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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional financial adviser (being, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act, 1995 of Ireland or the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) and, in the case of Shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act, 2000) immediately.

If you have sold or transferred all of your Ordinary Shares in FBD Holdings plc, please forward this document together with the accompanying form of proxy to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Bloxham, which is regulated in Ireland by the Financial Regulator under the Investment Intermediaries Act, 1995, is acting for FBD Holdings plc and has been appointed by it to advise the Independent Shareholders and no one else in connection with this circular and Bloxham will not be responsible to anyone other than FBD Holdings plc and the Independent Shareholders for providing the protections afforded to customers of Bloxham or for providing advice in relation to this circular or any matter referred to herein.

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## **FBD HOLDINGS PLC**

*(Incorporated and registered in Ireland with registered number 135882)*

### **APPROVAL OF WAIVERS OF OFFER OBLIGATIONS UNDER RULE 37 OF THE IRISH TAKEOVER RULES**

**AND**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**Your attention is drawn to the letter from the Independent Directors of FBD set out on pages 6 to 9 of this document and to the letter from Bloxham set out on page 10 of this document.**

Ordinary Shares in FBD Holdings plc are listed on the official lists of the Irish Stock Exchange and of the UK Listing Authority and are admitted to trading on the Irish Stock Exchange's market for listed securities and the London Stock Exchange's market for listed securities.

Notice of an Extraordinary General Meeting of FBD Holdings plc to be held on 26 August 2008 is set out on page 72 of this document. Shareholders will find enclosed with this document a form of proxy for use at the EGM. To be valid forms of proxy must be completed and signed in accordance with the instructions printed thereon and returned to Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, so as to arrive no later than 3.00 p.m. on 24 August 2008.

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## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

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Latest time and date for receipt of forms of proxy for the Extraordinary General Meeting	3.00 p.m. on 24 August 2008
Time and date of Extraordinary General Meeting	3.00 p.m. on 26 August 2008

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## DEFINITIONS

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The following definitions apply throughout this document, unless the context requires otherwise or unless it is otherwise specifically provided:

"Board" or "Directors"	the directors of FBD whose names are set out on page 6 of this document.
"Bloxham"	Bloxham, 2/3 Exchange Place, IFSC, Dublin 1, member of the Irish Stock Exchange and the London Stock Exchange and regulated by the Financial Regulator under the Stock Exchange Act, 1995
"Share Buybacks"	the purchases made by FBD amounting to, in aggregate, 1,931,923 Ordinary Shares which made during the period 20 June 2007 and 21 November 2007
"Circular"	this document
"Concert Party"	for the purposes of the Waivers, Farmer Business Developments plc and persons deemed to be acting in concert with it under Rule 3.3 of Part A of the Irish Takeover Rules
"Concert Party Shareholding"	Farmer Business Developments plc's holding of Voting Shares and the holdings of Voting Shares of other members of the Concert Party comprising, in aggregate, 11,445,843 Voting Shares representing 30.04% of the issued Voting Share Capital of FBD
"Connected Adviser"	a bank, financial or other professional adviser (including a stockbroker) which is acting for FBD or any associate of FBD (not being a bank which is engaged only in the provision of normal commercial banking services or such activities in connection with the as handling acceptances and registration work) and, in the case of an adviser which is a partnership, including only those partners and professional staff who are actively engaged in relation to FBD or who are customarily engaged in the affairs of FBD
"EGM"	the Extraordinary General Meeting of the Company to be held on 26 August 2008 at 3.00 p.m.
"FBD" or "the Company"	FBD Holdings plc
"FBD Directors"	the Directors of FBD whose names are set out on page 6 of this document
"Group"	FBD and its subsidiaries
"Independent Directors"	FBD Directors, excluding those Directors who are also directors of Farmer Business Developments plc or who are deemed not to be independent of the Concert Party
"Independent Shareholders"	Shareholders, excluding members of the Concert Party and FBD Trust Company Limited
"Irish Stock Exchange"	The Irish Stock Exchange Limited
"Irish Takeover Panel" or "Panel"	the Irish Takeover Panel established under the Irish Takeover Panel Act, 1997

"Irish Takeover Rules" or "Rules"	the Irish Takeover Panel Act, 1997, Takeover Rules, 2007
"London Stock Exchange"	The London Stock Exchange plc
"Market Purchase(s)"	purchase(s) by the Company of Ordinary Shares pursuant to the authority provided under the Market Purchases Resolutions
"2007 Market Purchases Resolution"	the special resolution which was passed on 22 May 2007 authorising the Company to make market purchases of up to 4,033,349 Ordinary Shares, representing 10% of the existing issued share capital then in issue
"2008 Market Purchases Resolution"	a special resolution which was passed by Shareholders at the recent AGM held on 29 April 2008 authorising the Company to make future market purchases of up to 4,033,349 Ordinary Shares, representing 10% of the existing issued share capital
"Market Purchases Resolutions"	the 2007 Market Purchases Resolution and the 2008 Market Purchases Resolution
"Non Independent Directors"	FBD Directors, who are not Independent Directors; namely Patrick O'Keeffe and Padraig Walshe
"Notice"	the notice of EGM set out at the end of this document.
"Ordinary Shares"	ordinary shares of €0.60 each in the capital of FBD
"Preference Shares"	the 3,532,292 8% non-cumulative preference shares of €0.60 each and the 1,340,000 14% non-cumulative preference shares of €0.60 each in the capital of FBD
"Resolutions"	the Retrospective Waiver Resolution and Waiver Resolution
"Retrospective Waiver Resolution"	Resolution 1 in the Notice, an ordinary resolution which, in compliance with the conditions of the waiver imposed by the Irish Takeover Panel, approves the increase, which has arisen pursuant to the Share Buybacks, in the percentage of the issued Voting Share Capital of the Company held by the Concert Party without any member of the Concert Party being obliged under the Irish Takeover Rules to make an offer to the Shareholders for the balance of the issued Voting Shares
"Rule 37"	Rule 37 of the Irish Takeover Rules which imposes an obligation on any person or persons acting in concert who acquire or consolidate control of a relevant company, by reason of the redemption or purchase by that company of any of its own securities, to extend offers to the holders of each class of equity share capital and to each other class of transferable voting security in the relevant company
"Shareholder(s)"	holder(s) of Ordinary Shares and Preference Shares
"UK Listing Authority"	The United Kingdom Listing Authority, being the Financial Services Authority of the United Kingdom acting in its capacity as the competent authority under the Financial Services and Markets Act 2000 of the United Kingdom
"Voting Shares"	the Ordinary Shares and Preference Shares

"Voting Share Capital"	the Voting Shares in issue at the date of this document comprising 33,229,476 Ordinary Shares, 3,532,292 8% Non-Cumulative Preference Shares and 1,340,000 14% Non-Cumulative Preference Shares
"Waivers"	the waivers of Rule 37 granted by the Panel, further details of which are set out in Part I of this document under paragraph entitled " <i>Summary of waiver letter from the Irish Takeover Panel</i> "
"Waiver Resolution"	Resolution 2 in the Notice, an ordinary resolution which, in compliance with the conditions of the waiver imposed by the Irish Takeover Panel, approves the increase, arising pursuant to Market Purchases, in the percentage of the issued share capital of the Company held by the Concert Party without any member of the Concert Party being obliged under the Irish Takeover Rules to make an offer to Shareholders for the balance of each class of issued share capital and transferable voting security of the Company.

**Notes:**

- (i) Unless otherwise stated in this document, all reference to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.
- (ii) The symbols "€" and "c" refer to euro and euro cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic & Monetary Unit Act, 1998.
- (iii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neutral gender.

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## PART I – Letter from the Independent Directors of FBD Holdings plc

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### FBD Holdings plc

(Incorporated in Ireland. Registered number 135882)

Registered Office: FBD House, Bluebell, Dublin 12

#### Directors:

Michael Berkery (Chairman) \*  
John Donnelly \*  
Sean Dorgan \*  
Andrew Langford (Chief Executive)  
Philip Lynch \*  
Patrick O’Keeffe \* †  
Vincent Sheridan \*  
Adrian Taheny  
Johan Thijs (Belgian) \*  
Padraig Walshe \* †

1 August 2008

\* denotes Non-Executive Director

† denotes Non-Independent Director for purposes of the Resolutions

*To Shareholders and, for information only, to all option holders*

Dear Shareholder,

#### Introduction

FBD is convening an Extraordinary General Meeting (“EGM”), to be held on 26 August 2008, to seek Independent Shareholders’ approval of a waiver of certain obligations that have arisen for Farmer Business Developments plc and other members of the Concert Party under the Irish Takeover Rules, as a result of share buyback activity by FBD of its own shares during 2007. The Company is also seeking Independent Shareholder approval of a waiver of further similar obligations which could also arise in the event that FBD makes further Market Purchases of its Ordinary Shares.

The purpose of this letter and of this document is to explain to Shareholders the reasons for and background to the Resolutions that are being considered at the EGM and why the Independent Directors believe the Resolutions are in the best interests of the Independent Shareholders, and to recommend to the Independent Shareholders that they vote in favour of them.

#### Background

At the 2007 AGM held on 22 May 2007, FBD was granted general authority by Shareholders to purchase up to 4,033,349 of its own Ordinary Shares which amounted to 10% of the issued share capital of FBD then in issue. FBD subsequently acquired 1,931,923 Ordinary Shares in total during the period following the AGM up until 21 November 2007. The Ordinary Shares acquired were held, and continue to be held, as treasury shares.

Farmer Business Developments plc is interested in 8,531,948 Ordinary Shares, 1,470,292 8% non-cumulative preference shares of €0.60 each and 1,340,000 14% non-cumulative preference shares of €0.60 each which, in aggregate, represent 29.77% of the issued Voting Share Capital of FBD. In addition, certain persons which are presumed, under Part A of the Irish Takeover Rules, to be acting in concert with Farmer Business Developments plc (being the directors of Farmer Business Developments plc, the spouses, parents, brothers, sisters, or children of such directors and any trustee of a trust of which any such person is a beneficiary or potential beneficiary) are interested, in aggregate, in 103,603 Ordinary Shares, representing 0.27% of the issued Voting Share Capital. The total Concert Party shareholding is 11,445,843 Voting Shares representing **30.04%** of the issued Voting Share Capital of FBD (excluding treasury shares).

Under Rule 37(a)(i) of the Irish Takeover Rules, if any person or persons acting in concert, acquires control (being the holding of securities of a company that confers in aggregate not less than 30% of the voting rights of that company) of a relevant company by reason of the redemption or purchase by that company of any of its own securities, such person or, in the case of persons acting in concert, such one or more of those persons as the Panel shall direct, would normally be required to extend a general offer to all shareholders to purchase their shares.

As a direct result of the Share Buybacks, the Concert Party's holding of Voting Shares in FBD, while remaining the same in terms of number of Voting Shares, increased from **28.63%** to **30.04%**. As a result of this, the Concert Party became obliged under Rule 37 of the Irish Takeover Rules to make a general offer for the balance of the Voting Shares in FBD.

In addition, under Rule 37(a)(ii) of the Irish Takeover Rules, when any person or persons acting in concert, holds 30% or more of the voting rights exercisable at general meeting of a relevant company, and the percentage represented by the interests of that person or persons acting in concert, increases by more than 0.05% within any period of 12 months by reason of the redemption or purchase by that company of any of its own securities, such person or, in the case of persons acting in concert, such one or more of those persons as the Panel shall direct, would normally be required to extend a general offer to all shareholders to purchase their shares.

At the Annual General Meeting held on 29 April 2008, a resolution was passed by Shareholders (the "2008 Market Purchases Resolution") again giving authority to the Company to purchase up to 10% of its issued share capital. In the event that the Company makes further purchases of its own Ordinary Shares up to the maximum permitted level of 4,033,349 Ordinary Shares, and assuming the Concert Party does not dispose of any of its Ordinary Shares, the Concert Party Shareholding will increase up to a maximum holding of Voting Shares of **33.60%**. As a consequence, Farmer Business Developments plc and/or other members of the Concert Party, as the Panel may direct, would become obliged under Rule 37 to make a general offer for the balance of the Voting Share Capital in the Company unless such obligation was waived by the Panel.

