FBD

24 August 2015

FBD INSURANCE PLC

Half Yearly Report
For the Six Months Ended 30 June 2015

FBD Insurance plc ("FBD") today announces significant reserve strengthening and a focussed business strategy concentrating on its farming and agri book as well as a single brand consumer model. In order to replenish capital in its core insurance business, FBD's parent, FBD Holdings plc has agreed to sell its stake in FBD Property and Leisure (subject to shareholder approval) and, following completion of the transaction, intends to invest the proceeds as equity in FBD.

Ahead of the implementation of the Solvency II regime in January 2016, FBD has taken a number of additional steps to strengthen its capital position, and will further improve its capital buffers. These include agreed changes to the staff pension scheme, as well as exploring options for raising regulatory capital in the debt capital markets.

The previously signalled claims uncertainty in Ireland has continued and deteriorated further. The existing business strategy has not delivered profitable growth, and given the significant losses reported today, FBD has reviewed its strategic direction. FBD has decided on a strategy that will focus on those things it does best, servicing the insurance needs of FBD's agricultural and small business customers and a single brand consumer strategy for motorists and home owners. FBD will reduce expenses in line with this simplified strategy.

FBD will continue to deliver the rating and pricing actions necessary to achieve profitability.

FBD has recently reached agreement with its staff with regard to the future of its defined benefit pension scheme. The changes which include closing the scheme to future accrual, severing the link with final salary, ceasing the advance funding for discretionary pension increases and de-risking the invested assets will significantly reduce the Solvency II capital charges that the scheme attracts. These changes, which are subject to Trustee approval, are expected to be effective from 30 September 2015.

FBD's new strategic direction will:

- Simplify FBD – we will be concentrating on servicing our core customers, with a clear ambition of returning to profits by the end of 2016;
- De-risk our underwriting strategy; and
- Focus our time and resources in the consumer market on one brand only.

The following actions will be, or have been, taken:

- Prior year claims reserves strengthened by €88 million;
- Cost saving target of €7 million; representing 2 per cent of combined operating ratio ("COR"); to be identified and implemented in 2015/Q1 2016;
- FBD's capital position is strengthened through:
    - Reforming its retirement benefit arrangements with the closure to future accrual of the defined benefit pension scheme;
    - Disposal of the property & leisure joint venture by FBD Holdings plc (subject to shareholder approval) with the proceeds earmarked for investment as equity into FBD;
- Exploration of options for raising regulatory capital in the debt capital markets.

OVERVIEW

FBD has strengthened prior year reserves by €88 million. The adverse case reserve development experienced in the first half of 2015 has been worse than any previous periods. FBD believes this is driven by a structural change in the claims environment arising from changes in the legal, legislative and judicial framework over the past 18 months. This case reserve development has led FBD to fundamentally re-examine its approach to technical claims provisioning in order to take account of these inflationary claims pressures.

FBD has not experienced any material changes in claim payments at this point as claims can take considerable time to settle. However, due to the challenges in the claims settlement environment, FBD has increased the reserves set aside in order to cover these projected increases in claim payments. The increase in reserves is a combination of an increase in FBD's expected view of future claims payments and an additional provision to protect against the current uncertainties in the claims environment.

Even after the significant remedial pricing action taken to date, there remains an exceptionally difficult trading environment for FBD and the wider insurance market. FBD operates in an increasingly congested and dysfunctional market which has made underwriting losses for the last three years with a market combined operating ratio ("COR") of 109 per cent in 2012 and 2013, worsening to 111 per cent in 2014. Against this backdrop the confluence of low investment returns and claims inflation exacerbates the profitability challenges faced by FBD and the wider market. FBD is taking decisive and immediate action to focus only on those areas where it has significant expertise and market advantage.

Underwriting actions already taken:

Å Underlining its objective to prioritise profitability over market share growth, FBD has increased rates by an average 8 per cent in the past twelve months, while policy volumes have decreased by 8.3 per cent in the same period.

Å Since the second half of 2013, FBD has taken significant rating action on its car insurance book, with rate increases of 21 per cent implemented in the past twelve months alone. FBD has also introduced stricter underwriting and acceptance criteria. Car insurance volumes have reduced by 21 per cent in the past twelve months.

Å FBD has taken significant underwriting and rating action on its business insurance book, with rate increases of over 20 per cent implemented since the start of 2014 and the non-renewal of poor performing business.

Given the magnitude of these reported losses and the on-going difficult claims environment, further rating and underwriting action is required by both FBD and the wider market in order to restore profitability. FBD is committed to this and is exiting any areas where this cannot be achieved. FBD's core business model remains sound. It has a loyal customer base and the relationships, infrastructure and claims paying strength to continue to meet its customers' needs into the future.

