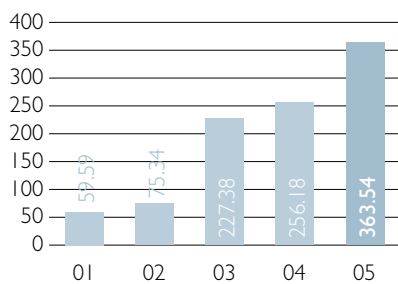


Turnover (€m)

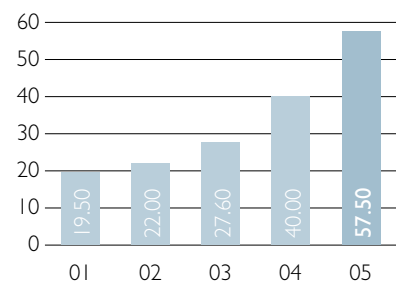


	2005	2004	
	Cent	Cent as restated	Change %
Operating earnings per 60c ordinary share based on longer term investment return	363.54	256.18	+41.9%
Dividend per 60c ordinary share	57.50	40.00	+43.75%
Net assets per 60c ordinary share	1,250.62	969.64	+29.0%

Operating earnings per 60c ordinary share based on longer term investment return



Dividend per 60c ordinary share (cent)



Calendar:

Preliminary announcement	8th March 2006
Annual General Meeting	26th April 2006
Final dividend	3rd May 2006



Professional

Using our knowledge and experience
to deliver quality service.



Professional



Michael Berkery
Chairman

Chairman's Statement

I am very pleased to report that 2005 was another highly successful year for the FBD Group, surpassing all previous performances.

This is evidenced by the key financial indicators:

- Operating profit up by 30.3% to €162.6m.
- Operating earnings per share, based on longer term investment return, up by 41.9% to 363.54c
- Net assets per share up by 29% to 1,250.62c.

In light of the excellent results, the Board is recommending a final dividend of 37.5c, bringing the total dividend for the year to 57.5c. This is an increase of 43.75% on the 2004 figure and is a further indication of the Board's commitment to increase dividend payout relative to earnings achieved by the group.

Group Chief Executive, Philip Fitzsimons, reviews FBD's operations for the year in detail. Therefore, I am focusing my remarks on the broader issues that have a bearing on our business activities.

INSURANCE UNDERWRITING

Insurance underwriting is the core activity of the group and the main driver of FBD's excellent performance, overall. Shareholders and policyholders have benefited from the turnaround in underwriting outcome which has been a feature of FBD's and other Irish insurers' results in recent times. FBD shareholders have enjoyed higher returns whilst policyholders have benefited from significant reductions in premiums. As most people are aware, the critical catalyst in delivering the turnaround in the underwriting experience was the concerted effort made by all interested parties to reform the over-costly claims regime which hitherto had operated in Ireland. The benefits of the reforms implemented to date have been shared by the insured and the insurer. It is widely accepted that reforms yet to be implemented have the potential to deliver further significant benefits. One immediately thinks of the savings, not only in economic terms but in human trauma also, that would emerge from an improvement in road safety throughout the country. I add my voice, once again, to the calls that are being made on Government to attend to this matter as a critical national priority and to resolve all of the issues that have impeded delivery.

NON-UNDERWRITING

The group's non-underwriting activities include property/leisure interests, financial services and the investment of non-allocated capital.

As I have mentioned in previous years, global and domestic economic factors impact considerably on our property/leisure businesses. In 2005, these pressures continued to feature and dampened the performance of our interests in Spain and Ireland. In such circumstances, the intrinsic value of our property/leisure assets is a key consideration for the Board. In this regard, shareholders will have been pleased to hear that post year end, the conditional sale of land at La Cala was achieved at a significant premium to carrying value. The Board has also informed shareholders of its intention to distribute the net proceeds of this sale, amounting to up to €120m., by way of two special dividends.

The utilisation of capital retained in the group which has not been specifically allocated to one of our existing operating businesses is appraised by the Board on an ongoing basis. Shareholders will recall that, in March 2005, €81m. of shareholders' funds was used in a share buyback when KBC placed their 23% shareholding on the market. The remaining non-allocated capital and the funds subsequently generated and retained constitute, what the Board terms, a "capital fund". As mentioned earlier, how to best maximise this capital for the benefit of shareholders is kept under review. At this particular juncture, the Board has decided to retain the capital. The group will investigate all possible opportunities to invest some or all of this capital fund in the group's primary business of insurance underwriting or in related financial service activities. Whilst it is investigating such possibilities, the Board does not rule out other options for use of capital if it deems them to be in the best interests of shareholders.

CORPORATE

In the year under review, a significant change in the shareholding structure of the Company occurred. I referred above to the placing in the market by KBC of its entire shareholding in our group, in March 2005. This sale by KBC marked an historic milestone in the life of FBD. KBC had been a substantial shareholder in FBD since FBD's foundation in the late 1960s. Their decision to dispose of their stake was undertaken for KBC's own strategic reasons and with the full knowledge of FBD. I wish to record my personal thanks, and that of the Board, to KBC for the role they played and the solid shareholding position they maintained in FBD down through the years. Their shareholding bridged our group's pre and post Stock Exchange Listing. I am pleased that Johan Thijs has agreed to remain on the Board as a Non-Executive Director. The departure of KBC created an opportunity for new investors to acquire stock in the Company. I take this opportunity to welcome them to FBD and to acknowledge their confidence in our group.

In February of this year, Mr. John Dillon resigned as a Director. I wish to thank John for his valuable contribution to the Board during the four years he served as a Director. In March of this year, Mr. Pdraig Walshe, the recently elected President of The Irish Farmers' Association, was co-opted onto the Board. I welcome Pdraig and I am sure he will make a valuable contribution as a Board Member.

PROSPECTS

2005 was a year in which FBD expanded its core business base significantly. Customer numbers grew and the Organisation was strengthened, infrastructurally and resource wise. New markets were sourced and the momentum for growth was maintained. This has continued in the year to date. As shareholders are aware urban markets are key elements in our growth strategy. With clearly defined objectives and appropriate plans being pursued to achieve them, I am confident that FBD's success will continue.

In conclusion, I want to sincerely thank the Board, Management and Staff for their hard work and dedication which have yielded the results I am so pleased to report on. Their commitment and ability is a vital element in the success we have achieved, and maintaining profitable growth in the future.

Michael Berkery
Chairman

7th March 2006

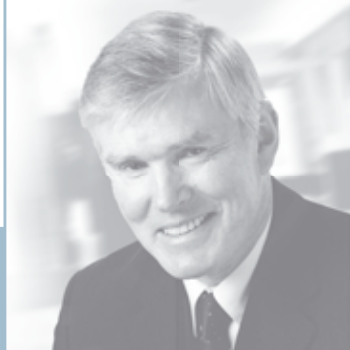


Committed

To excellence in everything we do.



Committed



Philip Fitzsimons
Chief Executive

Review of Operations

I am pleased to report that the group's performance in the year ended 31st December 2005 was very satisfactory.

RESULTS

Group operating profit increased to €162.6m., compared to €124.8m. in 2004.

Total income amounted to €404.5m. (2004: €355.1m.). It included net premium earned of €332.4m. (2004: €296.3m.) and investment income (calculated on the basis of longer term returns) of €44.4m. (2004: €40.7m.), arising in the group's insurance underwriting business. The remaining €27.7m. (2004: €18.1m.) represents the net income, i.e. after expenses, arising from the group's non underwriting activities.

Expenses amounting to €241.9m. (2004: €230.3m.) related to the group's underwriting business. They consist of claim costs amounting to €202.5m. (2004: €197.8m.) and operating expenses of €39.4m. (2004: €32.5m.).

Of the group's operating profit, €134.9m. (2004: €106.7m.) is attributable to underwriting and €27.7m. (2004: €18.1m.) to non-underwriting, as detailed below.

Operating earnings per share based on longer term investment returns amounted to 363.54c (2004: 256.18c) in the period.

UNDERWRITING

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

Gross written premiums (i.e. before reinsurance) amounted to €389.5m., compared to €351.5m. in 2004. A €30m. loyalty discount was provided for in 2004. Against the background of a reduction in overall market premium income in 2005, we are pleased with our performance. It has been achieved through new business volume growth which has more than offset the impact of reductions in average premiums which occurred in the period.

Net earned premiums amounted to €332.4m. (2004: €296.3m.) and reflected lower reinsurance cessions.

The net claims incurred charge, which is comprised of the movement in net outstanding claims provisions of €38.8m. (2004: €52.1m.) plus net claims paid of €163.7m. (2004: €145.7m.), amounted to €202.5m. (2004: €197.8m.).

The claims charge benefited from ongoing settlement savings on prior year provisions.

Net operating expenses amounted to €39.4m. (2004: €32.5m.).

The foregoing premium/claim/expenses figures resulted in an underwriting profit of €90.5m. (2004: €65.9m.). In achieving this underwriting result, as expected, the second half of the year proved more challenging. Net claims incurred increased at a faster rate in the second half and were 2.4% higher overall for the full year. Net earned premiums decreased in the second half year, compared to the first half.

The 2005 net operating ratios were: loss ratio 60.9% (2004: 66.8%); expense ratio 11.9% (2004: 11.0%); combined ratio 72.8% (2004: 77.8%).

After crediting investment income of €44.4m. (2004: €40.7m.), the operating profit of FBD's underwriting business amounted to €134.9m. (2004: €106.7m.).

NON-UNDERWRITING

The group's non-underwriting activities include property development/leisure, financial services and the investment of non-allocated capital ("capital fund"). The contribution to operating profit from these interests amounted to €27.7m. (2004: €18.1m.)

Property and leisure interests, which encompass the La Cala and Sunset Beach resorts in Spain, the Tower Hotel Group in Ireland and fees from property related loans, contributed €13.1m. (2004: €10.0m.) to operating profits. Property sales at La Cala were below budget, with 40 handovers in the year. This reflected the general slowdown in second-home sales in Costa del Sol in 2005. On the leisure side, trading in Spain and in Ireland was challenging, with an oversupply of product exerting downward pressure on margins.

The group's financial service businesses, which include insurance broking (FBD Brokers), life assurance/pension broking/investment advice (FBD Life) and instalment finance (Abbey Finance) contributed €3.3m. (2004: €3.9m.) to operating profits. Insurance broking income was negatively affected by lower revenues, which resulted from the reduction in premium levels in the market, particularly for large commercial risks.

Investment returns on the capital fund amounted to €10.8m. (2004: €3.7m.) This fund was invested in equities.

BALANCE SHEET

Total assets at year end amounted to €1,564.4m. (2004: 1,466.8m.), an increase of 6.7% on 2004. Ordinary shareholders' funds amounted to €476.1m. (2004: €406.5m.), an increase of 17.1% for the year. The growth in shareholders' funds arising from the contribution of the strong operating performance and the positive short term fluctuations of €26.0m. (€2004: €10.3m.) was reduced by the Company's purchase of its own shares in March 2005 at a cost of €81m.

FINAL DIVIDEND

In the light of the group's continuing favourable results and the Board's stated intention to increase the proportion of earnings distributed to shareholders, a final dividend of 37.50c (2004: 27.28c) per share is being recommended by the Directors. This will bring the total dividend for the year to 57.50c (2004: 40.00c), a significant increase of 43.8%.

The final dividend will be paid on 3rd May 2006 to shareholders on the Company's Register at close of business on 17th March 2006. The final dividend is subject to withholding tax ("DWT") except for shareholders who are exempt from DWT and who have furnished a properly completed Composite Resident Form to the Company's Registrar.

OUTLOOK

The progress made by the group in 2005 has been maintained in the year to date.

In our core activity, we are focused on implementing strategies and plans that are designed to grow our underwriting business efficiently and profitably.

We are targeting to achieve challenging new business volumes. In an environment where price competition continues to be intense and premiums are trending lower, this volume growth is essential in order to maintain overall premium income at current levels. The impact on 2006 earned income of premium reductions which were implemented in recent months, and further premium reductions which are likely to be undertaken this year, must also be borne in mind. In the light of this challenging background, our insurance operations are being strengthened and resourced in order to increase our customer base and to grow our market share.