#### **Retrospective Waiver to make a general offer under Rule 37**

By letter dated 16 April 2008 the Irish Takeover Panel has agreed to waive the requirement for the Concert Party to make a general offer to all Shareholders which arose as a result of the Share Buybacks, subject to the Independent Shareholders approving, on a poll vote, the increase in the holding of Voting Shares of the Concert Party from **28.63%** to **30.04%**.

Resolution 1 is to be proposed as an Ordinary Resolution for this purpose (and is referred to in this document as the "Retrospective Waiver Resolution").

#### **Waiver to make a general offer under Rule 37**

The Irish Takeover Panel has also agreed to waive the requirement for the Concert Party to make a general offer to all Shareholders which may arise, in the event that FBD makes any such further purchases of its Ordinary Shares, on condition that Independent Shareholders give a similar approval for a corresponding increase in the Concert Party Shareholding. Accordingly, your Board is now also seeking approval from Independent Shareholders to permit the Concert Party's holding of Voting Shares to increase up to **33.60%**, in the event that FBD makes the maximum permitted purchases (under the 2008 Market Purchases Resolution) of 4,033,349 Ordinary Shares.

Resolution 2 is to be proposed as an Ordinary Resolution for this purpose (and is referred to in this document as "the Waiver Resolution").

#### **Summary of waiver letter from the Irish Takeover Panel**

The Panel issued a waiver letter on 16 April 2008. In the letter, the Panel has granted the Concert Party Waivers under Rule 37 of the Irish Takeover Rules, subject to the conditions described below. A waiver of Rule 37 has been granted in respect of the obligations on the Concert Party that have arisen as a result of the Share Buybacks and a further waiver has been granted in respect of the obligation that may arise as a result of the implementation of the 2008 Market Purchases Resolution.

The Panel has granted the Waivers in relation to the Share Buybacks and in relation to the implementation of the 2008 Market Purchases Resolution, subject to the following conditions:

- (i) that the Independent Shareholders approve, on a poll vote, the Resolutions; and

- (ii) that a circular is prepared by FBD in accordance with the Whitewash Guidance Note in the Irish Takeover Rules and such circular is approved by the Panel. This Circular has been so approved.

For the purposes of the Resolutions, the Independent Shareholders comprise all Shareholders excluding Farmer Business Developments plc and any person or any persons acting in concert or deemed by the Irish Takeover Panel to be acting in concert with Farmer Business Developments plc. In addition, FBD Trust Company Limited, because it has what are regarded by the Panel as relatively significant shareholdings in both FBD and Farmer Business Developments plc, is deemed by the Panel not to be independent. Members of the Concert Party and FBD Trust Company Limited have confirmed to FBD Holdings plc that they will abstain from voting on the Resolutions.

The Panel's waiver letter is available for inspection as set out in Part IV, paragraph 9.

**Your attention is drawn to the letter from Bloxham set out in Part II of this document which provides independent advice in relation to the Resolutions.**

### **Rule 37 Waivers in 2005 and 2006 – for information only**

In each of 2005 and 2006, FBD tabled very similar waiver resolutions to those set out in the attached EGM notice (the "2005 and 2006 Resolutions") which were approved by the Independent Shareholders at Extraordinary General Meetings which permitted increases in the Concert Party shareholding under similar circumstances.

It has recently come to the Board's attention that on account of an inadvertent clerical error, the calculated percentage shareholding figures set out in the 2005 and 2006 Resolutions were incorrect. For good order and for the sake of completeness, we have set out below the correct Concert Party percentage shareholding figures for each of the Resolutions in those years. We wish to assure all shareholders that in all other respects the 2005 and 2006 Resolutions put to the Independent Shareholders were correct and that we have received legal advice that the clerical error in no way invalidates or adversely affects the approvals inherent in the 2005 and 2006 Resolutions.

#### *2005 Waiver Resolutions*

At the Extraordinary General Meeting held on 22 July 2005 the retrospective waiver resolution percentage should have read 37.38% instead of 34.77%. The prospective waiver resolution should have stated a percentage of 41.01% and not 38.63%.

#### *2006 Waiver Resolution*

There was only one resolution proposed at the Extraordinary General Meeting held on 26 April 2006, a prospective waiver resolution. In this resolution, the maximum percentage disclosed should have been 40.71% and not 38.30% as stated in the resolution tabled.

### **Information on Farmer Business Developments plc**

Farmer Business Developments plc is an unquoted public limited company registered in Ireland. It is an investment holding company whose most significant investment is 8,531,948 Ordinary Shares, 1,470,292 8% non-cumulative preference shares of €0.60 each and 1,340,000 14% non-cumulative preference shares of €0.60 each, which in aggregate represents 29.77% of the Voting Share Capital, in FBD.

### **Intention of Farmer Business Developments plc**

Neither Farmer Business Developments plc nor any member of the Concert Party is proposing any changes to the Board and have confirmed that it is not their intention, following any percentage increase in the Concert Party Shareholding, as a result of the Share Buybacks or as a result of any further Market Purchases, to seek any changes to the business of FBD or its subsidiaries or in the manner in which the existing business is carried on or to seek any redeployment of the assets of the Company or any of its subsidiaries.

The Concert Party have also confirmed that following the percentage increase in the Concert Party Shareholding arising from the Share Buybacks or any future percentage increase in the Concert Party Shareholding as a result of Market Purchases, it is their intention that the existing employment rights, conditions of employment and pension rights of all employees of the Company and its subsidiaries will be fully safeguarded.



## **Extraordinary General Meeting**

The waiver in relation to the Share Buybacks requires the approval by Independent Shareholders of the Retrospective Waiver Resolution. The waiver in relation to the 2008 Market Purchases Resolution requires the approval by Independent Shareholders of the Waiver Resolution.

Set out on page 72 is a notice convening an Extraordinary General Meeting of FBD to be held on 26 August 2008 at which the Resolutions will be proposed which are:-

- i) the Retrospective Waiver Resolution, which is an ordinary resolution; and
- ii) the Waiver Resolution, which is also an ordinary resolution.

## **Action to be taken**

You will find enclosed a form of proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the EGM, you are requested to return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive not later than 3.00 p.m. on 24 August 2008. The completion and return of the form of proxy will not preclude you from attending the EGM and voting in person should you so wish.

## **Further information**

Your attention is drawn to the additional information set out in Part III - Financial Information and Part IV - Additional Information of this document.

## **Recommendation**

The Non-Independent Directors have not participated in the consideration of the Resolutions and are accordingly not in a position to advise the Independent Shareholders in relation to the Resolutions. The Non-Independent Directors will abstain from voting on them.

The Independent Directors, who have been so advised by Bloxham, consider the Resolutions to be in the best interests of the Company and the Independent Shareholders as a whole. In providing its advice Bloxham has taken into account the commercial assessments of the Independent Directors. Accordingly, the Independent Directors unanimously recommend that Independent Shareholders vote in favour of both Resolutions at the EGM, as they intend to do so in respect of their own beneficial holdings, amounting to 85,506 Ordinary Shares, representing 0.22% of the issued Voting Share Capital.

Yours faithfully,

*For and on behalf of the*  
**Independent Directors of the Board of FBD Holdings plc**

**MICHAEL BERKERY**

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## PART II – Letter from Bloxham to Independent Shareholders

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Dublin 1, Ireland  
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86 South Mall, Cork, Ireland  
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Fax: +353 (0)61 419 750

info@bloxham.ie  
[www.bloxham.ie](http://www.bloxham.ie)

*To Independent Shareholders of FBD Holdings plc  
and, for information only, to all option holders*

1 August 2008

Dear Independent Shareholders,

We refer to the letter from the Independent Directors, contained in Part I of this document. In particular, we refer to the increase to **30.04%** of the Company's issued Voting Share Capital which is held in aggregate by the Concert Party. This increase arose pursuant to the implementation of the Share Buybacks in 2007 since the 2007 AGM. Without the waiver granted by the Panel, the Concert Party would, as a result of the Share Buybacks, be required under Rule 37 of the Irish Takeover Rules to make an offer for the balance of the Voting Shares, not already owned by it.

Secondly, Farmer Business Developments plc and other members of the Concert Party could also become obliged under Rule 37 of the Irish Takeover Rules to make an offer for the balance of the issued share capital of the Company, not already held by them, as a result of the any further buybacks of Ordinary Shares by FBD under the 2008 Market Purchases Resolution, unless the Panel waives this obligation.

As described in Part I of this document, the Panel has agreed to waive the current obligation of the Concert Party to make a general offer under Rule 37 to Shareholders and to waive any similar obligation which may arise as a result of any future purchases of Ordinary Shares pursuant to the 2008 Market Purchases Resolution. These Waivers are subject, inter alia, to the passing of two Resolutions on a poll vote by a majority of the votes cast by the Independent Shareholders to approve (i) the increased percentage holding of the Concert Party of Voting Shares representing **30.04%** of the issued Voting Share Capital of FBD that has arisen as a result of the Share Buybacks; and (ii) the increase in the percentage holding of the Concert Party of Voting Shares up to a maximum of **33.60%** of the issued Voting Share Capital in FBD which could arise if further purchases of its own shares are carried out in the future by FBD pursuant to the 2008 Market Purchases Resolution.

Bloxham, which has been appointed by the Company to advise the Independent Shareholders, considers the approval of each of the Resolutions to be in the best interests of the Company and the Independent Shareholders as a whole and recommends Independent Shareholders vote in favour of both Resolutions. In providing this advice Bloxham has taken into account the commercial assessments of the Independent Directors.

**Partners**

Angus C.A. McDonnell  
Raymond M. Deasy  
Peter A. Costigan  
Pramit Ghose  
Tadhg Gunnell  
Patrick Dempsey  
Niall Tinney  
Patrick Finnegan  
F.B.D. Securities Ltd

Yours faithfully  
For and on behalf of  
**Bloxham**

**Pramit Ghose**

Member of the Irish  
Stock Exchange and the  
London Stock Exchange.  
Regulated by the Irish  
Financial Services  
Regulatory Authority under  
the Stock Exchange Act,  
1995.

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## **PART III – Financial Information**

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### **A) FBD Holdings plc – Annual Financial Information for the three years ended 31 December 2007**

#### **Nature of Financial Information**

The financial information which follows on pages 12 to 53 does not constitute full group accounts within the meaning of Regulation 40(2) of the European Communities (Companies: Group Accounts) Regulations, 1992 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 and has been extracted, without material adjustment, from the audited financial statements of FBD Holdings plc for the three years ended 31 December 2007.

Copies of the consolidated financial statements have been delivered to the Registrar of Companies (in Ireland) for each of the three financial years ended 31 December 2007. The Auditors of FBD Holdings plc have made reports under section 193 of the Companies Act 1990 in respect of each such set of statutory consolidated financial statements and each such report was an unqualified audit report within the meaning of Section 193(4) of that Act.

## Statement of Accounting Policies

### Basis of Preparation

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

In 2007, the Group has adopted IFRS 7 – “Financial Instruments: Disclosures” together with the amendments to IAS1 “Presentation of Financial Statements” and the amendments to IFRS4 “Insurance Contracts” which are effective for annual reporting periods beginning on or after 1 January 2007.

The impact of the adoption of IFRS 7 and the amendments to IAS1 and IFRS4 has been to expand the disclosures provided in these Financial Statements regarding the Group's financial instruments and management of capital (Note 33).