Underwriting

Premium Income
FBD is prioritising profitability over volume growth, and while policy volumes have declined by 9.6 per cent in the first half of 2015, this has been offset by average rate increases of 8.6 per cent and an increase in insurable values and upselling of 1 per cent. The net result is that gross written premium levels remained stable at €184.8 million. FBD maintains its focus on the insurance needs of its farm and direct business customers. This delivered growth in premium from these customers during the period. Net earned premium was €154.4 million, an increase of 4 per cent on 2014 and reflects the earning through of the rate increases implemented throughout 2014 and in 2015 to date.

Claims
Net claims incurred increased to €215.8 million (2014: €117.1 million restated). The current year claims charge was €127.8 million representing a current year loss ratio of 82.8 per cent. Reserves are set aside for future claims payments. Reserves have two major components: claims estimates and a margin for uncertainty. The strengthening of both prior year claims estimates and an increase in the margin for uncertainty has amounted to €88 million, resulting in a total loss ratio of 139.8 per cent for the half year.

Adverse claims development
The adverse claims development pattern, which was first evident in the second half of 2014, has been significantly more pronounced in the first half of 2015. The adverse development arises mainly in liability and motor bodily injury claims, and primarily relates to outstanding claims from accident years 2011 onwards. It arises across all FBD's distribution channels.

It is driven by the following:

- Structural Changes in the Claims Environment
  There have been a number of significant changes in the claims environment over the past 18 months. These include a structural change in the judiciary from the introduction of the Court of Appeal in 2014. In 2014 there was also a change in Court jurisdiction limits, the introduction of the recovery benefits assistance scheme and a ruling on the discount rate used in award settlements. 2015 saw the proposed introduction of periodic payment orders (PPO's).
- Shift in Settlement Approach
  There appears to be a shift in the settlement approach of claimants' solicitors. This may be driven by the uncertainty created by the structural changes already mentioned. This shift in settlement approach has led to a slowdown in the settlement of claims which makes the estimation of technical claims provisions more difficult but will certainly lead to higher claims costs ultimately.

The combination of the above factors suggests significant claims inflation is underway. This change in the claims environment has led FBD to increase prior year reserves by €88 million. While FBD has yet to experience this level of claims inflation in its payments, the average cost of outstanding claims has now been increased significantly. In the past, the run-off pattern on FBD's book of outstanding claims estimates had been stable. The change in run-off pattern evidenced in the past twelve months has meant that a full review of the methodologies and assumptions used in calculating the actuarial best estimate of technical provisions was necessary. The methodologies and assumptions used in estimating the expected value of reserves have been changed to allow for the additional extra inflation that FBD now expect to see. This change will have the most impact on recent accident years with a lower impact on claims from older years. In addition to increasing the actuarial best estimate reserves, FBD has decided to strengthen the margin for uncertainty set aside in excess of the best estimate reserves. This allows for additional prudence in the event that the claims environment deteriorates further again. In addition, the revised methodologies have been applied to the current year loss assumptions and have the effect of increasing the current year loss ratio by 5.6 per cent. Further rating action will now be required to recover this.

Weather, Claims Frequency and Large claims

There were no severe weather events in the first half of 2015 and claims frequency has stabilised. Large claims (claims greater than €1 million) are in line with historic norms.

Expenses

Net expenses increased by 1.2 per cent to €41.4 million (2014: €40.9 million), while net earned premium increased by 4 per cent. FBD's expense ratio reduced to 26.8 per cent from 27.5 per cent.

General

FBD's current year combined operating ratio for the first half of 2015 was 110 per cent. The longer-term investment return was €14.7 million (2014: €14.6 million). The operating loss before taxation amounted to €86.1 million (2014: profit of €7.3 million).

Movement in reserves

	€m
Opening Reserves (restated)	**716.3**
Prior Year Strengthening	87.9
Current Year Claims	127.8
Payments	(101.2)
Increase in UPR	4.4
Closing Reserves	**835.2**

Investment return

Euro area interest rates reached an all-time low in the first half of 2015 as the European Central Bank embarked on a quantitative easing programme. FBD's actual investment return for 2015 was 1.1 per cent or €4.7 million (2014: €12.7 million). The sell-off in fixed income in the second quarter reduced returns in the first half. The outlook for investment income remains challenging, as world-wide monetary policy keeps interest rates low.

Profit before taxation

FBD's operating loss before taxation was €86.2 million (2014 profit of €7.3 million). Operating profit is calculated with reference to a longer term rate of investment return. Actual investment return was €10.0 million (2014: €1.9 million) lower than longer term rate of investment return, reflecting historically low interest rate levels.

STATEMENT OF FINANCIAL POSITION

Capital Position

The half year results have seriously impacted FBD's capital position. Ordinary shareholders' funds stand at €137.3 million (December 2014: €219.5 million restated). The reduction in shareholders' funds is mainly attributable to the loss recorded in the period of €84.3 million, offset by the reduction in the provision for retirement benefit obligations of €2.1 million after tax.