Against the background of increasing risk exposure and falling average premiums, the critical drivers of the margin that will be achieved are claim trends and claims experience. It is widely acknowledged that changes in the public mindset and the various measures undertaken over the past couple of years have improved the claims environment in Ireland to the benefit of insured and insurer alike. It is also widely recognised that competition is reducing the current underwriting margins and driving them towards European norms. The improved loss ratios reported by Irish insurers in recent years have been favoured by savings in prior year claim provisions that arise at time of settlement. The critical factors that will ultimately determine the timescales

for combined ratios in the Irish market to fall into line with European norms are (a) the speed of implementation and (b) the degree of success surrounding the remaining reforms which the Government has pledged to undertake, allied to the impact of competition on premium levels. While we await these reforms, in addition to those implemented to date, and pending sufficient evidence emerging that reductions in claims frequency and claim costs will be permanent, FBD will continue to provide for its outstanding claims on the basis of its historical reserving policy. It is a matter which we will keep under regular review.

FBD will remain supportive of the Government's efforts to deliver the outstanding structural reform measures. Meanwhile, the group will continue to pursue its own claims cost savings plans and will work to achieve cost efficiencies across its insurance operations in general.

In relation to our non-underwriting businesses, our property/leisure interests face the particular challenges that currently pertain to the industry, as mentioned earlier. Revised strategies and plans are being implemented for each individual business unit. Options to maximise shareholders' interests are kept under ongoing review. This is evidenced by our public announcement on 23rd February last that we had entered into a conditional agreement to sell the major portion of La Cala's development land bank in Spain for a total consideration of €201m. in cash, to be received in phased payments. The Board has informed shareholders of its intention to distribute the net proceeds of this sale, amounting to up to €120m, by way of two special dividends.

Our financial services businesses continue to adapt to the environment that they face and are focused on availing of opportunities for growth.

In relation to non-allocated capital retained by the Company, I reiterate the advices of the Chairman in his Statement to the effect that maximising the return on this capital for the benefit of shareholders will be the guiding principle in considering the options for its use.

2005 was a year in which FBD's platform for growth in the years ahead was further strengthened and the successes of previous years were built on. It gives us confidence in pursuing our growth plans.

In conclusion, I thank all of my colleagues in the group for their ongoing efforts and commitment, which has been central to FBD's success. I also acknowledge the constant encouragement and support received from the Chairman and Board. We will continue to work together to ensure that FBD continues to prosper.

Philip Fitzsimons
Chief Executive

7th March 2006



Passionate

About our business.



Passionate

Board of Directors and Other Information

BOARD OF DIRECTORS

Michael Berkery (Chairman)

Executive Directors

Philip Fitzsimons (Chief Executive)

Andrew Langford

Adrian Taheny

Non-executive Directors

John Donnelly

Philip Lynch

Patrick O'Keeffe

Joseph Rea

Vincent Sheridan (Senior Independent Director)

Johan Thijs (Belgian)

Padraig Walshe

BOARD COMMITTEES

Audit Committee

Vincent Sheridan (Chairman)

Patrick O'Keeffe

Joseph Rea

Remuneration Committee

Michael Berkery (Chairman)

Philip Lynch

Patrick O'Keeffe

Nomination Committee

Michael Berkery (Chairman)

John Donnelly

Philip Lynch

Patrick O'Keeffe

SECRETARY AND REGISTERED OFFICE

David J. Flynn,

FBD House,

Bluebell,

Dublin 12.

AUDITORS

Deloitte & Touche,

Chartered Accountants,

Deloitte & Touche House,

Earlsfort Terrace,

Dublin 2.

STOCKBROKERS

Bloxham Stockbrokers,

2/3 Exchange Place,

IFSC,

Dublin 1.

SOLICITORS

Dillon Eustace,

Grand Canal House,

1 Upper Grand Canal Street,

Dublin 4.

REGISTRARS AND TRANSFER OFFICE

Computershare Investor Services (Ireland) Limited,

Corrig Road,

Sandyford Industrial Estate,

Dublin 18.

Report of the Directors

The directors present their annual report and audited financial statements for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES

The company is a holding company. The group is a diversified insurance group with property and leisure interests in Ireland and abroad.

BUSINESS REVIEW

The affairs of the group are reviewed in the Chairman's Statement on pages 6 and 7 and in the Review of Operations on pages 10 and 11. A comprehensive review of the key performance indicators and the major risks and uncertainties faced by the group is included within the Chairmans Statement and the Review of Operations.

RESULTS AND DIVIDENDS

The results for the year are shown in the Group Income Statement on page 31. The directors propose a final dividend on the 60c ordinary shares of 37.50c (2004: 27.28c). This brings the total dividend for the year to 57.50c (2004: 40.00c), an increase of 43.75% on 2004.

RETIREMENT BENEFITS

Information in relation to the group's pension schemes is given on pages 53 to 55 (Note 21).

SUBSIDIARIES

The company's principal subsidiaries, as at 31st December 2005 are listed on page 63. (Note 27).

DIRECTORS

The present members of the board of directors are named on page 14. Mr. John Dillon resigned as a director on 3rd February 2006. Mr. Pdraig Walshe was appointed as a director on 7th March 2006.

In accordance with the Articles of Association, Mr. Philip Fitzsimons and Mr. Pdraig Walshe will retire at the Annual General Meeting and are recommended by the directors for re-appointment.

In accordance with section A.7.2 of the Combined Code on Corporate Governance, Mr. Michael Berkery, Mr. John Donnelly, Mr. Philip Lynch, Dr. Patrick O'Keefe and Mr. Joseph Rea, all having served longer than nine years, will retire at the Annual General Meeting.

All the above are recommended for re-appointment. With regard to non-executive directors proposed by the board for re-appointment, the Chairman confirms that, following formal performance evaluation, each individual director's performance continues to be effective and demonstrates commitment to the role.

No service contracts exist for the directors proposed for re-appointment.

NON-EXECUTIVE DIRECTORS

MICHAEL BERKERY was elected Chairman of the Company in 1996 and is Chief Executive Officer of the Irish Farmers' Association. He is a member of COPA (The European Farmers' Organisation), the National Economic and Social Council and the Central Review Committee of the Government National Partnership Programme and a Director of a number of other companies. There were no changes in his commitments during 2005.

JOHN DONNELLY is a farmer. He is a former President of the Irish Farmers' Association, a member of the EU Economic and Social Committee and is a Director of a number of other companies.

PHILIP LYNCH is a native of Innishannon, West Cork, and was educated at Hamilton High School, Copsewood College and Waterford Institute of Technology. He is Chief Executive and an Executive Director of One Fifty One Limited (One51), and IAWS Society. He is a non-executive Director of C & C Group plc, Coillte Teoranta, Harlequin Healthcare Holdings Limited, IAWS Group plc, Rilta Environmental Limited and TechRec Ireland Limited and is Chairman of the Educate Through Sport Foundation.

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

JOSEPH REA is a farmer. He is a former President of the Irish Farmers' Association and was Chairman of Teagasc, the State Agriculture and Food Development Authority.

Report of the Directors *continued*

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

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

PADRAIG WALSH is a farmer. He is president of The Irish Farmers' Association.

EXECUTIVE DIRECTORS (PROPOSED FOR RE-APPOINTMENT)

PHILIP FITZSIMONS joined the FBD Group in 1971 as a Management Accountant. He was appointed Executive Director – Development, FBD Holdings plc in 1989. Prior to this he was Assistant General Manager – Marketing, FBD Insurance plc, having previously held a number of other management positions. In 1996 he was appointed Deputy Chief Executive and assumed his current position of Chief Executive in July 2003.

DIRECTORS' AND SECRETARY'S INTERESTS

Information in relation to directors' and secretary's interests is given on pages 60 to 63 (Note 26).

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

SUBSTANTIAL SHAREHOLDINGS

The directors have been informed of the following shareholdings of 3% or more at 31st December 2005.

ORDINARY SHARES

Farmer Business Developments plc	34.2%
FBD Trust Company Limited	7.8%
Bank of Ireland Asset Managers	6.8%

Over a number of years, FBD Insurance plc, the group's principal subsidiary, has acquired a shareholding of 10.3% in Farmer Business Developments plc. Thus, indirectly, FBD Insurance plc has an interest in 3.5% of the ordinary shares of FBD Holdings plc.

14% NON-CUMULATIVE PREFERENCE SHARES

Farmer Business Developments plc	100%
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8% NON-CUMULATIVE PREFERENCE SHARES

FBD Trust Company Limited	58%
Farmer Business Developments plc	42%

AUDITORS

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

CLOSE COMPANY PROVISIONS

So far as the directors are aware, the company is not a close company within the definition of the Taxes Consolidation Act, 1997. There has been no change in this respect since 31st December 2005.

PROPER BOOKS AND RECORDS

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

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the company which will be held at 12 noon on Wednesday, 26th April 2006 in FBD House, Bluebell, Dublin 12, is set out on pages 75 to 77. In addition to the usual business, your board proposes the following special resolutions numbered 8 to 11 which are summarised as follows:

Resolution 8 – Limited Exemption from Statutory Pre-emption rights

Resolution 8 will be proposed at the meeting to continue the limited exemption from the statutory pre-emption rights and empower the board to allot shares for a further fifteen months, or until the date of the next Annual General Meeting if earlier, up to a maximum of 5% of the ordinary share capital.

Resolution 9 – Market Purchases of Own Shares

At last year's Annual General Meeting, shareholders granted authority to the company and its subsidiaries to purchase up to 10% of the company's own shares and defines the maximum and minimum price. Resolution 9 renews these powers which will expire at the next Annual General Meeting or at a date which is fifteen months after the date on which the resolution is passed.

Resolution 10 – Re-issue Treasury Shares

Resolution 10 renews the authority granted to the company at last year's Annual General Meeting to set the price range at which treasury shares may be re-issued off-market by the company. As with resolution 9, this resolution proposes to renew this authority until the next Annual General Meeting or at a date fifteen months after the date on which the resolution is passed.

Resolution 11 – Executive Share Option Scheme

Resolution 11 will be proposed at the meeting to permit the strike price of options granted under the Executive Share Option Scheme to be reduced by any special dividends paid by the Company.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board on 7th March 2006.

Signed on behalf of the board:

Michael Berkery

Chairman

Philip Fitzsimons

Chief Executive

7th March 2006

Corporate Governance Statement

COMPLIANCE WITH THE COMBINED CODE

FBD Holdings plc is committed to high standards of corporate governance throughout the group. The board considers that the group has been in compliance with the code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 except that the group Chairman continues to chair the Remuneration Committee. The board's view is that he is the most appropriate person for this position.

THE BOARD OF DIRECTORS

The board leads and maintains effective control over the group's activities and comprises three executive directors and eight non-executive directors. The board meets on a regular basis and there is a formal schedule of matters reserved to the board. This includes:

- Approval of the group's objectives and strategy.
- Approval of changes to the group's structure and capital.
- Approval of financial statements.
- Review of the group's system of internal control.
- Approval of the annual budget, major acquisitions and significant capital expenditure.
- Approval of board membership and other significant appointments.
- Approval of remuneration policy.

The board has delegated responsibility for the management of the group, through the Chief Executive, to executive management. There is a clear division of responsibilities between the Chairman and Chief Executive which is set out in writing and has been approved by the board. The board has also delegated some of its responsibilities to committees of the board.

Directors, on appointment and regularly thereafter are briefed in writing and orally by the executive management and may take independent professional advice at the company's expense if necessary for the furtherance of their duties. They receive monthly group management financial statements and reports, and board papers are sent to each

in sufficient time before board meetings. Each director has access to the advice and services of the Company Secretary, whose responsibility it is to ensure that board procedures are followed and that applicable rules and regulations are complied with.

BOARD COMMITTEES

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

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

Each of the committees has terms of reference, approved by the board, under which authority is delegated to them by the board. These terms of reference are available on request and on the group's website, www.fbd.ie. The current membership of each committee is set out on page 14. Attendance at board and committee meetings held during 2005 is set out on page 20.

THE AUDIT COMMITTEE

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

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

The members of the committee during 2005 were:

- Vincent Sheridan (Chairman).
- Patrick O'Keeffe.
- Joseph Rea.