### Accounting Policies

The principal accounting policies adopted by the board are:

#### A) ACCOUNTING CONVENTION

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

#### B) BASIS OF CONSOLIDATION

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

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

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

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

#### C) REVENUE RECOGNITION

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

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

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

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

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

#### D) INSURANCE CONTRACTS

##### (i) Premiums written

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

## Accounting Policies, continued

### (ii) Unearned premiums

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

### (iii) Deferred acquisition costs

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

### (iv) Unexpired risks

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

### (v) Claims incurred

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

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

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

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

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

### (vi) Reinsurance

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

## E) OPERATING PROFIT

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

## Accounting Policies, continued

### F) PROPERTY AND EQUIPMENT

#### (i) Land and buildings

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

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

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

#### (ii) Fixtures and fittings

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

Fixtures and fittings: 5 to 10 years

### G) INVESTMENTS

#### (i) Investment property

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

#### (ii) Investments held for trading at fair value

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

Investments are held for trading if:

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

#### (iii) Investments held to maturity

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

#### (iv) Available for sale investments

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

## Accounting Policies, continued

(v) **Derivative financial instruments**

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

(vi) **Deposits with banks**

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

### H) **LOANS AND RECEIVABLES**

(i) **Loans**

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

(ii) **Other receivables**

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

### I) **LEASES**

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

(i) **The Group as Lessor**

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

(ii) **The Group as Lessee**

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

### J) **INVENTORIES**

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

### K) **CASH AND CASH EQUIVALENTS**

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

### L) **TAXATION**

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

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

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

## Accounting Policies, continued

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

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

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

### M) RETIREMENT BENEFITS

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

#### Defined benefit scheme

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

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

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

#### Defined Contribution Schemes

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

### N) CURRENCY

The functional currency of each group company and the presentation currency of the group financial statements is Euro denoted by the symbol €. Transactions in currencies other than Euro are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies have been translated into Euro at closing rates at the balance sheet date. Gains and losses on translation are recognised in the Group income statement in the period in which they arise. Non-monetary items are translated at the exchange rate at the date of transaction.

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

### O) SHARE-BASED PAYMENT

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



## **Accounting Policies, continued**

### **P) TREASURY SHARES**

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

### **Q) DIVIDEND DISTRIBUTION**

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

### **R) IMPAIRMENT OF ASSETS**

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

### **S) CONTINGENT ASSETS**

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

### **T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

**Group Income Statement**  
**For the three years ended 31 December 2007**

	Notes	2007 €000s	2006 €000s	2005 €000s
<b>Turnover</b>	1(a)	<b>567,381</b>	693,926	531,747
<b>Income</b>				
Net premiums earned	1(c)	350,321	345,959	332,371
Non underwriting operating income	1(a)	15,175	33,919	27,739
Investment income – longer term rate of return	2(c)	53,369	48,054	44,435
		<b>418,865</b>	427,932	404,545
<b>Expenses</b>				
Change in insurance liabilities net of reinsurance	1(c),20	99,480	(31,064)	(38,809)
Claims paid, net of recoveries from reinsurers	1(c)	(230,907)	(193,648)	(163,666)
Other operating expenses	1(c)	(51,928)	(44,705)	(39,446)
<b>Operating profit</b>		<b>235,510</b>	158,515	162,624
Profit on the sale of land at La Cala	32	-	81,774	-
Investment income – short term fluctuation	2(c)	(69,253)	61,350	25,956
Finance costs	3	(4,089)	(4,859)	(3,425)
<b>Profit before tax</b>	4	<b>162,168</b>	296,780	185,155
<b>Income tax expense</b>	6	<b>(22,093)</b>	(49,948)	(23,701)
<b>Profit for the year</b>		<b>140,075</b>	246,832	161,454
Attributable to:				
Equity holders of the parent		139,874	246,641	161,500
Minority interest		201	191	(46)
		<b>140,075</b>	246,832	161,454
		<b>2007</b>	2006	2005
		<b>Cents</b>	Cents	Cents
<b>Basic earnings per 60c ordinary share</b>	7	<b>405.71</b>	678.82	416.09
Diluted earnings per 60c ordinary share	7	<b>402.77</b>	671.30	411.51

**Group Balance Sheet – Assets**  
**At 31 December**

	Notes	2007 €000s	2006 €000s
<b>Property and equipment</b>			
Land and buildings	8	<b>225,158</b>	213,564
Fixtures and fittings	8	<b>18,186</b>	16,815
		<u><b>243,344</b></u>	<u>230,379</u>
<b>Intangible assets</b>			
Deferred acquisition costs	9	<u><b>15,271</b></u>	<u>13,517</u>
<b>Investments</b>			
Investment property	10 10(a)	<b>83,019</b>	81,181
Investments held for trading	10(b)	<b>183,970</b>	558,850
Investments held to maturity	10(b)	<b>479,902</b>	171,799
Available for sale investments	10(b)	<b>9,542</b>	3,727
Deposits with banks		<u><b>73,034</b></u>	<u>327,973</u>
		<u><b>829,467</b></u>	<u>1,143,530</u>
<b>Inventories</b>	11	<u><b>65,745</b></u>	<u>66,433</u>
<b>Loans and receivables</b>	12	<u><b>147,137</b></u>	<u>122,762</u>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		<b>21,994</b>	21,953
Claims outstanding		<u><b>28,489</b></u>	<u>50,600</u>
		<u><b>50,483</b></u>	<u>72,553</u>
<b>Cash and cash equivalents</b>		<u><b>35,618</b></u>	<u>37,423</u>
<b>Total assets</b>		<u><b>1,387,065</b></u>	<u>1,686,597</u>

**Group Balance Sheet – Equity and Liabilities  
At 31 December**

	Notes	2007 €000s	2006 €000s
<b>Equity</b>			
Ordinary share capital	13	21,277	21,277
Capital reserves	14	12,956	12,605
Revaluation reserves	15	29,986	27,540
Translation reserves	16	389	162
Retained earnings	17	<u>318,981</u>	<u>435,935</u>
<b>Shareholders' funds - equity interests</b>			
Preference share capital	18	<u>2,923</u>	<u>2,923</u>
<b>Total shareholders' funds</b>			
Minority interests		<u>5,689</u>	<u>6,476</u>
<b>Total equity</b>			
		<u>392,201</u>	<u>506,918</u>
<b>Liabilities</b>			
<b>Technical provisions</b>			
Provision for unearned premiums		199,074	197,507
Claims outstanding	19	<u>612,852</u>	<u>734,439</u>
		<u>811,926</u>	<u>931,946</u>
<b>Bank and other loans</b>			
	20	<u>60,406</u>	<u>112,350</u>
<b>Creditors</b>			
	21	<u>74,483</u>	<u>90,841</u>
<b>Current tax</b>			
	22(a)	<u>14,070</u>	<u>7,728</u>
<b>Deferred tax</b>			
	22(b)	<u>27,738</u>	<u>33,227</u>
<b>Retirement benefit obligation</b>			
	23	<u>6,241</u>	<u>3,587</u>
<b>Total liabilities</b>			
		<u>994,864</u>	<u>1,179,679</u>
<b>Total equity and liabilities</b>			
		<u>1,387,065</u>	<u>1,686,597</u>

## Group Cash Flow Statement For the year ended 31 December

Cash Flows from Operating Activities	Notes	2007 €000s	2006 €000s
Profit before tax		162,168	296,780
Adjustments for:			
Loss (gains) on investments held for trading and held to maturity	24(b)	77,744	(30,128)
Depreciation of property and equipment		4,547	3,525
Share-based payment expense		-	512
Decrease (increase) in fair value of investment property		5,415	(4,200)
(Decrease) increase in technical provisions		(97,953)	37,077
Profit on sale of land at La Cala		-	(81,774)
		<hr/>	<hr/>
Operating cash flows before movement in working capital		151,921	221,792
Decrease (increase) in receivables		13,975	(26,261)
(Decrease) increase in payables		(23,658)	29,326
		<hr/>	<hr/>
Cash generated from operations		142,238	224,857
Income taxes paid		(20,975)	(44,348)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>121,263</b>	<b>180,509</b>
		<hr/>	<hr/>
<b>Investing activities</b>	24(a)		
Investments held for trading		294,057	(51,495)
Investments held to maturity		(305,024)	(157,976)
Investments available for sale		(5,815)	13,456
(Purchase) sale of land, buildings and inventory		(5,452)	69,469
Purchase of fixtures and fittings		(5,919)	(7,038)
Purchase of investment property		(7,253)	(28,125)
Loans and advances		(39,743)	43,504
Deposits invested with banks		254,939	115,069
		<hr/>	<hr/>
<b>Net cash used in (from) investing activities</b>		<b>179,790</b>	<b>(3,136)</b>
		<hr/>	<hr/>
<b>Financing activities</b>			
Ordinary dividends paid	25	(25,430)	(22,693)
Special dividend on ordinary shares		(439)	-
Special dividend on 'A' ordinary shares		(79,684)	-
Buyback of 'A' ordinary shares		(95,873)	-
Special dividends – La Cala land sale		-	(54,979)
Repurchase of ordinary shares		(52,606)	(129,213)
Proceeds of re-issue of ordinary shares		1,881	5,432
(Decrease) increase in bank loans		(50,934)	19,879
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(303,085)</b>	<b>(181,574)</b>
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(2,032)	(4,201)
Cash and cash equivalents at the beginning of the year		37,423	41,897
Effect of foreign exchange rate changes		227	(273)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>		<b>35,618</b>	<b>37,423</b>
		<hr/>	<hr/>

**Group Statement of Recognised Income and Expense  
For the year ended 31 December**

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007**

**1 Segmental Information**

**(a) Business segments**

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

Principal activities are as follows:

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

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**1 Segmental Information (continued)**

<b>2006</b>	<b>Underwriting 2006 €000s</b>	<b>Non underwriting 2006 €000s</b>	<b>Total 2006 €000s</b>
Turnover	<u>464,073</u>	<u>229,853</u>	<u>693,926</u>
Operating profit	124,596	33,919	158,515
Profit on the sale of land at La Cala	-	81,774	81,774
Investment return - short term fluctuation	61,350	-	61,350
Finance costs	<u>-</u>	<u>(4,859)</u>	<u>(4,859)</u>
Profit before tax	<u>185,946</u>	<u>110,834</u>	<u>296,780</u>
<b>Other information</b>			
Capital additions	<u>8,185</u>	<u>12,612</u>	<u>20,797</u>
Depreciation and amortisation	<u>3,689</u>	<u>285</u>	<u>3,974</u>
<b>Balance sheet</b>			
Segment assets	<u>1,260,793</u>	<u>425,804</u>	<u>1,686,597</u>
Segment liabilities	<u>982,699</u>	<u>196,980</u>	<u>1,179,679</u>
<b>2005</b>	<b>Underwriting 2005 €000s</b>	<b>Non underwriting 2005 €000s</b>	<b>Total 2005 €000s</b>
Turnover	<u>431,157</u>	<u>100,590</u>	<u>531,747</u>
Operating profit	134,885	27,739	162,624
Investment return - short term fluctuation	25,956	-	25,956
Finance costs	<u>-</u>	<u>(3,425)</u>	<u>(3,425)</u>
Profit before tax	<u>160,841</u>	<u>24,314</u>	<u>185,155</u>
<b>Other information</b>			
Capital additions	<u>5,819</u>	<u>32,072</u>	<u>37,891</u>
Depreciation and amortisation	<u>3,274</u>	<u>213</u>	<u>3,487</u>
<b>Balance sheet</b>			
Segment assets	<u>1,193,044</u>	<u>371,368</u>	<u>1,564,412</u>
Segment liabilities	<u>930,525</u>	<u>148,414</u>	<u>1,078,939</u>



**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**1 Segmental Information (continued)**

	<b>2007</b> €000s	<b>2006</b> €000s	<b>2005</b> €000s
<b>Non-underwriting operating income</b>			
Turnover	<b>99,558</b>	229,853	100,590
Sale of land at La Cala	-	(121,000)	-
	<b>99,558</b>	108,853	100,590
Operating income	<b>(84,383)</b>	(74,934)	(72,851)
Operating expense			
Non-underwriting operating profit	<b>15,175</b>	33,919	27,739

**1(b) Geographical segments**

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

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

<b>Turnover by geographical market</b>	<b>2007</b> €000s	<b>2006</b> €000s	<b>2005</b> €000s
Ireland	<b>525,124</b>	523,387	486,974
European Union	<b>42,257</b>	170,539	44,773
	<b>567,381</b>	693,926	531,747

**Geographical Segments**

	<b>Ireland</b> €000s	<b>European Union</b> €000s	<b>Total</b> €000s
<b>2007</b>			
Segment assets	<b>1,235,004</b>	152,061	1,387,065
Segment liability	<b>877,509</b>	117,355	994,864
<b>2006</b>			
Segment assets	<b>1,511,260</b>	175,337	1,686,597
Segment liability	<b>1,034,131</b>	145,548	1,179,679
<b>2005</b>			
Segment assets	<b>1,414,852</b>	149,560	1,564,412
Segment liability	<b>958,204</b>	120,735	1,078,939

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**1 Segmental Information (continued)**

<b>1(c) Underwriting result</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Earned premiums, net of reinsurance						
Gross premiums written	<b>407,953</b>		407,256		389,472	
Outward reinsurance premiums	<b>(56,106)</b>		(55,284)		(51,212)	
Net premiums written	<b>351,847</b>		351,972		338,260	
Change in provision for unearned premiums:						
Gross amount	<b>(1,567)</b>		(8,554)		(3,999)	
Reinsurers' share	<b>41</b>		2,541		(1,890)	
Change in net provision for unearned premiums	<b>(1,526)</b>		(6,013)		(5,889)	
<b>Earned premiums, net of reinsurance</b>		<b>350,321</b>		345,959		332,371
<b>Claims paid, net of recoveries from reinsurers</b>						
Claims paid:						
Gross amount	<b>(264,783)</b>		(230,732)		(178,530)	
Reinsurers' share	<b>33,876</b>		37,084		14,864	
<b>Claims paid, net of recoveries from reinsurers</b>	<b>(230,907)</b>		(193,648)		(163,666)	
Change in provision for claims:						
Gross amount	<b>121,896</b>		(35,042)		(40,966)	
Reinsurers' share	<b>(22,416)</b>		3,978		2,157	
<b>Change in insurance liabilities net of reinsurance (i)</b>	<b>99,480</b>		(31,064)		(38,809)	
<b>Claims incurred net of reinsurance</b>		<b>(131,427)</b>		(224,712)		(202,475)
Gross operating expenses	<b>(70,786)</b>		(62,975)		(55,253)	
Reinsurers' share	<b>18,858</b>		18,270		15,807	
<b>Net operating expenses</b>		<b>(51,928)</b>		(44,705)		(39,446)
<b>Underwriting result</b>		<b>166,966</b>		76,542		90,450

(i) After taking into account the impact of the change in Reserving policy, the gross impact is **€120,029,000**, the net impact is **€107,627,000**. (See also Note 19).

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

## Notes to the Financial Statements

### For the year ended 31 December 2007, continued

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

The impact of buying reinsurance was a debit to the income statement of **€25,747,000** (2006: credit of €13,400,000, 2005: charge of €20,274,000)

The above note shows the movement on the insurance liabilities between 1 January 2007 and 31 December 2007 and the movement on the reinsurance assets for the same period. The movement in deferred acquisition costs for the period was a credit to the income statement of **€1,754,000** (2006: €1,668,000, 2005: €1,258,000).

## 2 Investment Income

### a) Actual return

	2007	2006	2005
	€000s	€000s	€000s
Income from rental properties	3,427	8,483	1,586
Interest and similar income	31,244	19,257	13,525
Dividend income	7,119	13,908	13,505
Unrealised (losses) gains on investments	(65,902)	16,368	32,339
Realised gains on investments (i)	8,228	51,388	9,436
	<u>(15,884)</u>	<u>109,404</u>	<u>70,391</u>

(i) In 2006 realised gains on investments included €33,744,000 (2005: €7,681,000) being a gain on the sale of shares in Farmer Business Developments plc.

### (b) Longer term investment return

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

	2007	2006	2005
	%	%	%
Government gilts	4.00	3.50	3.50
Other quoted debt securities	6.00	6.00	6.00
Quoted shares	7.50	7.00	7.00
Deposits with banks	3.63	2.75	2.75
Investment properties held for rental	6.00	6.00	6.00
Investments held to maturity	Actual	Actual	Actual

	2007	2006	2005
	€000s	€000s	€000s
<b>(c) Comparison of longer term investment return with actual return</b>			
Actual investment return	(15,884)	109,404	70,391
Longer term investment return	<u>(53,369)</u>	<u>(48,054)</u>	<u>(44,435)</u>
Short term fluctuation	<u>(69,253)</u>	<u>61,350</u>	<u>25,956</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**3 Finance Costs**

	<b>2007</b> €000s	2006 €000s	2005 €000s
Interest on bank and other loans	<u>4,089</u>	<u>4,859</u>	<u>3,425</u>

**4 Profit before Tax**

	<b>2007</b> €000s	2006 €000s	2005 €000s
Profit before taxation has been stated after charging:			
Fees paid to audit firms in respect of:			
- Audit services	<u>480</u>	<u>461</u>	<u>424</u>
- Non audit services : Taxation	<b>495</b>	385	315
Actuarial	<b>107</b>	90	80
Other	<u>-</u>	<u>110</u>	<u>166</u>
	<u><b>602</b></u>	<u>585</u>	<u>561</u>
Depreciation	<u>4,970</u>	<u>3,794</u>	<u>3,487</u>

The remuneration of Directors is set out in detail in Note 26.

**5 Staff Costs and Numbers**

The average number of persons employed in the Group in the financial year was **2,034** (2006: 1,980, 2005: 1,796). All staff are employed in underwriting, financial services and leisure and property operations.

	<b>2007</b> €000s	2006 €000s	2005 €000s
The aggregate payroll of these persons was as follows:			
Wages and salaries	<b>66,200</b>	62,963	54,734
Social welfare costs	<b>8,301</b>	7,757	7,197
Pension costs	<b>3,880</b>	2,383	2,555
Share based payments	<u>-</u>	<u>512</u>	<u>774</u>
	<u><b>78,381</b></u>	<u>73,615</u>	<u>65,260</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**6 Income Tax Expense**

	<b>2007</b>	2006	2005
	<b>€000s</b>	€000s	€000s
Irish corporation tax	<b>(28,594)</b>	(22,278)	(16,815)
Foreign tax	-	(26,034)	(222)
Adjustments in respect of prior years	<b>612</b>	(369)	(31)
	<hr/>	<hr/>	<hr/>
Current tax charge	<b>(27,982)</b>	(48,681)	(17,068)
Deferred tax credit (charge)	<b>5,889</b>	(1,267)	(6,633)
	<hr/>	<hr/>	<hr/>
	<b>(22,093)</b>	(49,948)	(23,701)

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

	<b>2007</b>	2006	2005
	<b>€000s</b>	€000s	€000s
Profit before tax	<b>162,168</b>	296,780	185,155
	<hr/>	<hr/>	<hr/>
Corporation tax at standard rate of <b>12.5%</b> (2006 and 2005: 12.5%)	<b>20,271</b>	37,098	23,144
Effects of:			
Higher rates of tax on overseas earnings	-	15,985	111
Depreciation for period in excess of capital allowances	<b>192</b>	34	(174)
Non-taxable income/unrealised gains/losses not chargeable/deductible for tax purposes	<b>6,796</b>	(4,181)	(6,297)
Higher rates of tax on other income	<b>111</b>	114	292
Adjustments in respect of prior years	<b>612</b>	(369)	31
Double rent relief	-	-	(39)
	<hr/>	<hr/>	<hr/>
Current tax charge	<b>27,982</b>	48,681	17,068
Deferred tax (credit) charge	<b>(5,889)</b>	1,267	6,633
	<hr/>	<hr/>	<hr/>
	<b>22,093</b>	49,948	23,701

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**7 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:

<b>Earnings</b>	<b>2007</b> <b>€000s</b>	2006 €000s	2005 €000s
Profit for the year	<b>140,075</b>	246,832	161,454
Minority interest	<b>(201)</b>	(191)	46
Preference dividend	<b>(282)</b>	(282)	(282)
Earnings for the purpose of basic and diluted earnings per share	<b><u>139,592</u></b>	<u>246,359</u>	<u>161,218</u>
<b>Number of shares</b>	<b>2007</b>	2006	2005
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>34,407,000</b>	36,292,000	38,746,000
Effect of dilutive potential of share options outstanding	<b><u>226,000</u></b>	<u>407,000</u>	<u>431,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>34,633,000</u></b>	<u>36,699,000</u>	<u>39,177,000</u>

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

	<b>2007</b> <b>€000s</b>	2006 €000s	2005 €000s
Operating profit after taxation	<b>203,499</b>	137,149	141,094
Minority interest	<b>(201)</b>	(191)	46
Preference dividend	<b>(282)</b>	(282)	(282)
Earnings for the purpose of operating earnings per share	<b><u>203,016</u></b>	<u>136,676</u>	<u>140,858</u>
Number of shares	<b><u>34,407,000</u></b>	<u>36,292,000</u>	<u>38,746,000</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**8 Property and Equipment**

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

## Notes to the Financial Statements

### For the year ended 31 December 2007, continued

#### 8 Property and Equipment (continued)

Included in hotels and golf resort assets, are assets valued at **€32,000,000** (2006: €29,011,000) on which the Group has recognized obligations under property financing arrangements amounting to **€18,517,000** (2006: €19,527,000) (Note 20).

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

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

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

#### 9 Deferred Acquisition Costs

The movements in deferred acquisition costs during the year were:	<b>2007</b>	2006
	<b>€000s</b>	€000s
Gross carrying amount at 1 January	<b>13,517</b>	11,849
Gross acquisition costs deferred during the year	<u><b>1,754</b></u>	<u>1,668</u>
Gross carrying amount at 31 <sup>st</sup> December	<u><b>15,271</b></u>	<u>13,517</u>

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

#### 10 Investments

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

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

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

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



**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**10 Investments (continued)**

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

<b>Categories of Financial Instruments</b>	<b>2007</b>	<b>2006</b>
	<b>€000s</b>	<b>€000s</b>

**(b) Financial Assets:**

**Fair value through profit or loss**

**Investments held for trading**

Quoted shares	<b>164,014</b>	327,170
Quoted debt securities	<b>19,956</b>	231,680
	<b><u>183,970</u></b>	<b><u>558,850</u></b>

**Investments held for maturity at amortised cost**

**– quoted debt securities**

	<b><u>479,902</u></b>	<b><u>171,799</u></b>
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Fair value 2007 ~~€480,714,000~~ (2006: €170,815,000)

<b>Available for sale investments – unquoted shares</b>	<b><u>9,542</u></b>	<b><u>3,727</u></b>
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**Loans and receivables**

Loans and receivables at fair value	<b>76,703</b>	36,960
Loans and receivables at amortised cost (i)	<b>179,086</b>	451,198

**Financial Liabilities:**

Amortised cost (ii)	<b><u>(134,889)</u></b>	<b><u>(203,191)</u></b>
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(i) Loans and receivables includes cash and cash equivalents and deposits with bank.

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

**11 Inventories**

	<b>2007</b>	<b>2006</b>
	<b>€000s</b>	<b>€000s</b>
Work in progress	<b>34,964</b>	33,825
Development land	<b>30,781</b>	32,608
	<b><u>65,745</u></b>	<b><u>66,433</u></b>

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**12 Loans and Receivables**

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

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

**Credit Risk**

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

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

**13 Share Capital**

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**13 Share Capital (continued)**

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

Options outstanding on ordinary shares at 31 December 2007 were **294,825** (2006: 531,793). All of these options may be exercised prior to October 2013 at a subscription price of 399c per share. The total number of shares held as treasury shares at 31 December 2007 was 2,236,730 and the average purchase price was €25.88 per share. 236,968 treasury shares were re-issued during the year and the proceeds credited to distributable reserves (see note 17). 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 €000s	Capital conversion reserve €000s	Capital redemption reserve €000s	Total Company €000s	Share option reserve €000s	Total Group €000s
Balance 1 January 2006	5,540	1,627	1,594	<b>8,761</b>	1,052	<b>9,813</b>
Recognition of share-based payments	-	-	-	-	512	<b>512</b>
Cancellation of shares	-	-	2,280	<b>2,280</b>	-	<b>2,280</b>
Balance 1 January 2007	5,540	1,627	3,874	<b>11,041</b>	1,564	<b>12,605</b>
Share buyback of 'A' Ordinary Shares	-	-	351	<b>351</b>	-	<b>351</b>
Balance at 31 December 2007	<u>5,540</u>	<u>1,627</u>	<u>4,225</u>	<u><b>11,392</b></u>	<u>1,564</u>	<u><b>12,956</b></u>

**15 Revaluation Reserves**

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**16 Translation Reserves**

	Translation reserve €000s
Balance 1 January 2006	435
Exchange differences on translation of Non-Euro Zone operations	<u>(273)</u>
Balance 1 January 2007	162
Exchange differences on translation of Non-Euro Zone operations	<u>227</u>
Balance at 31 December 2007	<u><b>389</b></u>

**17 Retained Earnings - Group**

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

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

**18 Preference Share Capital**

	Number	2007 €000s	2006 €000s
<b>Authorised:</b>			
At beginning and end of year			
14% non-cumulative preference shares of 60c each	1,340,000	<b>804</b>	804
8% non-cumulative preference shares of 60c each	12,750,000	<u><b>7,650</b></u>	<u>7,650</u>
		<u><b>8,454</b></u>	<u>8,454</u>
<b>Issued and fully paid:</b>			
At beginning and end of year			
14% non-cumulative preference shares of 60c each	1,340,000	<b>804</b>	804
8% non-cumulative preference shares of 60c each	3,532,292	<u><b>2,119</b></u>	<u>2,119</u>
		<u><b>2,923</b></u>	<u>2,923</u>

In the event of the Company being wound up, 14% non-cumulative preference shareholders rank ahead of 8% non-cumulative preference shareholders, who in turn, rank ahead of ordinary shareholders. Each of the Ordinary Shares of €0.60 each, the 14% non-cumulative preference shares of €0.60 each and the 8% non-cumulative preference shares of €0.60 each enjoy the same rights to receive notice of and to attend and vote at meetings of the Company.