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

During 2005 the committee considered the following matters:

- Annual accounts and annual results announcements;
- Interim accounts and interim results announcements;
- Impact of International Financial Reporting Standards;
- External auditor's letter of engagement, audit plan and audit summary;
- External auditor independence and provision of non audit services;
- External auditor's re-appointment and remuneration;
- Internal audit work plans and reports;
- Audit committee's terms of reference;
- Directors' compliance statement;
- Evaluation of the audit committee's own performance;
- The effectiveness of the system of internal control;
- Assessment of significant risks to the achievement of group objectives;
- Investment policy;
- Whistle blowing arrangements.

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

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

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

The committee's terms of reference are available on request and on the group's website www.fbd.ie. The committee met four times during 2005.

THE REMUNERATION COMMITTEE

The committee consists solely of non-executive directors. The members of the committee during 2005 were:

- Michael Berkery (Chairman).
- Philip Lynch (appointed 22 July 2005).
- Patrick O'Keeffe.

The committee determines the policy for remuneration of the Chief Executive, the Chairman, the executive directors, the non-executive directors, the Company Secretary and other members of executive management.

The committee's terms of reference are available on request and on the group's website www.fbd.ie. The committee met once during 2005.

THE NOMINATION COMMITTEE

The committee makes recommendations to the board to ensure that the composition of the board and its committees is appropriate to the needs of the group. The process used is to assess the skills, knowledge and experience required and determine how these are currently represented on the board. Where disparities are recognised and agreed with the board, the committee establishes the means of identifying suitable candidates for appointment. Neither external search consultancies nor open advertising has been used as the committee considers that it has sufficient internal resources to identify appropriate candidates.

The committee consists solely of non-executive directors. The members of the committee during 2005 were:

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

The committee's terms of reference are available on request and on the group's website www.fbd.ie. The committee met once during 2005.

The terms and conditions of appointment of non-executive directors are available for inspection at FBD House during normal business hours, at the Annual General Meeting and on the group's website www.fbd.ie.

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. The board does not consider the group Chairman to be independent by virtue of the office he holds. The board concluded that all of the other non-executive directors holding office during 2005 were independent. They arrived at this conclusion because the aforementioned met all of the criteria set out in Section A.3.1. with the exception of:

- (a) holding of cross directorships.
- (b) representing a significant shareholder.
- (c) serving on the board for a period of greater than 9 years.

In relation to (a) and (b), at the year end all non-executive directors, with the exception of Mr. Philip Lynch, Mr. Vincent Sheridan and Mr. Johan Thijs were directors of Farmer Business Developments plc, which is the founding, strategic and major investor (currently with a 34% shareholding) in FBD Holdings plc. Farmer Business Developments plc is an investment holding company and its investment in FBD Holdings plc accounts for 99% of its net worth. 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.

In relation to (c), all of the non-executive directors, except Mr. John Dillon, Mr. Vincent Sheridan, Mr. Johan Thijs and Mr. Padraig Walshe have served on the board for a period greater than nine years. Having considered the matter, the board was of the view that each of the relevant directors had and continue to hold a challenging outlook on business issues and continue to act at all times in the best interests of FBD Holdings plc shareholders.

PERFORMANCE EVALUATION

Performance evaluation of the board, its committees and individual directors has been conducted by the group Chairman. This was achieved through discussion and written evaluation submissions. The group Chairman's performance was evaluated by the non executive-directors, led by Mr. Vincent Sheridan, the senior independent director, and taking into account the views of the executive directors.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING 2005

	Board		Audit		Remuneration		Nomination	
	A	B	A	B	A	B	A	B
Michael Berkery	9	9	-	-				
John Dillon	9	6	-	-	-	-	-	-
John Donnelly	9	5	-	-	-	-		-
John Duggan*	3	3	-	-	-	-	-	-
Philip Fitzsimons	9	9	-	-	-	-	-	-
Andrew Langford	9	9	-	-	-	-	-	-
Philip Lynch	9	4	-	-				
Michael Morley*	3	3	-	-	-	-	-	-
Patrick O'Keefe	9	8	4	4				
Joseph Rea	9	8	4	4	-	-	-	-
Hugh Ryan*	3	3	-	-	-	-	-	-
Vincent Sheridan	9	9	4	4	-	-	-	-
Adrian Taheny	9	9	-	-	-	-	-	-
Johan Thijs	9	5	-	-	-	-	-	-

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

* Mr. John Duggan, Mr. Michael Morley and Mr. Hugh Ryan retired on the 27th April 2005.

DIRECTORS' REMUNERATION

The report on directors' remuneration and interests is set out on pages 60 to 63 (Note 26).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statement, which should be read with the independent auditors' report set out on page 24, is made with a view to distinguishing for shareholders the respective responsibilities of directors and of the auditors in relation to the financial statements. The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the financial year and of the profit or loss of the group for the year. The directors consider that, in preparing the financial statements, the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors are responsible for keeping proper books of account which

disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2005, the European Communities (Companies: Group Accounts) Regulations 1992, Article 4 of the IAS Regulations and the Listing Rules of the Irish and London Stock Exchanges.

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

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority. The group seeks to provide through its Annual Report a review of the group's performance and prospects. The group's website www.fbd.ie provides the full text of its Annual and Interim Reports.

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

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

Group management meet with the 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 2006 and the medium term plans as set out in the group corporate strategy.

INTERNAL CONTROL

The company, as required by the Irish and London Stock Exchanges, has complied with the Combined Code provisions on internal control, having established the procedures necessary to implement the guidance issued in September 1999 (The Turnbull Committee Report), and by reporting in accordance with that guidance.

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

- The safeguarding of assets against unauthorised use or disposition; and
- The maintenance of proper accounting records and the reliability of the financial information 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 the internal and external auditors.

A formal process for identifying, evaluating and managing the significant risks facing the group that complies with the guidance "Internal Control: Guidance for Directors on the Combined Code" has been in place for the year under review and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

The board's agenda includes a regular item for assessment of control over the significant risk areas and reports detailing the internal controls over these areas and their effectiveness are submitted by executive management and reviewed by the board as a whole. At its March 2006 meeting, the board carried out its annual assessment for the year 2005 by considering the nature and extent of the significant risks facing the group and the monitoring of those risks by management and the communication of the results of the monitoring to the board. The board has taken account of events from 31st December 2005 up to the date of this report and considers that no material change has occurred.



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Independent Auditors' Report To the members of FBD Holdings plc

We have audited the financial statements of FBD Holdings plc for the year ended 31st December 2005 which comprise the Statement of Accounting Policies, the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements 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 the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in 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 for use in the European Union and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005, and the European Communities (Companies: Group Accounts) Regulations, 1992 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 directors' report 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 given 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 2003 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 boards 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 Report of the Directors, the Chairman's Statement, the Review of Operations and the Corporate Governance Statement. Our responsibilities do not extend to other information.

Basis of audit opinion

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

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

Opinion

In our opinion;

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the affairs of the group as at 31st December 2005 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992 and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs, as adopted for use in the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2005, of the state of affairs of the Parent Company as at 31st December 2005; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2005 and Article 4 of the IAS Regulations.

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 balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December 2005 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

7th March 2006

Statement of Accounting Policies

For the year ended 31st December 2005

BASIS OF PREPARATION

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with Irish Statute comprising the Companies Acts, 1963 to 2005, the European Communities (Companies: Group Accounts) Regulations 1992, Article 4 of the IAS Regulations and the listing rules of the Irish and London Stock Exchanges.

The rules for first time adoption of IFRS are set out in IFRS 1 'First-time adoption of International Financial Reporting Standards'. IFRS 1 requires application of the same accounting policies in the IFRS opening balance sheet at 1 January 2004 and for all periods thereafter.

The group's transition to IFRS has been prepared on the basis of taking the following exemptions available under IFRS:

- (a) Cumulative translation differences on foreign operations are deemed to be nil at 1 January 2004. Any gains and losses recognised in the Group Income Statement on subsequent disposals of foreign operations will therefore exclude translation differences arising prior to the transition date. Thereafter, translation differences on foreign operations are included within a separate translation reserve.
- (b) As permitted under the transitional arrangements, IFRS 2, Share Based Payments has only been applied to options granted after 7 November 2002 which had not vested by 1 January 2005.

Note 34 on pages 68 to 74 gives the group's balance sheet at 1st January 2004 and 31st December 2004 and the income statement for the year ended 31st December 2004 as restated from GAAP to IFRS.

A summary of the principal adjustments is also included.

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, 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.

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 the accounting policies with the group.

C) REVENUE RECOGNITION

Turnover 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.

Interest income is recognised on an accruals basis with reference to the principal outstanding at the effective interest rate applicable.

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

Rental income is recognised on an accruals basis with reference to the principal outstanding at the effective interest rate applicable.

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.

(ii) Unearned premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after 31 December 2005. Unearned premiums are computed on a 365ths basis of premium written.

(iii) Deferred acquisition costs

Deferred acquisition costs represent the proportion of net acquisition costs which are attributable to the unearned premiums.

(iv) Unexpired risks

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

(v) Claims incurred

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

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

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

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.

E) OPERATING PROFIT

Operating profit is reported on the basis of a longer term investment return. Finance costs and the short term fluctuation between the longer term investment return and the actual investment return, which includes realised and unrealised gains and losses are incorporated as adjustment figures in arriving at profit before tax. As a result, the operating profit is not subject to distortion from short term fluctuation in investment returns.

F) PROPERTY AND EQUIPMENT

(i) Land and buildings

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. 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.

Statement of Accounting Policies *continued*

For the year ended 31st December 2005

(i) Land and buildings *continued*

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

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

(ii) Fixtures and fittings

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

Fixtures and fittings: 5 to 10 years

G) INVESTMENTS

(i) Investment property

Investment property is stated at fair value. Gains or losses arising from changes in the fair value are included in the income statement for the period in which they arise.

(ii) Investments held for trading at fair value

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

Available for sale investments

Available for sale investments include unquoted investments, and are stated at fair value where fair value can be reliably measured. They are recognised and derecognised on a trade date

basis at cost, and are subsequently revalued to fair value, with gains and losses being included directly in equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the income statement for the period.

Investments held to maturity

Investments held to maturity include debt securities where the intention is to hold them to maturity. They are recognised on a trade date basis at amortised cost.

(iii) Derivative financial instruments

The group's investment activities expose it to foreign currency exchange risks. The group uses foreign exchange forward contracts to hedge this exposure. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

(iv) Associated undertakings

The group's financial statements include the group's share of associated undertakings' results and net assets.

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 actual cash flows over the full term of the loan are used to determine fair value. Loans are stated in the balance sheet after deduction of provisions for bad and doubtful debts. 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 stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

I) 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.

J) CASH AND CASH EQUIVALENTS

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

K) DEFERRED TAXATION

Deferred tax is recognised in respect of all temporary differences, including unrealised investment gains, that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future.

Temporary differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

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.

L) RETIREMENT BENEFITS

The group operates defined benefit pension schemes for the majority of its Irish based employees. A full actuarial valuation of the schemes is undertaken every three years and is updated to reflect current conditions in the intervening periods. 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 schemes is shown on the balance sheet as an asset or liability net of the deferred tax impact. Actuarial gains and losses are recognised immediately in equity through the statement of changes in equity.

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

The group has elected to adopt early, the "Amendment to International Accounting Standards (IAS) 19 Employee Benefits" in advance of the effective date of 1st January 2006. The group has selected the option available within this standard for immediate recognition of all actuarial gains and losses outside the group income statement.

M) CURRENCY

The functional and reporting currency is Euro. 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. Gains and losses on translation are recognised in the group income statement in the period in which they arise.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences are classified as equity and transferred to the translation reserve. On disposal, amounts are recognised in the income statement.

Statement of Accounting Policies *continued*

For the year ended 31st December 2005

N) SHARE-BASED PAYMENT

The group operates a share option scheme based on non-market vesting conditions. For all other options, the fair value of the options is determined at the date of grant and expensed in the income statement over the period during which the employees become unconditionally entitled to the options. The expense is credited to a separate reserve in the balance sheet. At each period end the group revises its estimate of the number of options that it expects to vest and any adjustment relating to current and past vesting period is charged to the income statement. Share options are all equity settled.

O) 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.

P) 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.

Q) 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 is the group's most critical accounting estimates.