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**19 Claims Outstanding**

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

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

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

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**20 Bank and Other Loans**

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

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

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

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

	<b>Euro</b>	<b>Sterling</b>	<b>Total</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
<b>31 December 2007</b>			
Bank Loans	<b>41,889</b>	<b>Nil</b>	<b>41,889</b>
<b>31 December 2006</b>			
Bank Loans	91,754	1,069	92,823

The average interest rates were as follows:

	<b>2007</b>	2006
Bank Loan	<b>5.25%</b>	4.6%

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

**21 Creditors**

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**22 Taxation**

**(a) Current Tax**

	<b>2007</b>	2006
	<b>€000s</b>	€000s
Income tax payable	<b><u>14,070</u></b>	<u>7,728</u>

**(b) Deferred Tax**

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

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

**23 Retirement Benefit Obligation**

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

<b>Assumptions used to calculate scheme liabilities:</b>	<b>2007</b>	2006
	%	%
Inflation rate increase	<b>2.50</b>	2.00
Salary rate increase	<b>4.50</b>	4.00
Pension payment increase	<b>2.50</b>	2.00
Discount rate	<b>5.50</b>	4.75
	<b>2007</b>	2006
<b>Expected rate of return on scheme assets:</b>	%	%
Equities	<b>7.50</b>	7.00
Bonds	<b>4.00</b>	3.50
Property	<b>6.00</b>	6.00
	<b>2007</b>	2006

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**23 Retirement Benefit Obligation (continued)**

**Mortality Assumptions**

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

	<b>Male</b>	Male
	<b>21.4</b>	21.4
	<b>Female</b>	Female
	<b>26.4</b>	26.4
	<b>2007</b>	2006
	<b>€000s</b>	€000s
<b>Group income statement:</b>		
Charged to operating profit:		
Current service cost	<b>4,678</b>	3,767
Death in service cost	<b>64</b>	41
	<b>4,742</b>	3,808
Interest on scheme liabilities	<b>(5,354)</b>	(4,037)
Expected return on scheme assets	<b>6,740</b>	5,599
	<b>1,386</b>	1,562
	<b>3,356</b>	2,246
<b>Analysis of amount recognised in Group statement of recognised income and expense:</b>		
Actual return less expected return on scheme assets	<b>(9,735)</b>	7,114
Experience gains and losses on scheme liabilities	<b>(2,300)</b>	(5,000)
Changes in demographic and financial assumptions	<b>7,358</b>	(6,137)
Actuarial loss	<b>(4,677)</b>	(4,023)
Deferred tax credit	<b>-</b>	154
Total actuarial loss	<b>(4,677)</b>	(3,869)

<b>HISTORY OF EXPERIENCE GAINS AND LOSSES</b>	<b>2007</b>	2006	2005	2004	2003
	<b>€000s</b>	€000s	€000s	€000s	€000s
Present value of defined benefit obligations	<b>115,871</b>	112,706	94,995	76,536	62,454
Fair value of plan assets	<b>109,630</b>	109,119	92,645	76,577	49,871
Deficit (surplus)	<b>6,241</b>	3,587	2,350	(41)	12,583
	<b>2007</b>	2006	2005	2004	2003
	<b>€000s</b>	€000s	€000s	€000s	€000s
Difference between expected and actual return on assets	<b>(9,735)</b>	7,114	9,399	2,186	(2,352)
Experience gains and losses on scheme liabilities	<b>(2,300)</b>	(5,000)	(3,289)	(1,899)	(4,301)
Total actuarial loss	<b>(4,677)</b>	(3,869)	(3,802)	(9,031)	(3,091)



**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**23 Retirement Benefit Obligation (continued)**

	<b>2007</b>	2006
	<b>€000s</b>	€000s
<b>Assets in schemes at market value:</b>		
Equities	<b>69,515</b>	73,059
Bonds	<b>22,827</b>	25,421
Property and other	<b>17,288</b>	10,639
	<b>109,630</b>	109,119
Actuarial value of liabilities	<b>(115,871)</b>	(112,706)
<b>Net pension liability</b>	<b>(6,241)</b>	(3,587)
<b>MOVEMENT IN DEFICIT DURING THE YEAR</b>	<b>€000s</b>	€000s
Net deficit in scheme at start of year	<b>(3,587)</b>	(2,056)
Current service cost	<b>(4,678)</b>	(3,767)
Employer contributions	<b>5,314</b>	4,991
Interest on scheme liabilities	<b>(5,353)</b>	(4,037)
Expected return on scheme assets	<b>6,740</b>	5,599
Actuarial loss	<b>(4,677)</b>	(4,023)
Deferred charge (credit)	<b>-</b>	(294)
Net deficit at end of year	<b>(6,241)</b>	(3,587)

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

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

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**24 Cash Flow Statement Notes**

**(a) Analysis of Cash Flows for Headings netted in the Cash Flow Statement**

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

**(b) Movement in Cash, Portfolio Investment and Financing**

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**25 Dividends**

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

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**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. Executive directors are considered the only key management of the Group.

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

(a) Relates to motor allowance/VHI

(i) Retired 3 February 2006

(ii) Died 30 June 2007

(iii) Appointed 7 March 2006

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

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

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.

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**26 Report on Directors' Remuneration and Interests (continued)**

**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 18 April 2000 is conditional on growth in earnings per share of at least 2% p.a. compound above the increase in the Consumer Price Index over not less than 3 years from date of grant. The percentage of share capital which may be issued under the Scheme complies with the guidelines of the Irish Association of Investment Managers. Details of the executive directors' share options are given below.

**Service Contracts**

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

**Directors' and Secretary's Interests**

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

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

**DIRECTORS' SHARE OPTIONS**

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

Options exercisable from October 2006, expire October 2013

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**27 Principal Subsidiaries**

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

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

All shareholdings are in the form of ordinary shares.

The financial year end for all subsidiaries is 31 December.

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

**28 Capital Commitments**

	<b>2007</b>	2006
	<b>€000s</b>	€000s
Capital commitments at 31 <sup>st</sup> December authorised by the directors but not provided for in the financial statements:		
Contracted for	<u>653</u>	<u>4,246</u>
Not contracted for	<u>562</u>	<u>2,456</u>

## Notes to the Financial Statements

### For the year ended 31 December 2007, continued

#### 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. The most recent grant of options under this scheme was in September 2003. The fair value of these options was €12.03.

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

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

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

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

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

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

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

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

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

#### 30 Guarantees

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

## Notes to the Financial Statements

### For the year ended 31 December 2007, continued

#### 31 Contingent Assets

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

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

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

#### 32 Transactions with Related Parties

Farmer Business Developments plc has an interest in 29.77% of the Voting Shares in the Company at 31 December 2007. Included in the financial statements at the year end is **€175,714** (2006: €139,000) due to Farmer Business Developments plc. Interest is charged on this balance at the market rate. The amount due is payable on demand. No guarantees have been given or received.

Details of directors remuneration are outlined in Note 26.

#### 33 Risk Management

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

Risk is categorised as follows:

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

##### (a) General Insurance risk

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

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

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

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

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

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



## Notes to the Financial Statements

### For the year ended 31 December 2007, continued

#### 33 Risk Management (Continued)

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

##### **Key assumptions used in calculating insurance liabilities**

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

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

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

##### **(b) Capital risk management**

The Group is committed to managing its capital so as to maximise returns to shareholders while maintaining an adequate regulatory solvency position. The board of directors reviews the capital structure frequently to determine the appropriate level of capital required to pursue the Group's growth plans while maintaining an adequate solvency position. The capital of the Group comprises of issued capital, reserves and retained earnings as disclosed – note 13 to 17. Repatriations to shareholders of €496m since March 2005 in the form of buy-backs and distributions are evidence of the Groups' commitment.

##### **(c) Operational risk**

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

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

In accordance with Group policies, business unit management has primary responsibility for the effective identification, management, monitoring and reporting of risks. There is an annual review by executive management of all major risks. The audit committee reviews executive management's risk assessment to ensure that all risks are identified and evaluated. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against financial, operational and reputational criteria.

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**33 Risk Management (Continued)**

**(d) Liquidity risk**

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

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

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

***Analysis of expected maturity of general insurance liabilities***

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

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

**(e) Market risk**

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

***Interest rate risk***

Interest rate risk arises primarily from the Group's investments in quoted debt securities. The Investment Committee regularly reviews the appropriate level of exposure to interest rate risk from trading. Factors taken into consideration are yield volatility and historical returns.

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**33 Risk Management (Continued)**

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

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

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

Loans made by the Group are at floating interest rates.

**Equity price risk**

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

**Foreign currency risk**

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

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

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

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

## Notes to the Financial Statements

### For the year ended 31 December 2007, continued

#### 33 Risk Management (Continued)

##### (f) Credit risk

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

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

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

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

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

##### Sensitivity analysis

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

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

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

##### Sensitivities as at 31 December 2007

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

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

**Notes to the Financial Statements**  
**For the year ended 31 December 2007, continued**

**33 Risk Management (Continued)**

**Sensitivity Analysis (Continued)**

**Sensitivities as at 31 December 2006**

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

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

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

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

*Limitations of sensitivity analysis*

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

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

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

**B) Farmer Business Developments plc –  
Annual Financial Information for the three years ended 31 December  
2007**

**Nature of Financial Information**

The following information does not constitute full accounts within the meaning of Irish Statute comprising the Companies Acts, 1963 to 2006 and has been extracted, without material adjustment, from the audited financial statements of Farmer Business Developments plc for the three years ended 31 December 2007.

Copies of the financial statements have been delivered to the Registrar of Companies (in Ireland) for each of the three years ended 31 December 2007. The Auditors of Farmer Business Developments plc have made three reports under Section 193 of the Companies Act, 1990 in respect of each set of statutory financial statements and each such report was an unqualified audit report within the meaning of Section 193(4) of that Act.

**Profit and Loss Account**  
**For the years ended 31 December**

	Notes	2007 €000s	2006 €000s	2005 €000s
Turnover – continuing activities		54,352	172,960	6,642
Income from participating interests		49,050	20,769	6,401
Income from sale of shares in FBD Holdings plc		-	149,416	-
Income from other financial assets		5,302	2,687	228
Rental income		-	88	14
Administrative expenses		(771)	(776)	(579)
Profit before taxation – continuing activities		53,581	172,184	6,064
Taxation		(1,168)	(511)	(7)
Profit after taxation		52,413	171,673	6,057

**Balance Sheet**  
**As at 31 December**

	Notes	2007 €000s	2006 €000s	2005 €000s
<b>FIXED ASSETS</b>				
Financial assets		218,047	354,985	480,367
Land and buildings		2,378	2,660	2,660
		220,425	357,645	483,027
<b>CURRENT ASSETS</b>				
Investments		26,770	-	1,361
Debtors		34	-	1,387
Deposits		123,208	109,202	2,692
		150,012	109,202	5,440
<b>CREDITORS</b> – Amounts falling due within one year		(874)	(4,623)	(53)
<b>NET CURRENT ASSETS</b>		149,138	104,579	5,387
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		369,563	462,224	488,414
Provision for liabilities and charges		-	-	(29)
<b>NET ASSETS</b>		369,563	462,224	488,385
<b>CAPITAL AND RESERVES</b>				
Ordinary share capital		7,117	7,117	8,199
Reserves		361,250	453,911	478,990
<b>ORDINARY SHAREHOLDERS' FUNDS</b>		368,367	461,028	487,189
Preference share capital		1,196	1,196	1,196
<b>TOTAL SHAREHOLDERS' FUNDS</b>		369,563	462,224	488,385

## Cash Flow Statement For the years ended 31 December

	Notes	2007 €000s	2006 €000s	2005 €000s
<b>OPERATING ACTIVITIES</b>				
Net cash inflow (outflow) from operating activities		50,258	24,697	(1,319)
<b>FINANCING</b>				
Purchase of own shares		(5,428)	(59,985)	(9,196)
<b>TAX</b>				
Corporation tax paid		(1,346)	(68)	(99)
<b>DIVIDENDS</b>				
Dividends paid		(2,708)	(15,194)	(1,411)
<b>INVESTMENT ACTIVITIES</b>				
Purchase of quoted investments		(26,770)	-	-
Sale of quoted investments		-	4,060	752
Sale of shares in FBD Holdings plc		-	153,000	-
Purchase of financial assets		-	-	(1,263)
Net cash (outflow) inflow from investment activities		(26,770)	157,060	(511)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>14,006</b>	<b>106,510</b>	<b>(12,536)</b>

## Statement of Total Recognised Gains and Losses For the years ended 31 December

	Notes	2007 €000s	2006 €000s	2005 €000s
Profit after taxation		52,413	171,673	6,057
Unrealised (losses) gains on financial assets		(136,938)	39,588	227,064
Unrealised losses on investments		-	-	(140)
<b>Total (losses) gains recognised in year</b>		<b>(84,525)</b>	<b>211,261</b>	<b>232,981</b>

## Reconciliation of Movement in Ordinary Shareholders' Funds For the year ended 31 December

	Notes	2007 €000s	2006 €000s	2005 €000s
Profit after taxation		52,413	171,673	6,057
Less: preference dividends		(151)	(151)	(151)
Profit attributable to ordinary shareholders		52,262	171,522	5,906
Ordinary dividends		(2,557)	(15,044)	(1,260)
Purchase of own shares		(5,428)	(59,985)	(9,196)
Unrealised gains on financial assets		(136,938)	39,588	226,924
Transfer from revaluation reserves to profit and loss on the sale of FBD Holdings plc shares		-	(162,242)	-
Ordinary shareholders' funds at beginning of year		461,028	487,189	264,815
Ordinary shareholders' funds at end of year		<b>368,367</b>	<b>461,028</b>	<b>487,189</b>



## Notes to the Financial Statements

### For the year ended 31 December 2007

#### 1. STATEMENT OF ACCOUNTING POLICIES

##### A) BASIS OF ACCOUNTING

The Group financial statements of Farmer Business Developments plc have been prepared under the historical cost convention as modified by the revaluation of stocks and shares. (The company holds 24.4% of the ordinary share capital of FBD Holdings plc. The vast majority of the Company's shareholders are also shareholders in FBD Holdings plc. The financial statements do not include the Company's share of FBD Holdings plc's results or net assets. Information on the Company's investment in FBD Holdings plc is given in note 5).

##### 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.

##### C) TURNOVER

Turnover consists of dividend income recognised on a receipts basis, interest income recognised on an accruals basis, rental income on an accruals basis and gains on realisation of investments.

##### D) INVESTMENTS

Quoted shares are stated at market value.

Unquoted shares are stated at fair value.

Investment properties held for rental are stated at market value.

Investments in subsidiary undertakings are included at cost.

##### E) DEFERRED TAXATION

Deferred taxation is provided for using the liability method in respect of the taxation effect of all timing differences including unrealised investment gains, to the extent that they are expected to reverse in the future.

#### 2. PROFIT BEFORE TAXATION

	2007 €000s	2006 €000s	2005 €000s
The profit before taxation is stated after crediting:			
Sale of FBD Holdings plc shares	-	149,416	-
	<hr/>	<hr/>	<hr/>
and after charging			
Directors' remuneration	109	86	19
Auditors' remuneration	11	10	7
Write down of financial assets	-	-	149
	<hr/>	<hr/>	<hr/>

**Notes to the Financial Statements**  
**For the year ended 31 December 2007** *continued*

**3. TAXATION**

	<b>2007</b> €000s	<b>2006</b> €000s	<b>2005</b> €000s
<b>(a) Analysis of charge in period</b>			
Corporation tax on profits for the period	1,168	475	8
Adjustment in respect of prior years	-	36	(1)
	<u>1,168</u>	<u>511</u>	<u>7</u>

**(b) Factors affecting tax charge for period**

The tax assessed for the period is lower than the standard rate of corporation tax in Ireland (12.5%)

The differences are explained below

Profit on ordinary activities before tax	<u>53,581</u>	<u>172,184</u>	<u>6,064</u>
Tax on profit on ordinary activities at standard rate of corporation tax in Ireland of 12.5%	6,698	21,523	758
Effects of:			
Unrealised losses (gains) on investments	23	-	19
Franked investment income received	(6,137)	(2,596)	(800)
Profit on sale of shares in investee company not taxable	-	(18,677)	-
Higher tax rates on other income	584	256	-
Expenses not allowable	-	5	30
Current tax charge for the period	<u>1,168</u>	<u>511</u>	<u>7</u>

**4. DIVIDENDS**

	<b>2007</b> €000s	<b>2006</b> €000s	<b>2005</b> €000s
<b>Paid:</b>			
Dividend of 17.78c (2006, 2005: 17.78c) per share on the 14% non-cumulative preference shares of €1.27 each	89	89	89
Dividend of 1.43c (2006, 2005: 1.43c) per share on the 11% non-cumulative preference shares of 13c each	62	62	62
Dividend of 4.7c (2006: 2.2c, 2005: 2.0c) per share on the ordinary shares of 13c each	2,557	1,357	1,260
Special dividend of nil (2006: 25c, 2005: nil) per share on the ordinary shares of 13c each	-	13,686	-
	<u>2,708</u>	<u>15,194</u>	<u>1,411</u>
<b>Proposed:</b>			
Dividend of 5.6c (2006: 4.7c, 2005: 2.2c) per share on the ordinary shares of 13c each	<u>3,020</u>	<u>2,573</u>	<u>1,388</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2007** *continued*

**5. FINANCIAL ASSETS**

	<b>2007</b> <b>€000s</b>	<b>2006</b> <b>€000s</b>	<b>2005</b> <b>€000s</b>
Balance at start of year	354,985	480,367	252,368
Revaluation surplus	(136,938)	39,588	226,736
(Disposals) additions	-	(164,970)	1,263
	<u>218,047</u>	<u>354,985</u>	<u>480,367</u>
The balance at year end comprises:			
Investments in FBD Holdings plc			
<b>8,531,948</b> (2006: 8,531,948, 2004: 13,031,948) ordinary shares of 60c each	215,431	352,369	477,751
<b>1,340,000</b> (2006 and 2005: 1,340,000) 14% non- cumulative preference shares of 60c each	1,608	1,608	1,608
<b>1,470,292</b> (2006 and 2005: 1,470,292) 8% non- cumulative preference shares of 60c each	1,008	1,008	1,008
	<u>218,047</u>	<u>354,985</u>	<u>480,367</u>

At 31 December 2007 the company held 25.68%, (2006: 24.4%, 2005: 34%) of the ordinary share capital of FBD Holdings plc.

FBD Holdings plc is a quoted investment holding company. The market value of its ordinary shares at 31 December 2007 was €25.25, (2006: €41.30, 2005: €36.66). Preference shares are included at fair value, the fair value of 14% preference shares is 120c and of 8% preference shares is 69c. The principal activity of FBD Holdings plc's major subsidiary is the underwriting of general insurance in the Republic of Ireland. The registered office of FBD Holdings plc is FBD House, Bluebell, Dublin 12. The financial information shown below has been prepared under International Reporting Standards.

**CONSOLIDATED FINANCIAL INFORMATION ON FBD HOLDINGS PLC**  
**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER**

	<b>2007</b> <b>€000s</b>	<b>2006</b> <b>€000s</b>	<b>2005</b> <b>€000s</b>
Income	518,345	571,056	430,501
Expenses	<u>(356,177)</u>	<u>(274,276)</u>	<u>(245,346)</u>
Profit before taxation	162,168	296,780	185,155
Taxation	<u>(22,093)</u>	<u>(49,948)</u>	<u>(23,701)</u>
Profit after taxation	<u>140,075</u>	<u>246,832</u>	<u>161,454</u>
Attributable to:			
Equity holders of the parent	139,874	246,641	161,500
Minority interest	<u>201</u>	<u>191</u>	<u>(46)</u>
	<u>140,075</u>	<u>246,832</u>	<u>161,454</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2006** *continued*

**5. FINANCIAL ASSETS**

**BALANCE SHEET OF FBD HOLDINGS PLC AS AT 31 DECEMBER**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Property & equipment	243,344	230,379	210,225
Intangible assets	15,271	13,517	11,849
Investments	829,467	1,143,530	1,030,238
Inventories	65,745	66,433	62,496
Loans and receivables	147,137	122,762	141,673
Reinsurers' share of technical provisions	50,483	72,553	66,034
Cash and cash equivalents	<u>35,618</u>	<u>37,423</u>	<u>41,897</u>
	1,387,065	1,686,597	1,564,412
Technical provisions	(811,926)	(931,946)	(888,350)
Bank and other loans	(60,406)	(112,350)	(99,831)
Creditors	(88,553)	(98,569)	(54,829)
Deferred tax	(27,738)	(33,227)	(33,873)
Retirement benefit obligations	<u>(6,241)</u>	<u>(3,587)</u>	<u>(2,056)</u>
<b>NET ASSETS</b>	<b><u>392,201</u></b>	<b><u>506,918</u></b>	<b><u>485,473</u></b>
<b>CAPITAL AND RESERVES</b>			
Ordinary share capital	21,277	21,277	23,557
Capital reserves	12,956	12,605	9,813
Revaluation and other reserves	30,375	27,702	48,141
Retained earnings	<u>318,981</u>	<u>435,935</u>	<u>394,616</u>
<b>ORDINARY SHAREHOLDERS' FUNDS</b>	<b>383,589</b>	<b>497,519</b>	<b>476,127</b>
Preference share capital	<u>2,923</u>	<u>2,923</u>	<u>2,923</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>386,512</b>	<b>500,442</b>	<b>479,050</b>
Minority interests	<u>5,689</u>	<u>6,476</u>	<u>6,423</u>
	<b><u>392,201</u></b>	<b><u>506,918</u></b>	<b><u>485,473</u></b>

**6. LAND AND BUILDINGS**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Land and buildings: investment property held for rental	2,660	2,660	2,660
Decrease in fair value during the year	<u>(282)</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<b><u>2,378</u></b>	<b><u>2,660</u></b>	<b><u>2,660</u></b>

As at 31 December 2007 the cost of land and buildings was €2,660,000.

**7. INVESTMENTS – GROUP**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Quoted shares	4,090	-	1,361
Unquoted shares (market value €22,680,000)	<u>22,680</u>	<u>-</u>	<u>-</u>
	<b><u>26,770</u></b>	<b><u>-</u></b>	<b><u>1,361</u></b>

As at 31 December 2007 the cost of quoted shares was €4,023,000 (2006: nil, 2005: €1,126,000).