Group Income Statement

For the year ended 31st December 2005

	Notes	2005 €000s	2004 €000s as restated
Turnover	1(a)	531,747	471,858
Income			
Net premiums earned	1(c)	332,371	296,237
Non underwriting operating income	1(a)	27,739	18,142
Investment income – longer term rate of return	2(c)	44,435	40,713
		404,545	355,092
Expenses			
Change in insurance liabilities net of reinsurance	1(c)	(38,809)	(52,142)
Claims paid, net of recoveries from reinsurers	1(c)	(163,666)	(145,642)
Other operating expenses	1(c)	(39,446)	(32,514)
Operating profit		162,624	124,794
Investment income – short term fluctuation	2(c)	25,956	10,298
Finance costs	3	(3,425)	(3,116)
Profit before tax	4	185,155	131,976
Income tax expense	6	(23,701)	(16,968)
Profit for the year	7	161,454	115,008
Attributable to:			
Equity holders of the parent		161,500	113,257
Minority interest		(46)	1,751
		161,454	115,008
		2005	2004
		Cents	Cents
Earnings per 60c ordinary share	8	416.09	271.23
Diluted earnings per 60c ordinary share	8	411.45	266.94

The financial statements were approved by the board on 7th March 2006 and signed on its behalf by:

Michael Berkery
Chairman

Philip Fitzsimons
Chief Executive

Group Balance Sheet – Assets

At 31st December 2005

	Notes	2005 €000s	2004 €000s as restated
Property and equipment			
Land and buildings	9	196,923	176,517
Fixtures and fittings	9	13,302	10,547
		210,225	187,064
Intangible assets			
Deferred acquisition costs		11,849	10,591
Investments			
Investment property	10	48,856	24,200
Investments held for trading		477,310	339,825
Available for sale investments		47,290	30,476
Investments held to maturity		13,740	13,684
Deposits with banks		443,042	538,420
		1,030,238	946,605
Inventories	11	62,496	70,543
Loans and receivables	12	141,673	134,909
Reinsurers' share of technical provisions			
Provision for unearned premiums		19,412	21,302
Claims outstanding		46,622	44,463
		66,034	65,765
Cash and cash equivalents		41,897	51,362
Total assets		1,564,412	1,466,839

Group Balance Sheet – Liabilities

At 31st December 2005

	Notes	2005 €000s	2004 €000s as restated
Equity			
Share capital	13	23,557	25,151
Capital reserves	14	9,813	7,445
Revaluation reserves	15	47,706	38,581
Translation reserves	16	435	371
Retained earnings	17(a)	394,616	334,905
Shareholders' funds – equity interests		476,127	406,453
Preference share capital	18	2,923	2,923
Total shareholders' funds		479,050	409,376
Minority interests		6,423	16,333
Total equity		485,473	425,709
Liabilities			
Technical provisions			
Provision for unearned premiums		188,953	184,954
Claims outstanding	19	699,397	658,431
		888,350	843,385
Bank and other loans	22	99,831	80,476
Creditors	23(a)	54,829	91,482
Deferred tax	20	33,873	25,787
Retirement benefit obligation	21	2,056	-
Total liabilities		1,564,412	1,466,839

The financial statements were approved by the board on 7th March 2006 and signed on its behalf by:

Michael Berkery
Chairman

Philip Fitzsimons
Chief Executive

Group Cash Flow Statement

For the year ended 31st December 2005

	Notes	2005 €000s	2004 €000s as restated
Operating activities			
Profit before tax for the year		185,155	131,976
Adjustments for:			
Gains on investments held for trading and held to maturity	24(b)	(41,031)	(17,231)
Depreciation of property and equipment		3,487	3,075
Share-based payment expense		774	278
Increase in fair value of investment property		-	(1,200)
Increase in technical provisions		44,696	54,354
Retirement benefit charges	21	(3,802)	(9,031)
Operating cash flows before movement in working capital		189,279	162,221
Increase in receivables		(4,274)	(8,612)
(Decrease) increase in payables		(22,863)	16,013
Cash generated from operations		162,142	169,622
Income taxes paid		(20,516)	(12,228)
Net cash from operating activities		141,626	157,394
Investing activities			
	24(a)		
Investments held for trading		(96,510)	(146,225)
Investments available for sale		(5,162)	(138)
Purchase of land, buildings and inventory		(13,430)	(50,328)
Purchase of fixtures and fittings		(6,242)	(5,222)
Purchase of investment property		(24,656)	-
Loans and advances		(3,789)	(23,601)
Deposits invested with financial institutions		95,378	68,779
Net cash used in investing activities		(54,411)	(156,735)
Financing activities			
Dividends paid	25	(18,158)	(12,614)
Repurchase of ordinary shares		(81,238)	-
Proceeds of issue of ordinary shares		-	199
Proceeds of re-issue of ordinary shares		1,409	2,517
Increase in bank loans		1,243	34,955
Net cash (used in) from financing activities		(96,744)	25,057
Net (decrease) increase in cash and cash equivalents		(9,529)	25,716
Cash and cash equivalents at the beginning of the year		51,362	25,275
Effect of foreign exchange rate changes		64	371
Cash and cash equivalents at the end of the year		41,897	51,362

Group Statement of Changes in Equity

For the year ended 31st December 2005

	Share capital €000s	Capital reserves €000s	Revaluation and other reserves €000s	Translation reserve €000s	Retained earnings €000s	Attributable to ordinary shareholders €000s	Preference share capital €000s	Minority interests €000s	Total €000s
2004 (as restated)									
Balance at 1 January 2004	25,125	6,994	35,801	-	240,776	308,696	2,923	15,077	326,696
Profit after taxation	-	-	-	-	113,257	113,257	-	1,751	115,008
Exchange translation adjustment	-	-	-	371	-	371	-	-	371
Dividends paid	-	-	-	-	(12,614)	(12,614)	-	-	(12,614)
Reissue of ordinary shares	26	173	-	-	2,517	2,716	-	-	2,716
Recognition of share based payments	-	278	-	-	-	278	-	-	278
Transfer to income statement on sale of available for sale investments	-	-	(3,854)	-	-	(3,854)	-	-	(3,854)
Gain on available for sale investments	-	-	8,535	-	-	8,535	-	-	8,535
Purchase of minority interest	-	-	-	-	-	-	-	(495)	(495)
Actuarial loss on pension fund valuation	-	-	-	-	(9,031)	(9,031)	-	-	(9,031)
Revaluation of owner occupied property	-	-	(1,901)	-	-	(1,901)	-	-	(1,901)
Balance at 31 December 2004	25,151	7,445	38,581	371	334,905	406,453	2,923	16,333	425,709
2005									
Profit after taxation	-	-	-	-	161,500	161,500	-	(46)	161,454
Exchange translation adjustment	-	-	-	64	-	64	-	-	64
Dividends paid	-	-	-	-	(18,158)	(18,158)	-	-	(18,158)
Buyback of own shares	-	-	-	-	(81,238)	(81,238)	-	-	(81,238)
Cancellation of own shares	(1,594)	1,594	-	-	-	-	-	-	-
Reissue of ordinary shares	-	774	-	-	1,409	1,409	-	-	1,409
Recognition of share based payments	-	-	-	-	-	774	-	-	774
Transfer to income statement on sale of available for sale investments	-	-	(5,583)	-	-	(5,583)	-	-	(5,583)
Gain on available for sale investments	-	-	15,779	-	-	15,779	-	-	15,779
Purchase of minority interest	-	-	-	-	-	-	-	(9,864)	(9,864)
Actuarial loss on pension fund valuation	-	-	-	-	(3,802)	(3,802)	-	-	(3,802)
Sale of land and buildings	-	-	(1,071)	-	-	(1,071)	-	-	(1,071)
Balance at 31 December 2005	23,557	9,813	47,706	435	394,616	476,127	2,923	6,423	485,473

Company Balance Sheet

At 31st December 2005

		2005	2004
	Notes	€000s	€000s as restated
Investments			
Interest in subsidiaries		196,616	224,235
Deposits with banks		3,806	4
Cash and cash equivalent		104	4
		200,526	224,243
Capital and reserves			
Share capital	13	23,557	25,151
Capital reserves	14	8,761	7,167
Reserves	17(b)	165,086	188,817
Shareholders' funds – equity interests			
Preference share capital	18	2,923	2,923
Total shareholders' funds			
		200,327	224,058
Creditors			
	23(b)	199	185
		200,526	224,243

The financial statements were approved by the board on 7th March 2006 and signed on its behalf by:

Michael Berkery
Chairman

Philip Fitzsimons
Chief Executive

Company Cash Flow Statement

For the year ended 31st December 2005

	2005	2004
	€000s	€000s
Operating activities		
Profit before tax for the year	74,081	104,630
Decrease (increase) in receivables	25,027	(64,080)
Increase in payables	15	42
Income taxes paid	266	234
Net cash from operating activities	99,389	40,826
Investment activities		
Decrease (increase) in investments	2,500	(3,580)
Deposits invested with financial institutions	(3,802)	1,370
Loans and receivables	-	(28,715)
	(1,302)	(30,925)
Financing activities		
Dividends paid	(18,158)	(12,614)
Repurchase of ordinary shares	(81,238)	-
Proceeds of issue of ordinary shares	-	199
Proceeds of re-issue of ordinary shares	1,409	2,517
Net cash used in financing activities	(97,987)	(9,898)
Net increase in cash and cash equivalents	100	3
Cash and cash equivalents at the beginning of the year	4	1
Cash and cash equivalents at the end of the year	104	4

Company Statement of Changes in Equity

For the year ended 31st December 2005

	Share Capital	Capital reserves	Retained earnings	Attributable to ordinary shareholders	Preference share capital	Total
	€000s	€000s	€000s	€000s	€000s	€000s
Balance at 1st January 2004	25,125	6,994	94,024	126,143	2,923	129,066
Profit after taxation	-	-	104,890	104,890	-	104,890
Dividends paid	-	-	(12,614)	(12,614)	-	(12,614)
Re-issue of ordinary shares	26	173	2,517	2,716	-	2,716
Balance at 31st December 2004	25,151	7,167	188,817	221,135	2,923	224,058
Profit after taxation	-	-	74,256	74,256	-	74,256
Dividends paid	-	-	(18,158)	(18,158)	-	(18,158)
Buyback of own shares	-	-	(81,238)	(81,238)	-	(81,238)
Cancellation of own shares	(1,594)	1,594	-	-	-	-
Re-issue of ordinary shares	-	-	1,409	1,409	-	1,409
Balance at 31st December 2005	23,557	8,761	165,086	197,404	2,923	200,327

Notes to the Financial Statements

For the year ended 31st December 2005

I 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 - Property/leisure and financial services

2005	Underwriting	Non-underwriting	Total
	2005	2005	2005
	€000s	€000s	€000s
Turnover	431,157	100,590	531,747
Operating profit	134,885	27,739	162,624
Investment return – Short term fluctuation	25,956	-	25,956
Finance costs	-	(3,425)	(3,425)
Profit before tax	160,841	24,314	185,155
Other information			
Capital additions	5,819	32,072	37,891
Depreciation and amortisation	3,274	213	3,487
Balance sheet			
Segment assets	1,193,044	371,368	1,564,412
Segment liability	(930,525)	(148,414)	(1,078,939)
2004	Underwriting	Non-underwriting	Total
	2004	2004	2004
	€000s	€000s	€000s
	as restated	as restated	as restated
Turnover	390,053	81,805	471,858
Operating profit	106,652	18,142	124,794
Investment return – Short term fluctuation	10,298	-	10,298
Finance costs	-	(3,116)	(3,116)
Profit before tax	116,950	15,026	131,976

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

I SEGMENTAL INFORMATION *continued*

	Underwriting 2004	Non-underwriting 2004	Total 2004
	€000s	€000s	€000s
	as restated	as restated	as restated
Other information			
Capital additions	5,633	15,280	20,913
Depreciation and amortisation	2,860	215	3,075
Balance sheet			
Segment assets	1,183,723	283,116	1,466,839
Segment liability	(915,944)	(125,186)	(1,041,130)

I (b) Geographical segments

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

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

	Turnover by geographical market		
	2005	2004	
	€000s	€000s	
Ireland	486,974	440,797	
European Union	44,773	31,061	
	531,747	471,858	
	Ireland	European Union	Total
	€000s	€000s	€000s
	as restated	as restated	as restated
2005			
Segment assets	1,414,852	149,560	1,564,412
Segment liability	(958,204)	(120,735)	(1,078,939)
2004			
Segment assets	1,342,977	123,862	1,466,839
Segment liability	(942,694)	(98,436)	(1,041,130)

I SEGMENTAL INFORMATION continued

I(c) Underwriting result

	2005	2005	2004	2004
	€000s	€000s	€000s	€000s
			as restated	
Gross premiums written	389,472		351,487	
Outward reinsurance premiums	(51,212)		(49,634)	
Net premiums written	338,260		301,853	
Change in provision for unearned premiums:				
Gross amount	(3,999)		(3,385)	
Reinsurers' share	(1,890)		(2,231)	
Change in net provision for unearned premium	(5,889)		(5,616)	
Earned premiums, net of reinsurance		332,371		296,237
Claims paid:				
Gross amount	(178,530)		(171,517)	
Reinsurers' share	14,864		25,875	
Claims paid, net of recoveries from reinsurers	(163,666)		(145,642)	
Change in provision for claims:				
Gross amount	(40,966)		(53,365)	
Reinsurers' share	2,157		1,223	
Change in insurance liabilities net of reinsurance	(38,809)		(52,142)	
Claims incurred net of reinsurance		(202,475)		(197,784)
Gross operating expenses	(53,059)		(45,833)	
Reinsurers' share	13,613		13,319	
Net operating expenses		(39,446)		(32,514)
Underwriting result		90,450		65,939

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.