**Notes to the Financial Statements**  
**For the year ended 31 December 2006** *continued*

**8. DEBTORS**

	2007 €000s	2006 €000s	2005 €000s
Amounts falling due within one year:			
Amount owed by subsidiary company	-	-	4
Amount owed by related companies	34	-	1,382
Taxation	-	-	1
	<u>34</u>	<u>-</u>	<u>1,387</u>

**9. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR:**

	2007 €000s	2006 €000s	2005 €000s
Accruals:	431	4,039	53
Amounts owed to related company	176	139	-
Taxation	267	445	-
	<u>874</u>	<u>4,623</u>	<u>53</u>

**10. PROVISION FOR LIABILITIES AND CHARGES**

	2007 €000s	2006 €000s	2005 €000s
Deferred taxation has been fully provided for in the Financial Statements, comprising of the following:			
Unrealised gains on investments	<u>-</u>	<u>-</u>	<u>29</u>

**11. ORDINARY SHARE CAPITAL**

	2007 only Number	2007 €000s	2006 €000s	2005 €000s
<b>AUTHORISED:</b>				
Ordinary shares of 13c each	99,359,130	12,917	12,917	12,917
"B" ordinary shares of €1.27 each	5,000,000	6,350	6,350	6,350
		<u>19,267</u>	<u>19,267</u>	<u>19,267</u>
<b>ISSUED:</b>				
Ordinary shares of 13c each at beginning of year	54,747,876	7,117	8,199	8,491
Shares cancelled during year	-	-	(1,082)	(292)
Ordinary shares of 13c each at end of year	54,747,876	<u>7,117</u>	<u>7,117</u>	<u>8,199</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2006** *continued*

**12. RESERVES**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
<b>REVENUE RESERVES:</b>			
Balance at beginning of year	102,445	5,951	10,502
Transfer from profit and loss account	52,413	171,673	6,056
Dividends	(2,708)	(15,194)	(1,411)
Purchase of own shares	(5,428)	(59,985)	(9,196)
Balance at end of year	<u>146,722</u>	<u>102,445</u>	<u>5,951</u>
<b>REVALUATION RESERVES:</b>			
Balance at beginning of year	347,392	470,046	243,122
Revaluation surplus	(136,938)	39,588	226,929
Deferred tax (charge) credit on revaluation surplus	-	-	(5)
Sale of FBD Holdings shares	-	(162,242)	-
Balance at end of year	<u>210,454</u>	<u>347,392</u>	<u>470,046</u>
<b>CAPITAL REDEMPTION RESERVE FUND:</b>			
Balance at beginning of year	4,074	2,992	2,700
Cancellation of shares	-	1,082	292
Balance at end of year	<u>4,074</u>	<u>4,074</u>	<u>2,992</u>
Total reserves at end of year	<u>361,250</u>	<u>453,911</u>	<u>478,990</u>

**13. PREFERENCE SHARE CAPITAL**

	<b>Number</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
		<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
<b>AUTHORISED:</b>				
14% non-cumulative preference shares of €1.27 each	500,000	635	635	635
11% non-cumulative preference shares of 13c each	10,000,000	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>
		<u>1,935</u>	<u>1,935</u>	<u>1,935</u>
<b>ISSUED:</b>				
At beginning and end of year:				
14% non-cumulative preference shares of €1.27 each	500,000	635	635	635
11% non-cumulative preference shares of 13c each	4,315,050	<u>561</u>	<u>561</u>	<u>561</u>
		<u>1,196</u>	<u>1,196</u>	<u>1,196</u>

**14. NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Profit before taxation	53,581	172,184	6,064
Sale of shares in FBD Holdings plc	-	(153,000)	-
Increase (decrease) in debtors and creditors	(3,605)	5,513	(7,532)
Write down of financial assets	-	-	149
Decrease in value of investment property	282	-	-
Unrealised gain on valuation of quoted shares	-	-	-
Net cash inflow (outflow) from operating activities	<u>50,258</u>	<u>24,697</u>	<u>(1,319)</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2007** *continued*

**15. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	<b>2007</b> <b>€000s</b>	<b>2006</b> <b>€000s</b>	<b>2005</b> <b>€000s</b>
Balance at beginning of year	109,202	2,692	15,228
Net cash inflow (outflow)	<u>14,006</u>	<u>106,510</u>	<u>(12,536)</u>
Balance at end of year	<u><u>123,208</u></u>	<u><u>109,202</u></u>	<u><u>2,692</u></u>

**16. SUBSIDIARY COMPANIES**

<b>NAME</b>	<b>NATURE OF OPERATIONS</b>	<b>% owned</b>
City Investment Advisors Ltd.	Investment trading company	100
Farmer Business Developments Assets Ltd.	Investment trading company	100
Farmer Business Developments Investment Ltd.	Investment trading company	100

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## PART IV – Additional Information

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### 1. RESPONSIBILITY

- a. The Directors of FBD Holdings plc (whose names are set out on page 6 in Part I of this document) accept responsibility for the information contained in this document, except for (i) the information relating to the Concert Party for which responsibility is accepted as set out in sub-paragraph b. below; and (ii) the recommendation and related opinions of the Independent Directors. The Independent Directors of FBD Holdings plc (whose names are set out on page 6 of Part I of this document) accept responsibility for the recommendation and related opinions of the Independent Directors contained in this document. To the best of the knowledge and belief of the Directors and the Independent Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they respectively accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- b. The directors of Farmer Business Developments plc (whose names are set out in paragraph 3 below) accept responsibility for the information relating to the Concert Party contained in this document. To the best of the knowledge and belief of the directors of Farmer Business Developments plc (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. BUSINESS OF THE COMPANY

FBD is the holding company for the FBD Group, a diversified insurance group with property and leisure interests.

### 3. BUSINESS OF THE FARMER BUSINESS DEVELOPMENTS PLC

Farmer Business Developments plc is an unquoted public limited company registered in Ireland. It is an investment holding company whose principal investment is 29.77% of the issued share capital of FBD.

The Directors of Farmer Business Developments plc are Jeremiah Bergin, John Boylan, Jack Bayly, John Dillon, John Duggan, Stephen Finn, Joseph Healy, James Kane, John Joseph Kavanagh, Patrick Kelleher, Hugo Maguire, TJ Maher, John McCullen, Dermot O'Connell, Patrick O'Keeffe, Hugh Ryan and Padraig Walshe.

### 4. SHARE CAPITAL OF FBD

FBD has three classes of shares in issue. These classes and the percentage of the total issued share capital represented by each are as follows:

	<b>Number in Issue</b>	<b>% of Total</b>
Ordinary Shares of €0.60 each	* 33,229,476	87.2
14% Non-Cumulative Preference Shares of €0.60 each	1,340,000	3.5
8% Non-Cumulative Preference Shares of €0.60 each	3,532,292	9.3
	<b>38,101,768</b>	<b>100.0</b>

\* excluding 2,231,730 Ordinary Shares held in treasury

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

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

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



## 5. INTERESTS AND DEALINGS

### a) FBD Holdings plc

- i) During the period of 12 months preceding the date of this document FBD dealt for value in relevant FBD securities as follows:

Date	Number of Ordinary Shares	Price €	Purchase/Sale
3 September 2007	20,000	25.50	Purchase
6 September 2007	160,000	26.00	Purchase
19 September 2007	107,336	24.48	Purchase
20 September 2007	52,664	24.48	Purchase
20 September 2007	(25,000)	3.99	Re-issue from Treasury on exercise of option
12 November 2007	120,000	21.00	Purchase
13 November 2007	40,000	21.00	Purchase
14 November 2007	100,000	21.00	Purchase
24 November 2007	(10,000)	3.99	Re-issue from Treasury on exercise of option
15 November 2007	100,000	21.00	Purchase
21 November 2007	275,000	18.40	Purchase

- ii) Save as disclosed as at the close of business on 28 July 2008 (the latest date prior to the publication of this document) neither FBD nor any of its subsidiaries nor any associate of FBD owned or controlled any interest in the relevant FBD securities nor dealt for value in relevant FBD securities during the period within the last 12 months preceding the date of this document.
- iii) At the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), neither FBD nor any of its subsidiaries had any interest in the relevant Farmer Business Developments plc securities.

### b) FBD Directors

- i) As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of each of the Directors in relevant FBD securities of the Company, as have been notified to the Company pursuant to Sections 53 and 56 of the Companies Act 1990, or which are required to be entered into the register of Directors' interests maintained by the Company under Section 59 of that Act, or which are interests of a person connected (within the meaning of Section 64 of that Act) with a Director which would, if the connected person were a Director, be required to be disclosed as above, and the existence of which is known or could with reasonable diligence be ascertained by that Director were as follows:

Name of Director	Existing Ordinary Shareholding	Percentage of existing Voting Shares	Percentage of Voting Shares after a repurchase of 10% of issued Ordinary shares
Michael Berkery *	22,500	0.06%	0.07%
John Donnelly *	23,256	0.06%	0.07%
Sean Dorgan *	-	-	-
Andrew Langford	6,250	0.02%	0.02%
Philip Lynch *	20,000	0.05%	0.06%
Patrick O'Keeffe * †	72,770	0.19%	0.21%
Vincent Sheridan *	-	-	-
Adrian Taheny	13,500	0.04%	0.04%
Johan Thijs *	-	-	-
Padraig Walshe * †	600	0.00%	0.00%

#### Notes

\* denotes Non-Executive Director

† denotes Non-Independent Director. Messrs. Patrick O'Keeffe and Padraig Walshe are directors of Farmer Business Developments plc.

No Directors of FBD hold any Preference Shares.

## Directors' Share Options

		<b>Number of options over Ordinary Shares Held</b>	<b>Exercise price €</b>	<b>Percentage of Voting Shares on a fully diluted basis</b>
Andrew Langford	(a)	30,000	3.99	0.08%
	(b)	599	19.95	0.00%
Adrian Taheny	(a)	70,000	3.99	0.18%
	(b)	599	19.95	0.00%

- (a) Options exercisable from October 2006, expire 2013  
(b) SAYE Option exercisable from February 2011

- ii) During the period of 12 months preceding the date of this document the following Directors of FBD dealt for value in relevant FBD securities as follows:

<b>Name</b>	<b>Date</b>	<b>No of Ordinary Shares</b>	<b>Price €</b>	<b>Purchase/Sale</b>
Philip Fitzsimons	3 September 2007	5,000	25.50	Purchase
	19 September 2007	25,000	3.99	Exercise of Option
	26 October 2007	599	19.95	Grant of SAYE Option
Andrew Langford	3 September 2007	1,000	25.50	Purchase
	26 October 2007	599	19.95	Grant of SAYE Option
Adrian Taheny	4 September 2007	3,500	26.00	Purchase
	26 October 2007	599	19.95	Grant of SAYE Option

Save as disclosed above, none of the directors of FBD, their immediate families and persons connected with them have dealt for value in relevant FBD securities during the period of 12 months preceding the date of this document.

## c) Farmer Business Developments plc

- i) As at the close of business on 28 July 2008 (being the latest practicable date prior to the publication of this document), the interests of Farmer Business Developments plc in relevant FBD securities (all of which are beneficial unless otherwise stated) were as follows:

<b>Class of Voting Share</b>	<b>Existing Holding</b>	<b>% of Class</b>	<b>% of Overall Voting Shares</b>	<b>Percentage of Voting shares assuming a purchase by FBD of ordinary share capital up to the maximum allowed</b>
Ordinary Shares	8,531,948	25.7%	22.4%	25.0%
8% Non-Cumulative Preference	1,470,292	41.6%	3.9%	4.3%
14% Non-Cumulative Preference	1,340,000	100.0%	3.5%	3.9%
<b>Total</b>	<b>11,342,240</b>		<b>29.8%</b>	<b>33.3%</b>

- ii) During the period of 12 months preceding the date of this document, Farmer Business Developments plc has not dealt for value in relevant FBD securities.

## d) Directors of Farmer Business Developments plc

- i) As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), the interests of the directors of Farmer Business Developments plc in relevant FBD securities (all of which are beneficial unless otherwise stated) were as follows:

<b>Name of Director</b>	<b>Existing Ordinary Share Holdings</b>	<b>% of overall Voting Shares</b>	<b>Percentage of Voting Shares assuming a purchase by FBD of ordinary share capital up to the maximum allowed</b>
Jeremiah Bergin	730	0.00%	0.00%
John Boylan	1,100	0.00%	0.00%
Jack Bayly	6,215	0.02%	0.02%
John Dillon	-	-	-
John Duggan	300	0.00%	0.00%
Stephen Finn	-	-	-
Joseph Healy	281	0.00%	0.00%
James Kane	-	-	-
John Joseph Kavanagh	-	-	-
Patrick Kelleher	-	-	-
Hugo Maguire	-	-	-
TJ Maher	-	-	-
John McCullen	1,933	0.01%	0.01%
Dermot O'Connell	-	-	-
Patrick O'Keeffe	72,770	0.19%	0.21%
Hugh Ryan	19,674	0.05%	0.06%
Padraig Walshe	600	0.00%	0.00%
<b>Total</b>	<b>103,603</b>	<b>0.27%</b>	<b>0.30%</b>

The Directors of Farmer Business Developments plc do not hold any Preference Shares.