Gross written premiums in 2004 are stated after deducting €30.4m. in respect of a customer loyalty discount.

The impact of buying reinsurance was a charge to the income statement of €22,468,000 (2004: €11,448,000). The above note shows the movement on the insurance liabilities between 1st January 2005 and 31st December 2005 and the movement on the reinsurance assets for the same period. The movement in deferred acquisition costs for the period was a credit to the income statement of €1,258,000 (2004: €2,436,000).

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

2 INVESTMENT INCOME

(a) Actual return

	2005	2004
	€000s	€000s as restated
Income from interest, dividends and rental properties	28,616	25,601
Unrealised gains on investments	32,339	17,466
Realised gains on investments	9,436	7,944
	70,391	51,011

(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.

	2005	2004
	%	%
Government gilts	3.50	4.00
Other quoted debt securities	6.00	6.00
Quoted shares	7.00	7.00
Deposits with banks	2.75	3.00
Investment properties held for rental	6.00	6.00

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

	2005	2004
	€000s	€000s as restated
Actual investment return	70,391	51,011
Longer term investment return	44,435	40,713
Short term fluctuation	25,956	10,298

3 FINANCE COSTS

	2005	2004
	€000s	€000s
Interest on bank and other loans	3,425	3,116

4 PROFIT BEFORE TAX

Profit before taxation has been stated after charging:

	2005	2004
	€000s	€000s
Fees paid to audit firms in respect of:		
- Audit services	424	364
- Non audit services:		
Taxation	315	265
Actuarial	80	69
Other	166	114
	561	448
Depreciation	3,487	3,075

The report on directors' remuneration is set out on pages 60 to 63 (Note 26).

5 STAFF COSTS AND NUMBERS

The average number of persons employed in the group in the financial year was **1,796** (2004: 1,711).

All staff are employed in underwriting, financial services and property/leisure operations.

The aggregate payroll of these persons was as follows:

	2005	2004
	€000s	€000s
Wages and salaries	54,734	49,229
Social welfare costs	7,197	5,942
Pension costs	2,555	2,471
	64,486	57,642

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

6 INCOME TAX EXPENSE

	2005	2004
	€000s	€000s as restated
Irish corporation tax	(16,815)	(12,789)
Foreign tax	(222)	(315)
Adjustments in respect of prior years	(31)	(19)
Current tax charge	(17,068)	(13,123)
Deferred tax charge	(6,633)	(3,845)
	(23,701)	(16,968)

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

	2005	2004
	€000s	€000s as restated
Profit before tax	185,155	131,976
Corporation tax at standard rate of 12.5% (2004: 12.5%)	23,144	16,497
Effects of:		
Double rent relief	(39)	(95)
Higher rates of tax on overseas earnings	111	86
Capital allowances for period in excess of depreciation	(174)	(442)
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	(6,297)	(3,509)
Higher rates of tax on other income	292	567
Adjustments in respect of prior years	31	19
Current tax charge	17,068	13,123
Deferred tax charge	6,633	3,845
	23,701	16,968

7 PROFIT FOR THE YEAR

Of the profit for the year, **€74,256,000** (2004: €104,889,000) has been dealt with in the financial statements of the holding company. As permitted by Section 3(2) of the Companies (Amendment) Act, 1986, a separate income statement for the holding company has not been presented.

8 EARNINGS PER 60C ORDINARY SHARE

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

Earnings	2005 €000s	2004 €000s as restated
Profit for the year	161,454	115,008
Minority interest	46	(1,751)
Preference dividend	(282)	(282)
Earnings for the purpose of basic and diluted earnings per share	161,218	112,975
Number of shares	2005	2004
Weighted average number of ordinary shares for the purpose of basic earnings per share	38,746,000	41,653,000
Effect of dilutive potential of share options outstanding	431,000	670,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,177,000	42,323,000

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

	2005 €000s	2004 €000s as restated
Operating profit after taxation	141,094	108,739
Minority interest	46	(1,751)
Preference dividend	(282)	(282)
Earnings for the purpose of operating earnings per share	140,858	106,706
Number of shares	38,746,000	41,653,000

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

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 as restated	€000s as restated	€000s	€000s as restated
Cost or valuation					
At 1 January 2004	24,885	137,039	161,924	30,855	192,779
Additions	607	15,084	15,691	5,222	20,913
Disposals	(67)	-	(67)	-	(67)
Revaluation	2,510	(3,541)	(1,031)	-	(1,031)
At 1 January 2005	27,935	148,582	176,517	36,077	212,594
Additions	730	30,853	31,583	6,308	37,891
Disposals	-	(11,177)	(11,177)	(66)	(11,243)
At 31 December 2005	28,665	168,258	196,923	42,319	239,242
Comprising:					
At cost	-	137	137	42,319	42,456
At valuation	28,665	168,121	196,786	-	196,786
	28,665	168,258	196,923	42,319	239,242
Accumulated depreciation and impairment					
At 1 January 2004	-	-	-	22,455	22,455
Depreciation charge for the year	-	-	-	3,075	3,075
At 1 January 2005	-	-	-	25,530	25,530
Depreciation charge for the year	-	-	-	3,529	3,529
Elimination on disposals	-	-	-	(42)	(42)
At 31 December 2005	-	-	-	29,017	29,017
Carrying amount					
At 31 December 2005	28,665	168,258	196,923	13,302	210,225
At 31 December 2004	27,935	148,582	176,517	10,547	187,064

9 PROPERTY AND EQUIPMENT *continued*

The following rates are used for the depreciation of property and equipment:

Fixtures and fittings 10% to 20%

Included in hotels and golf resort assets are properties in respect of which related liabilities of **€26.9m.** (2004: €8.8m.) are included in bank and other loans (Note 22).

Land and buildings held for own use were valued on an open market existing use basis at 31st December 2004 by Allen and Townsend Associates, Valuation Surveyors.

Hotels and golf resort assets located outside Ireland were valued on an open market existing use basis at 31st December 2004 by American Appraisal, Valuation Surveyors. Irish hotels and golf resort assets, were valued as at 31st December 2004 on an open market existing use basis by the following:

Hotel/Golf Resort	Valuer
Tower Hotel Waterford	Lisney
Faithlegg House Hotel and Golf Club	Lisney
Temple Bar Hotel	Hamilton Osbourne King

At 31st December 2005 had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately **€158,120,000** (2004: €136,643,000)

10 INVESTMENT PROPERTY

	2005	2004
	€000s	€000s
Fair value of investment property		
At beginning of year	24,200	23,000
Increase in fair value during the year	-	1,200
Purchase of investment property	24,656	-
At end of year	48,856	24,200

Investment properties held for rental were valued on an open market existing use basis at 31st December 2004 by Allen and Townsend Associates, Valuation Surveyors.

The rental income earned by the group from its investment properties amounted to **€1,820,000** (2004: €1,119,000).

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

11 INVENTORIES

	2005	2004
	€000s	€000s
		as restated
Work in progress	26,333	36,438
Development land	36,163	34,105
	62,496	70,543

12 LOANS AND RECEIVABLES

	2005	2004
	€000s	€000s
(a) Loans	80,464	76,675
(b) Other receivables		
Policyholders	24,525	25,125
Intermediaries	1,617	1,485
Due from re-insurers	94	93
Other debtors	22,622	20,023
Prepayment and accrued income	6,354	9,048
Accrued interest and rent	5,997	2,460
	61,209	58,234
	141,673	134,909

The directors consider that the carrying amount of receivables approximates to their fair value.

Credit Risk

At 31st December 2005, the group has provided loans with a maximum credit risk exposure of €80,464,000 (2004: €76,675,000) all loans are secured on land and FBD has first charge. There is no significant concentration of credit risk relating to these loans.

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

13 SHARE CAPITAL

		2005	2004
	Number	€000s	€000s
Authorised:			
At beginning and end of year			
Ordinary shares of 60c each	51,326,000	30,796	30,796
Issued and fully paid:			
At the beginning of year			
Exercise of share options	-	-	26
Cancellation of shares	(2,656,649)	(1,594)	-
At the end of year	39,261,206	23,557	25,151

The company has one class of ordinary shares which carry no right to fixed income.

Options outstanding on ordinary shares at 31st December 2005 were **1,179,918** (2004: 1,510,900). 94,000 of these options may be exercised prior to May 2010 at a subscription price of 460 cent and the remainder may be exercised prior to October 2013 at a subscription price of 1059 cent. The total number of shares held as treasury shares at 31st December 2005 was 1,189,900 and the average purchase price was €19.49 per share. 321,000 treasury shares were re-issued during the year and the proceeds credited to distributable reserves (see note 17(a)). The weighted average number of shares in the earnings per share calculation has been reduced by the number of shares held in treasury.

14 CAPITAL RESERVES

	Share premium	Capital conversion reserve	Capital redemption reserve	Total company	Share option reserve	Total group
	€000s	€000s	€000s	€000s	€000s	€000s
Balance 1 January 2004	5,367	1,627	-	6,994	-	6,994
Recognition of share-based payments	-	-	-	-	278	278
Premium arising on issue of shares under share option scheme	173	-	-	173	-	173
Balance 1 January 2005	5,540	1,627	-	7,167	278	7,445
Recognition of share-based payments	-	-	-	-	774	774
Cancellation of shares	-	-	1,594	1,594	-	1,594
Balance at 31 December 2005	5,540	1,627	1,594	8,761	1,052	9,813

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

15 REVALUATION RESERVES

	Properties €000s as restated	Available for sale investments €000s as restated	Total €000s as restated
Balance 1 January 2004	23,141	12,660	35,801
Revaluation of land and buildings	(2,425)	-	(2,425)
Deferred tax on revaluation of land and buildings	524	-	524
Increase in fair value of available for sale investments	-	5,349	5,349
Deferred tax on available for sale investments	-	(668)	(668)
Balance 1 January 2005	21,240	17,341	38,581
Increase in fair value of available for sale investments	-	11,649	11,649
Deferred tax on available for sale investments	-	(1,453)	(1,453)
Sale of land and buildings	(1,071)	-	(1,071)
Balance at 31 December 2005	20,169	27,537	47,706

16 TRANSLATION RESERVES

	Translation reserve €000s
Balance 1 January 2004	-
Exchange differences on translation of foreign operations	371
Balance 1 January 2005	371
Exchange differences on translation of foreign operations	64
Balance at 31 December 2005	435

17 (a) RETAINED EARNINGS – GROUP

	2005	2004
	€000s	€000s as restated
At beginning of year	334,905	240,776
Dividends paid	(18,158)	(12,614)
Profit for the year attributable to equity holders	161,500	113,257
Buyback of own shares	(81,238)	-
Re-issue of ordinary shares	1,409	2,517
Actuarial loss on pension fund valuation	(3,802)	(9,031)
At end of year	394,616	334,905

Distributable reserves amount to **€333,880,000** (2004: €309,740,000 as restated)

(b) RETAINED EARNINGS – COMPANY

	2005	2004
	€000s	€000s as restated
At beginning of year	188,817	94,024
Buyback of own shares	(81,238)	-
Transfer from profit and loss account	56,098	92,276
Re-issue of ordinary shares	1,409	2,517
At end of year	165,086	188,817

18 PREFERENCE SHARE CAPITAL

		2005	2004
	Number	€000s	€000s
Authorised:			
At beginning and end of year			
14% non-cumulative preference shares of 60c each	1,340,000	804	804
8% non-cumulative preference shares of 60c each	12,750,000	7,650	7,650
		8,454	8,454
Issued and fully paid:			
At beginning and end of year			
14% non-cumulative preference shares of 60c each	1,340,000	804	804
8% non-cumulative preference shares of 60c each	3,532,292	2,119	2,119
		2,923	2,923

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

19 CLAIMS OUTSTANDING

	Prior years	2001	2002	2003	2004	2005	Outstanding claims
	€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	
One year later	-	200,668	222,441	225,267	277,415	-	
Two years later	-	198,406	209,284	206,220	-	-	
Three years later	-	182,112	198,551	-	-	-	
Four years later	-	168,013	-	-	-	-	
Estimate of cumulative claims	1,148,333	168,013	198,551	206,220	277,415	329,501	
Cumulative payments	(1,082,773)	(117,547)	(118,197)	(100,984)	(124,995)	(84,140)	
Claims outstanding	65,560	50,466	80,354	105,236	152,420	245,361	699,397

20 DEFERRED TAX

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

	Revaluation of land and buildings	Revaluation of investment property	Revaluation of financial investments	Insurance contracts	Retirement benefit obligations	Other timing differences	Total
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
	as restated	as restated	as restated	as restated		as restated	as restated
At 1 January 2004	10,173	367	2,973	8,285	-	-	21,798
(Credited) charged to equity	(524)	-	668	-	-	-	144
Charged to income statement	-	461	2,529	-	260	595	3,845
At 1 January 2005	9,649	828	6,170	8,285	260	595	25,787
Charged to equity	-	-	1,453	-	-	-	1,453
Charged to income statement	-	-	5,958	-	363	312	6,633
At 31 December 2005	9,649	828	13,581	8,285	623	907	33,873

21 RETIREMENT BENEFITS OBLIGATIONS

The group operates defined benefit pension schemes for the majority of its Irish based staff. A full actuarial valuation was carried out on 1st January 2004 and updated to 31st December 2005 by the schemes' independent and qualified actuary to take account of the requirements of IAS 19. The major assumptions used by the actuary were:

	2005	2004
	%	%
Assumptions used to calculate scheme liabilities:		
Inflation rate increase	2.00	2.00
Salary rate increase	4.00	4.00
Pension payment increase	2.00	2.00
Discount rate	4.25	4.75
Long-term rate of return on scheme assets:		
Equities	7.00	6.70
Bonds	3.50	3.70
Property	6.00	4.70
	2005	2004
	€000s	€000s
Assets in schemes at market value:		
Equities	59,085	45,803
Bonds	26,491	14,016
Property and other	7,069	16,758
	92,645	76,577
Actuarial value of liabilities	(94,995)	(76,536)
(Deficit) surplus in schemes at market value	(2,350)	41
Related deferred tax asset	294	-
Net pension (liability) asset	(2,056)	41

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

21 RETIREMENT BENEFITS OBLIGATIONS *continued*

	2005				2004
	€000s				€000s
Group income statement:					
Charged to operating profit:					
Current service cost	2,854				2,281
Death in service cost	112				93
	2,966				2,374
Interest on scheme liabilities	(3,756)				(3,388)
Expected return on scheme assets	4,167				3,291
	411				(97)
	2,555				2,471
Analysis of amount recognised in group statement of changes in equity:					
Actual return less expected return on scheme assets	9,399				2,186
Experience gains and losses on scheme liabilities	(3,289)				(1,899)
Changes in demographic and financial assumptions	(10,206)				(7,746)
Actuarial loss	(4,096)				(7,459)
Deferred tax credit (charge)	294				(1,572)
Total actuarial loss	(3,802)				(9,031)
	2005	2004	2003		
	€000s	€000s	€000s	€000s	
HISTORY OF EXPERIENCE GAINS AND LOSSES					
Difference between expected and actual return on assets	9,399	2,186	2,352	(14,838)	
<i>% of scheme assets</i>	10.1%	2.9%	4.7%	(35.7%)	
Experience gains and losses on scheme liabilities	(3,289)	(1,899)	(4,301)	(4,880)	
<i>% of scheme liabilities</i>	(3.46%)	(2.5%)	(6.9%)	(9.2%)	
Total actuarial loss	(3,802)	(9,031)	(3,091)	(22,814)	
<i>% of scheme liabilities</i>	(4.0%)	(11.8%)	(4.9%)	(43.1%)	

21 RETIREMENT BENEFITS OBLIGATIONS continued

	2005	2004
	€000s	€000s
MOVEMENT IN SURPLUS (DEFICIT) DURING THE YEAR		
Net surplus (deficit) in scheme at start of year	41	(11,010)
Current service cost	(2,854)	(2,281)
Contributions	4,148	22,460
Interest on scheme liabilities	(3,756)	(3,388)
Expected return on scheme assets	4,167	3,291
Actuarial loss	(4,096)	(7,459)
Deferred tax credit (charge)	294	(1,572)
Net (deficit) surplus at end of year	(2,056)	41
MOVEMENT ON ASSETS AND LIABILITIES		
Assets		
Assets in scheme at 1st January 2005	76,577	
Actual return less expected return on scheme assets	9,399	
Contributions	4,148	
Employee contributions	231	
Expected return on scheme assets	4,167	
Benefits paid	(1,877)	
Assets in scheme at 31st December 2005	92,645	
Liabilities		
Liabilities in scheme at 1st January 2005	76,536	
Experience gains and losses on scheme liabilities	3,289	
Changes in demographic and financial assumptions	10,206	
Current service cost	2,854	
Employee contributions	231	
Interest on scheme liabilities	3,756	
Benefits paid	(1,877)	
Liabilities in scheme at 31st December 2005	94,995	

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

22 BANK AND OTHER LOANS

	2005	2004
	€000s	€000s
Bank loans	72,944	71,701
Obligation under property financing arrangements	26,887	8,775
	99,831	80,476

Liabilities in respect of obligations under property financing arrangements fall due for settlement in 2006, 2007 and 2012.

	2005	2004
	€000s	€000s
Bank Loans	72,944	71,701
The borrowings are repayable as follows:		
On demand or within one year	5,104	20,275
In the second year	1,195	2,159
In the third year	598	3,304
In the fourth year	2,143	2,706
In the fifth year	1,943	2,805
After five years	24,931	15,427
	35,914	46,676
Loans with no repayment schedule	37,030	25,025
	72,944	71,701

No repayment schedule has yet been agreed for loans with AIB plc which amounted to **€37,030,000** (2004: €25,025,000). The group have agreed with AIB plc to repay the loan or agree a capital repayment schedule prior to 30th September 2007.

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

	Euro	Sterling	Total
	€000s	€000s	€000s
Bank Loans			
31/12/2005	71,662	1,282	72,944
31/12/2004	70,283	1,418	71,701

The average interest rates were as follows:

	2005	2004
Bank Loans	3.49%	4.03%

All bank loans at 31st December 2005 are at floating interest rates (2004: €61.4m.), exposing the group to cash flow interest rate risk.

23 CREDITORS

	2005	2004
	€000s	€000s
		as restated
(a) GROUP		
Creditors arising out of direct insurance operations	15,014	12,606
Amounts falling due within one year:		
Creditors and accruals	35,129	70,649
Corporation tax	3,395	6,843
PAYE/PRSI	1,122	1,215
Proposed dividends on preference shares	169	169
	39,815	78,876
	54,829	91,482
	2005	2004
	€000s	€000s
		as restated
(b) COMPANY		
Amounts falling due within one year:		
Creditors and accruals	30	16
Proposed dividends on preference shares	169	169
	199	185

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

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

	2005	2004
	€000s	€000s
Investment activities		
Purchase of investments held for trading	4,547,854	4,899,950
Sale of investments held for trading	(4,451,344)	(4,753,725)
Purchase of available for sale investments	10,602	2,557
Sale of available for sale investments	(5,440)	(2,419)
Decrease in deposits with banks	(95,378)	(68,779)
Increase in loans and advances	15,944	44,922
Decrease in loans and advances	(12,155)	(21,321)
Increase in land and buildings	31,583	15,691
Decrease in land and buildings	(10,106)	(67)
Increase in Inventories	-	34,704
Decrease in Inventories	(8,047)	-
Increase in fixtures and fittings	6,242	5,222
Increase in Investment property	24,656	-
	54,411	156,735

(b) MOVEMENT IN CASH, PORTFOLIO INVESTMENT AND FINANCING

	1/1/05	Cash flow	Changes to market value	31/12/05
	€000s	€000s	€000s	€000s
	as restated			
Cash	51,362	(9,465)	-	41,897
Investments held for trading	339,825	96,510	40,975	477,310
Investments held to maturity	13,684	-	56	13,740
Investments available for sale	30,476	5,162	11,652	47,290
Deposits with financial institutions	538,420	(95,378)	-	443,042
Loans and advances	76,675	3,789	-	80,464
Land, buildings and inventory	247,060	13,430	(1,071)	259,419
Investment property	24,200	24,656	-	48,856
Bank loans	(71,701)	(1,243)	-	(72,944)
	1,250,001	37,461	51,612	1,339,074

25 DIVIDENDS

	2005	2004
	€000s	€000s
		as restated
Paid in period:		
Dividend of 8.4c (2004: 8.4c) per share on 14% non-cumulative preference shares of 60c each	113	113
Dividend of 4.8c (2004: 4.8c) per share on 8% non-cumulative preference shares of 60c each	169	169
2004 Final dividend of 27.28c (2003: 17.0c) per share on ordinary shares of 60c each	10,298	7,023
2005 Interim dividend of 20.00c (2004: 12.72c) per share on ordinary shares of 60c each	7,578	5,309
	18,158	12,614
Proposed:		
Dividend of 4.8c (2004: 4.8c) per share on 8% non-cumulative preference shares of 60c each	169	169
Final dividend of 37.50c (2004: 27.28c) per share on ordinary shares of 60c each	14,277	10,298
	14,446	10,467

In respect of 2005, the directors propose that a dividend of 37.50 cents per share will be paid to shareholders on 3rd May 2006. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 17 March 2006. The total estimated dividend to be paid is €14,277,000.