- ii) During the period of 12 months preceding the date of this document the following directors of Farmer Business Developments plc dealt for value in relevant FBD securities as follows:

<b>Name</b>	<b>Date</b>	<b>No of Ordinary Shares</b>	<b>Price €</b>	<b>Purchase/Sale</b>
Stephen Finn	10 August 2007	2,000	26.60	Purchase
	21 February 2008	2,000	28.75	Sale
Joseph Healy	3 September 2007	217	22.35	Purchase

Save as disclosed at the close of business on 28 July 2008 no directors of Farmer Business Developments plc, their immediate families and persons connected with them have dealt for value in the relevant FBD securities. Save as disclosed at the close of business on 28 July 2008 neither Farmer Business Developments plc nor any persons acting in concert with Farmer Business Developments plc, held in any interest in relevant FBD securities nor dealt for value in relevant FBD securities in the 12 months preceding the date of this document.

**e) Bloxham**

- i) As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), discretionary clients of Bloxham held 3,763 Ordinary Shares.
- ii) During the period of 12 months preceding the date of this document discretionary clients of Bloxham dealt for value in relevant FBD securities as follows:

<b>Date</b>	<b>Name</b>	<b>No of Ordinary Shares</b>	<b>Price €</b>	<b>Purchase/Sale</b>
2 August 2007		7,321	27.84	Purchase
16 August 2007		11,000	25.80 - 26.10	Purchase
24 August 2007		3,250	26.74	Purchase
14 September 2007		884	26.3	Sale
18 September 2007		5,000	24.25	Sale
24 September 2007		1,276	23.50	Purchase
5 October 2007		2,250	24.10	Purchase
10 December 2007		7,650	23.82	Sale

13 December 2007	21,592	25.60	Sale
17 December 2007	2,150	25.24	Purchase
9 January 2008	8,150	25.24	Sale
6 March 2008	1,000	29.1	Sale
2 April 2008	1,276	29.75	Sale
1 May 2008	20,000	26.00	Purchase
5 June 2008	13,000	23.50	Purchase

Save as disclosed at the close of business on 28 July 2008 there were no holdings of relevant FBD securities which are managed on discretionary basis by any fund managers connected with FBD nor were there any dealings for value in such securities in the 12 months preceding the date of this document.

#### f) Major holdings in relevant FBD securities

##### **Ordinary Shares**

As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), FBD had been notified of the following interests of Shareholders who own 3% or more of Ordinary Shares:-

<b>Name</b>	<b>Number of Ordinary Shares</b>	<b>% of Class *</b>	<b>% of Overall Voting Shares</b>
Farmer Business Developments plc	8,531,948	25.58%	22.39%
Allianz SE and Dresdner Kleinwort Securities	3,076,946	9.26%	8.08%
FBD Trust Company Limited	2,984,737	8.98%	7.83%
Bank of Ireland Asset Management Limited	1,652,827	4.97%	4.34%

\* excluding Ordinary Shares held by FBD in treasury

##### **Preference Shares**

As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), the interests of Shareholders who owned Preference Shares were as follows:-

##### **8% Non-Cumulative Preference Shares**

<b>Holder</b>	<b>No of Shares</b>	<b>% of Class</b>	<b>% of Overall Voting Shares</b>
FBD Trust Company Limited	2,062,000	58.38%	5.41%
Farmer Business Developments plc	1,470,292	41.62%	3.86%
<b>Total</b>	<b>3,532,292</b>	<b>100.0%</b>	<b>9.27%</b>

##### **14% Non-Cumulative Preference Shares**

<b>Holder</b>	<b>No of Shares</b>	<b>% of Class</b>	<b>% of Overall Voting Shares</b>
Farmer Business Developments plc	1,340,000	100.0%	3.52%

##### **FBD Trust Company Limited**

As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), the interests of FBD Trust Company Limited in relevant FBD securities were as follows:-

<b>Class of Voting Share</b>	<b>Existing Holding</b>	<b>% of Class</b>	<b>% of Overall Voting Shares</b>
Ordinary Shares	2,984,737	8.98%	7.83%
8% non-cumulative preference shares of €0.60	2,062,000	58.38%	5.41%
<b>Total Voting Shares</b>	<b>5,046,737</b>		<b>13.24%</b>

**g) Holdings in relevant Farmer Business Developments plc securities**

- i) As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), the interests of 3% or more in the relevant Farmer Business Developments plc securities were as follows:-

<b>Name</b>	<b>Number of Relevant Securities</b>	<b>% of Voting Rights</b>
FBD Trust Company Limited	6,045,204	10.52%

- ii) As at the close of business on 28 July 2008 (the latest practicable date prior to the publication of this document), the interests of FBD Directors in the relevant Farmer Business Developments plc securities (all of which are beneficial unless otherwise stated) were as follows:

<b>Name of Director</b>	<b>Number of Relevant Securities</b>	<b>% of Voting Rights</b>
Michael Berkery	25,010	0.04%
John Donnelly	43,580	0.08%
Philip Lynch	13,500	0.02%
Patrick O’Keeffe	28,181	0.05%
Padraig Walshe	10,369	0.02%

Save as disclosed in this paragraph 5 or paragraph 8 below, as at the close of business on 28 July 2008 (being the latest practicable date prior to the publication of this document) no subsidiary of FBD, no trustee of any pension scheme (other than an industry wide scheme) in which FBD or a subsidiary of FBD participates and no associate of FBD or Connected Adviser or persons controlling, controlled by or under the same control as such Connected Adviser owned or controlled any relevant Farmer Business Developments plc securities.

As at the close of business on 28 July 2008 (being the latest practicable date prior to the publication of this document) none of FBD, any subsidiary of FBD, nor any Directors of FBD had dealt for value in the relevant Farmer Business Developments plc securities in the previous 12 months ended on that date.

- h) Save as disclosed in this paragraph 5 or paragraph 8 below, there are no interests in relevant FBD securities to be disclosed which are owned or controlled by a subsidiary of FBD, any trustee of any pension scheme (other than an industry wide scheme) in which FBD participates or by an associate of FBD.
- i) for the purposes of this paragraph 5 :-

**A) relevant FBD securities means:**

- FBD’s Ordinary Shares, the Preference Shares and any other securities of FBD carrying voting rights;
- equity share capital of FBD;
- any securities of FBD carrying conversion or subscription rights into any securities listed in (a) above;
- options (included traded options) in respect of any of the foregoing securities and derivatives referenced to any of the foregoing securities;

**B) relevant Farmer Business Developments plc securities means:**

- Farmer Business Developments plc ordinary shares and any other securities which confer voting rights;
- equity share capital of Farmer Business Developments plc ;
- any securities of Farmer Business Developments plc carrying conversion or subscription rights into any securities listed in (a) or (b) above;
- options (including traded options) in respect of any of the foregoing securities and derivatives referenced to any of the foregoing securities;

**C) relevant securities means relevant FBD securities or relevant Farmer Business Developments plc securities, as appropriate;**

## **6. DIRECTORS' SERVICE CONTRACTS**

No Director has any service contract having more than 12 months to run.

## **7. MATERIAL CONTRACTS**

No member of the Group has entered into any contracts (other than contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document, which are or may be material and there are no other contracts (not being contracts entered into in the ordinary course of business) which contain any provision under which any member of the Group has any obligation or entitlement which may be material.

## **8. GENERAL**

- (a) Bloxham has given and has not withdrawn its written consent to the issue of this document with the inclusion of its letter and the references to its name in the forms and contexts in which they appear.
- (b) No previous agreement, arrangement or understanding existed whereby any Voting Shares acquired by the Company in 2007 pursuant to the 2007 Market Purchases Resolution were transferred to any other person. No agreement, arrangement or understanding exists whereby any Voting Shares to be acquired by the Company pursuant to the 2008 Market Purchases Resolution will be transferred to any other person.
- (c) No agreement, arrangement or understanding (including any compensation agreement) having any connection with or dependence upon the Waivers exists between Farmer Business Developments plc or any persons acting or deemed under the Irish Takeover Rules to be acting in concert with it or any associate of it and any of the Directors, recent directors of FBD or, any holders or recent holders of relevant FBD securities.
- (d) FBD operates a number of pension schemes for its employees. The trustees of each scheme appoint professional third party fund managers to manage the assets of the schemes. Currently the schemes' assets are in funds managed by:
  - AIB Investment Managers
  - Eagle Star
  - Hibernian Investment Managers
  - Bloxham

The FBD Defined Benefit Pension Scheme currently holds 50,000 Ordinary Shares through a segregated fund managed by AIB Investment Managers. The remainder of the equity investments of the scheme is invested in unithised funds managed by the third party investment managers and may or may not include investments in Ordinary Shares. It is neither meaningful nor practicable to allocate any Ordinary Shares that may be held by any such fund at any given moment to the pension schemes.

- (e) There are currently outstanding options to subscribe for 454,398 Ordinary Shares, representing 1.19% of the voting rights attached to the Company's issued Voting Share Capital. If the Company were to exercise its authority in full to purchase its own Ordinary Shares, the options would represent 1.33% of the voting rights attached to the Company's then issued Voting Share Capital.
- (f) Save as disclosed there have been no material changes in the financial or trading position of FBD since the publication of the publication of the audited consolidated financial statements for the year ended 31 December 2007.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Bloxham, IFSC, 2/3 Exchange Place, Dublin 1 and at registered offices of the Company at - FBD House, Bluebell, Dublin 12, up to and including 26 August 2008 and at the EGM to be held at FBD House, Bluebell, Dublin 12 on that day:

- (a) the Memorandum and Articles of Association of the Company and of Farmer Business Developments plc;
- (b) copies of the audited consolidated accounts of FBD Holdings plc for the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- (c) copies of the audited accounts of Farmer Business Developments plc for the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- (d) the waiver letter dated 16 April 2008 from the Irish Takeover Panel;
- (e) the consent letter from Bloxham referred to in paragraph 8(a) above; and
- (f) this document.

Date: 1 August 2008

# NOTICE OF EXTRAORDINARY GENERAL MEETING OF FBD HOLDINGS PLC

*(Incorporated in Ireland. Registered number 135882)*

**NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at FBD House, Bluebell, Dublin 12 on 26 August 2008 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following Ordinary Resolutions:**

## **Ordinary Resolution 1**

“That having regard to the provisions of the Irish Takeover Panel Act, 1997, Takeover Rules, 2007 (‘Takeover Rules’) and to the conditions attached by the Irish Takeover Panel to the grant of a waiver under Rule 37 of the Takeover Rules as described on pages 7 and 8 of the Company’s circular (‘Circular’) to shareholders dated 1 August 2008, the increase in the percentage of the Voting Shares of the Company held by Farmer Business Developments plc and persons deemed under the Takeover Rules to be acting in concert with it, to **30.04%** without Farmer Business Developments plc and/or any person acting or deemed to be acting in concert with it being obliged to make an offer to the Company’s shareholders pursuant to Rule 37, be and is hereby approved”.

## **Ordinary Resolution 2**

“That having regard to the provisions of the Irish Takeover Panel Act, 1997, Takeover Rules, 2007 (‘Takeover Rules’) and to the conditions attached by the Irish Takeover Panel to the grant of a waiver under Rule 37 of the Takeover Rules as described on pages 7 and 8 of the Company’s circular (‘Circular’) to shareholders dated 1 August 2008, the increase in the percentage of the Voting Shares of the Company held by Farmer Business Developments plc and persons deemed under the Takeover Rules to be acting in concert with it, of up to **33.60%** in the circumstances described in the Circular without Farmer Business Developments plc and/or any person acting or deemed to be acting in concert with it being obliged to make an offer to the Company’s shareholders pursuant to Rule 37, be and is hereby approved”.

By order of the Board

**Conor Gouldson**  
**Company Secretary**  
1 August 2008

Registered Office:  
FBD House,  
Bluebell,  
Dublin 12

## **NOTES FOR SHAREHOLDERS**

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