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

26 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS

REMUNERATION POLICY

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

	Fees	Salary	Bonus	Other	Pension	2005
	€000s	€000s	€000s	Remuneration (a)	Contributions	Total
	€000s	€000s	€000s	€000s	€000s	€000s
Executive Directors:						
Philip Fitzsimons	-	475	230	24	79	808
Andrew Langford	-	200	42	12	32	286
Adrian Taheny	-	220	53	25	41	339
Non-Executive Directors:						
Michael Berkery (Chairman)	100	-	-	-	-	100
John Dillon	30	-	-	-	-	30
John Donnelly	30	-	-	-	-	30
John Duggan (i)	10	-	-	-	-	10
Philip Lynch	30	-	-	-	-	30
Michael Morley (i)	10	-	-	-	-	10
Patrick O'Keeffe	30	-	-	-	-	30
Joseph Rea	30	-	-	-	-	30
Hugh Ryan (i)	10	-	-	-	-	10
Johan Thijs	30	-	-	-	-	30
Vincent Sheridan	55	-	-	-	-	55
	365	895	325	61	152	1,798

(i) Retired 27th April 2005

26 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS continued

		Fees	Salary	Bonus	Other Remuneration (a)	Pension Contributions	2004 Total
		€000s	€000s	€000s	€000s	€000s	€000s
Executive Directors:							
Philip Fitzsimons		-	315	120	24	111	570
Andrew Langford	(iii)	-	11	-	1	2	14
Paul O'Callaghan	(v)	-	316	71	19	62	468
Adrian Taheny	(iii)	-	14	-	1	3	18
Non-Executive Directors:							
Michael Berkery (Chairman)		75	-	-	-	-	75
John Dillon		17	-	-	-	-	17
John Donnelly		18	-	-	-	-	18
John Duggan		18	-	-	-	-	18
Willy Duron	(iv)	5	-	-	-	-	5
Philip Lynch		18	-	-	-	-	18
Michael Morley		17	-	-	-	-	17
Patrick O'Keeffe		18	-	-	-	-	18
Joseph Rea		18	-	-	-	-	18
Hugh Ryan		18	-	-	-	-	18
Johan Thijs	(i)	11	-	-	-	-	11
Vincent Sheridan	(ii)	13	-	-	-	-	13
Alfons Wouters	(v)	16	-	-	-	-	16
		262	656	191	45	178	1,332

(i) Appointed 7th May 2004

(ii) Appointed 24th August 2004

(iii) Appointed 10th December 2004

(iv) Resigned 7th May 2004

(v) Resigned 31st December 2004

(a) Relates to motoring/VHI allowance

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

26 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS *continued*

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

	Increase in accrued benefits during 2005	Accrued benefit at year end	Transfer value of increase in accrued benefits
	€000s	€000s	€000s
Philip Fitzsimons	82	281	1,292
Andrew Langford	7	31	17
Adrian Taheny	1	96	3
	90	408	1,312

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

SHARE OPTIONS

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

SERVICE CONTRACTS

There are no service contracts in force for any director.

DIRECTORS' AND SECRETARY'S INTERESTS

The beneficial interests of the directors and secretary of the company and their spouses and minor children in the ordinary share capital of the company, at 31st December 2005, were as follows:

	SHAREHOLDING	
	31/12/05	1/1/05
DIRECTORS:		
Michael Berkery	20,000	20,000
John Donnelly	23,256	23,256
Philip Fitzsimons	100,000	100,000
Andrew Langford	3,000	3,000
Philip Lynch	10,000	10,000
Patrick O'Keeffe	69,770	69,770
Joseph Rea	3,238	3,238
Adrian Taheny	10,000	10,000
SECRETARY:		
David J. Flynn	47,000	47,000

No changes in the above shareholdings have occurred between 31st December 2005 and the date of this report.

26 REPORT ON DIRECTORS' REMUNERATION AND INTERESTS continued**DIRECTORS' SHARE OPTIONS**

		Number of options at 1/1/05	Exercised during year	Granted during year	Number of options at 31/12/05	Exercise price	Market Price at date of option
Philip Fitzsimons	(i)	80,000	30,000	-	50,000	4.60	4.60
	(ii)	112,918	-	-	112,918	10.59	10.59
Andrew Langford	(ii)	44,000	-	-	44,000	10.59	10.59
Adrian Taheny	(ii)	70,000	-	-	70,000	10.59	10.59

(i) Options exercisable from May 2003, expire May 2010.

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

27 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.A.	Golf resort	76
Ranchos Reunidos S.A.	Property	100
Sunset Beach Club S.A.	Hoteliers	100
Tower Hotel Group Limited	Hoteliers	100

The Registered Office of each of the above subsidiaries is at FBD House, Bluebell, Dublin 12, with the exception of Ranchos Reunidos S.A. and La Cala Golf Club S.A. 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.

During the year under review, the group acquired the remaining 25% minority interest in Tower Hotel Group Limited to bring its total shareholding to 100%.

28 CAPITAL COMMITMENTS

	2005	2004
	€000s	€000s
Capital commitments at 31st December authorised by the directors but not provided for in the financial statements:		
Contracted for	3,473	14,805
Not contracted for	1,150	-

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

29 SHARE BASED PAYMENTS

Equity settled share option scheme

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

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

	2005		2004	
	Number of shares options	Weighted average exercise price €	Number of shares options	Weighted average exercise price €
Outstanding at the beginning of the year	1,510,900	8.90	2,119,800	7.62
Exercised during the year	(321,000)	4.39	(608,900)	4.46
Options expired on cessation of employment	(9,982)	10.59	-	-
Outstanding at the end of the year	1,179,918	10.12	1,510,900	8.90
Exercisable at the end of the year	94,000		415,000	

The weighted average share price at the date of exercise for share options exercised during the year was €30.11.

The options outstanding at the end of the year have a weighted average remaining contractual life of **7.5 years** (2004: 7.7 years).

In September 2003 options were granted, the fair value of these options are €12.03.

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

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

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

The group recognised total expenses of **€774,000** (2004: €278,000) relating to equity settled share-based payment transactions during the year.

30 CONTINGENT LIABILITIES

The group has guaranteed a loan of €16,500,000 to a rental property development over which it holds a second fixed charge. The group has also guaranteed a loan secured on Castleknock Hotel of €18,112,000.

31 EVENTS AFTER THE BALANCE SHEET DATE

On 23rd February 2006, Ranchos Reunidos S.A., a 100% subsidiary of the group, entered into a conditional agreement to sell a major portion of the development land it owns at La Cala Resort.

Subject to all of the conditions in the agreement being fulfilled, it is estimated that the sale will result in a profit after tax of up to €90m.

32 TRANSACTIONS WITH RELATED PARTIES

Farmer Business Developments plc has a 34% shareholding in the group at 31st December 2005. During the year FBD Insurance plc, the group's principal subsidiary, acquired 2,301,000 shares in Farmer Business Developments plc for €10,347,575 and disposed of 2,242,861 shares for a consideration of €9,195,730. At the year end, FBD Insurance plc's shareholding in Farmer Business Developments plc is included in the financial statements at a value of €44,267,000 (2004: €23,527,560). Included in the financial statements at the year end is €1,382,000 due to (2004: €6,139,000 due from) Farmer Business Developments plc. Interest is charged on this balance at the market rate. The amount is due to be settled in cash. No guarantees have been given or received.

Compensation to directors is outlined in note 26.

33 RISK MANAGEMENT

Interest Rate Risk

At 31st December 2005, the group had the following fixed interest quoted debt securities.

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

	2005		2004	
	Market value €000s	Weighted average interest rate	Market value €000s	Weighted average interest rate
Time to maturity				
In one year or less	14,934	2.250%	-	-
In more than one year, but not more than two years	85,910	4.677%	30,154	2.75%
In more than two years, but not more than three years	-	-	3,808	5.75%
In more than three years, but not more than four years	64,187	3.785%	-	-
In more than four years, but not more than five years	-	-	13,740	5.75%
More than five years	4,579	2.375%	73,600	4.15%
	169,610		121,302	

Loans made by the group are at floating interest rates, and as such are not exposed to interest rate risk.

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

33 RISK MANAGEMENT *continued*

Fair Value

Quoted shares and debt securities are valued at market value using the closing bid price of the relevant securities.

	2005	2004
	€000s	€000s
Investments held for trading		
Quoted shares at cost	253,956	209,061
Quoted shares at market value	325,108	235,793
Quoted debt securities at cost	152,605	104,566
Quoted debt securities at market value	152,202	104,032
Available for sale investments at fair value		
Unquoted shares at cost	15,820	10,658
Unquoted shares at market value	47,490	30,476

Liquidity risk

The group is exposed to daily calls on its cash resources, mainly from claims. The board sets limits on the minimum proportion of maturing funds available to meet such calls.

Market risk

The group has invested in quoted debt securities and quoted 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 mitigated by the formulation of, and adherence to, strict investment guidelines, as approved by the board of directors, employment of appropriately qualified and experienced personnel to manage the group's investment portfolio, and the use of forward foreign exchange contracts.

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 and within each of the types of risks, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Risks covered include motor, employers and public liability and property. All risks underwritten are located in Ireland, with no significant concentration in any one area.

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

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

33 RISK MANAGEMENT *continued*

The group's underwriting strategy 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, employer's liability and public liability business, the group has in place excess of loss reinsurance treaties and for its property business, quota share reinsurance treaties operate. The group's retention rate on all reinsurance treaties is approved by the board of directors on an annual basis.

Key assumptions used in calculating insurance liabilities

When estimating the cost of claims outstanding at year end, the principle assumption underlying the estimates is the group's past development pattern. This includes assumptions in respect of certain historic average claim costs, claims handling costs, and claims inflation factors.

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

Effect of changes in assumptions on insurance liabilities and sensitivities

Technical reserves estimated by the group are sensitive to the above key assumptions. The table below indicates the impact of various changes in assumptions:

31st December 2005	Change in assumptions	Increase	Increase	Impact on profit before tax	Reduction in shareholders' equity
		in gross technical reserves	in net technical reserves		
		€000s	€000s		
Average claim costs	+10%	24,364	20,371	(20,371)	(17,824)
Claims inflation	+1%	14,294	14,294	(14,294)	(12,508)

Credit risk

All of the group's current reinsurers have credit ratings of BBB 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 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.

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the group has adopted all of the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised standards and Interpretations has resulted in changes to the group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods.

- Insurance Contracts (IFRS 4)
- Property, Plant and Equipment (IAS 16)
- Inventories (IAS 2)
- Financial Instruments: Recognition and Measurement (IAS 39)

The impact of these changes is discussed below.

IFRS 4, Insurance Contracts

Under IFRS 4 *Insurance Contracts*, provisions for possible future claims arising from insurance contracts that are not in existence at the reporting date (such as catastrophe and equalisation provisions) are not recognised as liabilities.

As a result of this the net profit for 2004 was reduced by €1.9 million. The release of the equalisation provision resulted in a credit to retained earnings of €15.4 million.

IAS 16, Property, Plant and Equipment

Under IFRS, the owner occupied property is accounted for under IAS 16, *Property, Plant & Equipment*. Under IAS 16, owner occupied property continues to be carried at current market value but any unrealised surplus, arising on revaluation, is taken to equity. Any unrealised revaluation deficit will be taken to the income statement, to the extent that there is no previous revaluation surplus to offset the deficit.

In 2004 the change in accounting policy resulted in an increase in net profit for the year of €1.0 million. The balance sheet remains unchanged. There were no revaluations of property in 2005.

IAS 2, Inventories

IAS 40, *Investment Property*, does not permit classification of property intended for sale in the ordinary course of business or in the process of construction or development for such sale as investment property but states that it is to be accounted for under IAS 2, *Inventories*. Under IAS 2, development land is valued at the lower of cost or net realisable value. Accordingly, in our IFRS financial statements, development land is classified as inventory and valued at the lower of cost and net realisable value.

This resulted in a reduction in net profit of €3.6 million in 2004 and a reduction in the balance sheet of reserves by €10.4 million at 31st December 2004.

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *continued*

IAS 39, Financial Instruments: Recognition and Measurement

For the purposes of measuring financial assets under IAS 39, Financial Instruments: Recognition and Measurement, all financial assets are classified into the following four categories:

- 1) Available-for-sale investments;
- 2) Held-to-maturity investments;
- 3) Held for trading
- 4) Loans and receivables

A full review of the group's investments has been performed as part of the adoption of IFRS, and all listed equities and debt securities are categorised as financial assets at fair value through the income statement except for certain debt securities that are categorised as held-to-maturity investments. All unquoted equities are categorised as available-for-sale investments.

Under IFRS, listed investments are valued at bid price prevailing at the balance sheet date. For 2004 this resulted in a reduction in profit of €1.2 million.

For financial assets categorised at fair value through the income statement, any realised or unrealised gains or losses on revaluation are taken to the income statement.

Under IAS 39, available-for-sale investments must be fair valued, with any unrealised gains or losses taken to equity. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. Where a previously revalued available-for-sale investment is sold, and a gain is realised, any previously unrealised gain included in the revaluation reserve is taken to the income statement. This change increased our reserves in the balance sheet by €5.4 million at 31st December 2004.

Under IAS 39, held-to-maturity investments are valued at amortised cost. This resulted in only a minor change to our profit in 2004.

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *continued*

Restatement of 2004 financial information

Group Balance Sheet at 31st December 2004

	As published under Irish GAAP	Effect of transition to IFRS	IFRS
	€000s	€000s	€000s
ASSETS			
Property and equipment			
Land and buildings	224,985	(48,468)	176,517
Fixtures and fittings	10,547	-	10,547
	235,532	(48,468)	187,064
Intangible assets			
Deferred acquisition costs	10,591	-	10,591
Investments			
Investment property	24,200	-	24,200
Investments held for trading	341,640	(1,815)	339,825
Available for sale investments	10,658	19,818	30,476
Investments held to maturity	11,200	2,484	13,684
Deposits with banks	586,987	(48,567)	538,420
	974,685	(28,080)	946,605
Inventories	36,438	34,105	70,543
Loans and Receivables	134,257	652	134,909
Reinsurers' share of technical provisions			
Provision for unearned premiums	21,302	-	21,302
Claims outstanding	44,463	-	44,463
	65,765	-	65,765
Cash and cash equivalents	2,795	48,567	51,362
Total assets	1,460,063	6,776	1,466,839

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

Restatement of 2004 financial information

Group Balance Sheet at 31st December 2004 (continued)

	As published under Irish GAAP	Effect of transition to IFRS	IFRS
	€000s	€000s	€000s
EQUITY			
Share capital	25,151	-	25,151
Capital reserves	7,167	278	7,445
Revaluation and other reserves	-	38,581	38,581
Translation reserves	371	-	371
Retained earnings	339,529	(4,624)	334,905
Shareholders funds – equity interests	372,218	34,235	406,453
Preference share capital	2,923	-	2,923
Total shareholders' funds	375,141	34,235	409,376
Minority interests	16,333	-	16,333
Total equity	391,474	34,235	425,709
LIABILITIES			
Technical provisions			
Provision for unearned premiums	184,954	-	184,954
Claims outstanding	683,386	(24,955)	658,431
	868,340	(24,955)	843,385
Deferred tax	17,306	8,481	25,787
Bank and other loans	80,476	-	80,476
Creditors	102,467	(10,985)	91,482
Total liabilities	1,460,063	6,776	1,466,839

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *continued*

Restatement of 2004 financial information

Group Balance Sheet at 1st January 2004

	As published under Irish GAAP	Effect of transition to IFRS	IFRS
	€000s	€000s	€000s
ASSETS			
Property and equipment			
Land and buildings	199,843	(38,056)	161,787
Fixtures and fittings	8,400	-	8,400
	208,243	(38,056)	170,187
Intangible assets			
Deferred acquisition costs	8,155	-	8,155
Investments			
Investment property	23,000	-	23,000
Investments held for trading	176,825	(404)	176,421
Available for sale investments	10,520	14,468	24,988
Investments held to maturity	11,200	2,431	13,631
Deposits with banks	630,122	(22,921)	607,201
	851,667	(6,426)	845,241
Inventories	8,355	27,620	35,975
Loans and Receivables	104,654	436	105,090
Reinsurers' share of technical provisions			
Provision for unearned premiums	23,433	-	23,533
Claims outstanding	43,240	-	43,200
	66,773	-	66,773
Cash and cash equivalents	2,354	22,921	25,275
Total assets	1,250,201	6,495	1,256,696

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *continued*

Restatement of 2004 financial information

Group Balance Sheet at 1st January 2004 (continued)

	As published under Irish GAAP	Effect of transition to IFRS	IFRS
	€000s	€000s	€000s
EQUITY			
Share capital	25,125	-	25,125
Capital reserves	6,994	-	6,994
Revaluation and other reserves	-	35,801	35,801
Translation reserves	-	-	-
Retained earnings	246,836	(6,430)	240,406
Shareholders funds – equity interests	278,955	29,371	308,326
Preference share capital	2,923	-	2,923
Total shareholders' funds	281,878	29,371	311,249
Minority interests	15,077	-	15,077
Total equity	296,955	29,371	326,326
LIABILITIES			
Technical provisions			
Provision for unearned premiums	181,569	-	181,569
Claims outstanding	632,141	(23,671)	608,470
	813,710	(23,671)	790,039
Deferred tax	13,479	7,817	21,296
Bank and other loans	36,746	-	36,746
Creditors	89,311	(7,022)	82,289
Total liabilities	1,250,201	6,495	1,256,696

Notes to the Financial Statements *continued*

For the year ended 31st December 2005

34 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *continued*

Restatement of 2004 financial information

Group Income Statement for the year ended 31st December 2004

	As published under Irish GAAP	Effect of transition to IFRS	IFRS
	€000s	€000s	€000s
INCOME			
Net premiums earned	296,237	-	296,237
Non underwriting operating income	21,485	(3,343)	18,142
Investment income – longer term rate of return	39,820	893	40,713
	357,542	(2,450)	355,092
EXPENSES			
Change in insurance liabilities, net of reinsurance	(53,425)	1,283	(52,142)
Claims paid, net of recoveries from reinsurers	(145,642)	-	(145,642)
Other operating expenses	(32,514)	-	(32,514)
	125,961	(1,167)	124,794
Investment income – short term fluctuation	12,164	(1,866)	10,298
Finance costs	(3,116)	-	(3,116)
	135,009	(3,033)	131,976
Income tax expense	(17,025)	57	(16,968)
Profit for the year	117,984	(2,976)	115,008

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, 26th April 2006, at 12 noon for the following purposes:

AS ORDINARY BUSINESS

- 1 To consider and adopt the Directors' report and financial statements for the year ended 31st December 2005 (Resolution 1).
- 2 To confirm the interim dividend and to declare a final dividend on the ordinary shares (Resolution 2).
- 3 To confirm a dividend on the 14% non-cumulative preference shares (Resolution 3).
- 4 To declare a dividend on the 8% non-cumulative preference shares (Resolution 4).
- 5 (i) To re-elect Directors under Article 79 (c):
The following persons are recommended by the board for re-appointment.

Mr. Michael Berkery	(Resolution 5(a)).
Mr. John Donnelly	(Resolution 5(b)).
Mr. Philip Lynch	(Resolution 5(c)).
Dr. Patrick O'Keeffe	(Resolution 5(d)).
Mr. Joseph Rea	(Resolution 5(e)).
- (ii) To elect Directors under Article 82 (b):
The following persons are recommended by the board for re-appointment.

Mr. Philip Fitzsimons	(Resolution 5(f)).
Mr. Pdraig Walshe	(Resolution 5(g)).
- 6 To authorise the Directors to fix the remuneration of the auditors (Resolution 6).
- 7 To transact any other ordinary business of the Company.

AS SPECIAL BUSINESS

- 8 To consider and, if thought fit, pass the following Special Resolution (Resolution 8):
"In accordance with the provisions of the Companies (Amendment) Act, 1983, the Directors be and are hereby empowered to allot "equity securities"

(as defined in Section 23 (13) of the Companies (Amendment) Act, 1983) pursuant to the authority conferred on them by Special Resolution of the Company passed on the 27th April 2005 as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to any allotment made pursuant to the said authority provided that this power shall be limited to the allotment of equity securities up to but not exceeding an aggregate nominal value of 5 per cent of the issued ordinary share capital 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 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."

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

Notice of Annual General Meeting *continued*

- (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 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."

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

"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 at which a treasury share may be re-issued off-market shall be an amount equal to 120 per cent of the Appropriate Price; and
- (b) the minimum price at which a treasury share may be re-issued off-market shall be an amount equal to 95 per cent of the Appropriate Price;

For the purposes of this resolution the expression "Appropriate Price" shall mean 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 consecutive 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 these 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 or its equivalent; or
- (c) such treasury shares may be re-issued off-market to the holders of share options in the capital of the Company ("Options") on the exercise by them of their Options at the exercise price set out in the relevant option agreement(s).

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".

- 11 To consider and if thought fit, pass the following resolution as a Special resolution (Resolution 11): "That clause 6 of the 1989 Executive Share Option Scheme of the Company be and is hereby amended by the addition of the following: "If at any time prior to the exercise of an Option, the Company pays a "Special Dividend/Dividends", the Option price will be reduced by the amount of any such dividend"".

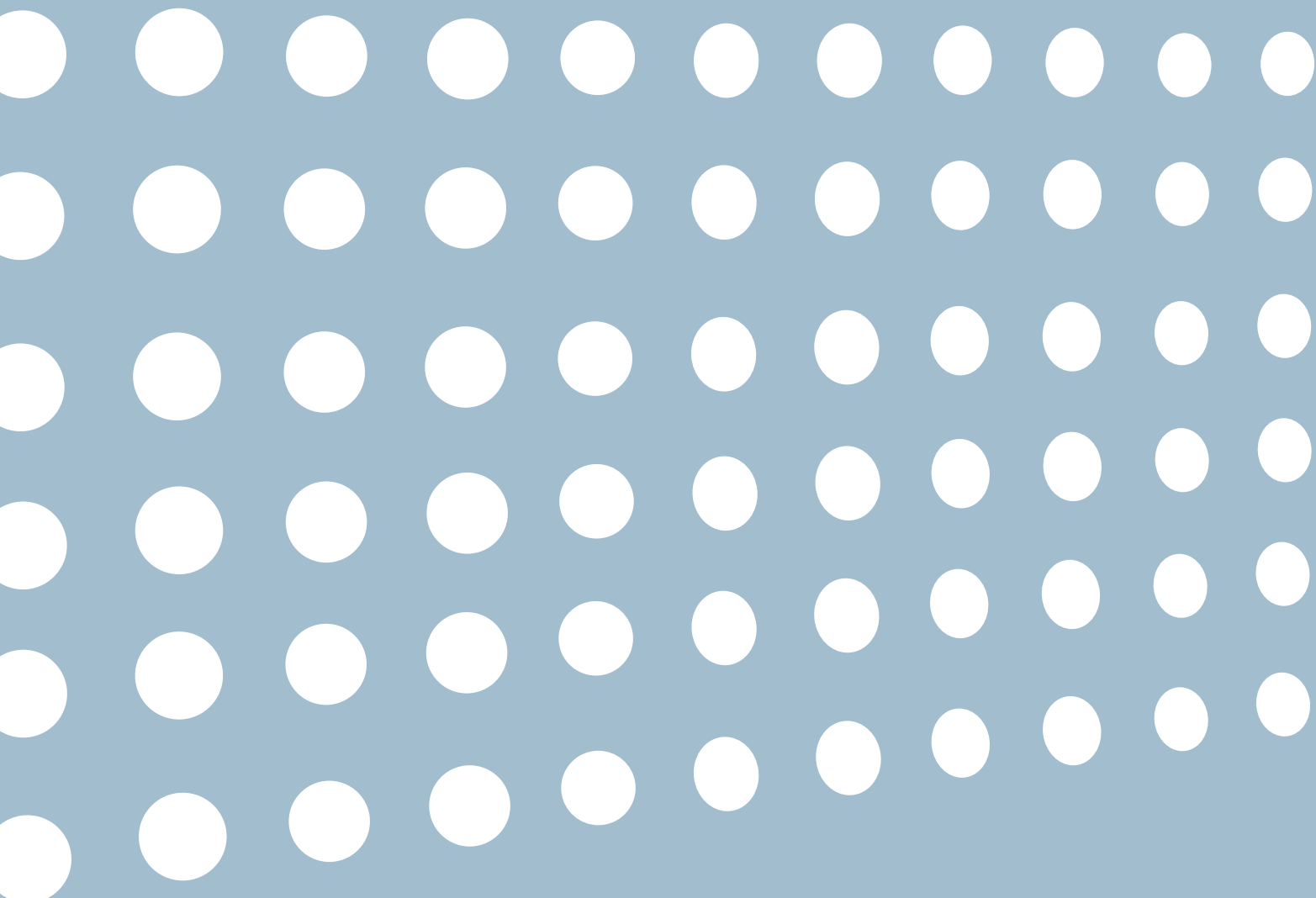
BY ORDER OF THE BOARD

David J. Flynn,
Secretary

Dated: 24th March 2006

NOTES FOR SHAREHOLDERS

- 1 Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. A form to be used for appointing a proxy is enclosed.
- 2 To be valid this proxy form must be completed, signed and returned to reach the registered office of the Company at FBD House, Bluebell, Dublin 12, not less than forty-eight hours before the time of the Meeting.
- 3 Nomination of Directors:
Eligibility for Appointment. No person other than a Director retiring shall be appointed a Director at any General Meeting unless he is recommended by the Directors or, not less than three nor more than twenty-one clear days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors together with notice executed by that person of his willingness to be appointed.
- 4 No Directors' Service Contracts exist.



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