FBD's net asset value has benefited by €32 million following a change in accounting policy in how FBD provides for its share of the Motor Insurance Bureau of Ireland "MIBI" outstanding claims. Previously FBD provided for its market share of the total outstanding claims of MIBI. Under new accounting standards applicable to FBD (FRS 102/103 – Irish Generally Accepted Accounting Principles ("Irish GAAP") from 1 January 2015, it may only provide for its share of the following years MIBI levy.

The adoption of the revised Irish GAAP has also resulted in FBD no longer having the option to avail of an exemption in providing for its share of the retirement benefit obligations of the defined benefit pension scheme operated by its parent FBD Holdings plc. FBD has recognised a liability of €40 million relating to retirement benefit obligations, which has reduced net asset value by €35 million.

Solvency

FBD Insurance had a solvency level of 38.4 per cent of net premium earned at 30 June 2015, which represents 179 per cent (2014: 366 per cent) of the Solvency I minimum solvency margin, and a reserving ratio of 270 per cent (2014: 240 per cent restated).

Investment Allocation

This table shows the assets of FBD.

	30 June 2015		**31 December 2014**	
Investment assets	**€m**	**%**	**€m**	**%**
Deposits and cash	474	53%	511	58%
Corporate bonds	238	27%	224	25%
Government bonds	102	11%	46	5%
Equities	19	2%	41	5%
Unit trusts	25	3%	25	3%
Own land & buildings	16	2%	16	2%
Investment property	21	2%	20	2%
Underwriting investment assets	895	100%	883	100%
Working capital & other assets	120		98	
Reinsurers' share of provisions	64		57	
Plant and equipment	51		46	
Total assets	1,130		1,084	

Investment Background:

The introduction of quantitative easing by the European Central Bank ("ECB") presents challenging investment yield conditions and continuing low interest rates for the Euro area. The divergence in monetary policy between Europe and the US brings market volatility. This divergence when coupled with uneven global growth and elevated geopolitical risks warrants a cautious strategy that minimises volatility in FBD's investment portfolio.

FBD's Investment Allocation

FBD believes it is appropriate at this time to maintain its tactical lower-risk asset allocation and holds 91 per cent of its underwriting assets in cash and short dated bonds at 30 June 2015. This tactical position creates flexibility as conditions change and as investment opportunities present. The interest rate environment and the introduction of Solvency II in 2016 provides an opportunity to optimize FBD's strategic asset allocation and reposition the portfolio to deliver sustainable returns over the medium term. FBD expects to do this over the coming months.

OUTLOOK

Economic indicators point to an improved outlook for Ireland. This will be positive for FBD in the medium term. The Irish insurance market continued to grow in the first half of 2015, as insurers increased rates following the market losses and the increased level of frequency experienced as the economy improves.

Despite this, industry profitability continues to be challenging, and FBD believes that the industry will continue to be loss making for 2015 and 2016, as the market has not increased rates sufficiently to compensate for the significant deterioration in the claims environment.

The first six months of 2015 have been very difficult for the Issuer. Despite taking the necessary steps to maintain reserving strength, uncertainty surrounding the claims environment remains. The trading environment for FBD and the insurance market generally will remain difficult for the remainder of 2015 and into 2016. FBD's sole focus is on returning the business to profitability.

FBD has a proud track record of profitable business. It has unrivalled relationships with its core customer groups in rural Ireland. FBD will focus its resources primarily on this book of business, ensuring it meets the insurance needs of farmers and direct business customers. FBD will also implement consumer strategy for motorists and home owners that focusses solely on a single brand. This will deliver sustainable efficiencies and better returns. FBD's business model remains sound, and it has the customers, infrastructure and underwriting experience to return to profitability.

In line with the above refocus, FBD intends to reduce costs over the coming months. A review of operating expenses will commence immediately. We will target approximately €7 million in savings annually, improving FBD's run-rate expense ratio by approximately 2 per cent.

FBD has a 40 year track record of delivering superior returns. The nature of insurance is inherently cyclical. Although 2015 has been a very challenging year to date and market conditions remain difficult, the Board is confident that FBD is taking the necessary steps to refocus so that in the future it can again deliver strong returns.

RELATED PARTY TRANSACTIONS

There were no related party transactions in the half year that have materially affected the financial position or performance of FBD.

FBD Insurance plc
Profit & Loss Account – Technical Account

	June 2015 €000s	June 2014 €000s Restated	Dec 2014 €000s Restated	Dec 2014 €000s
	Unaudited	Unaudited	Unaudited	Audited
Earned premiums, net of reinsurance				
Gross premiums written	184,778	184,860	363,735	363,735
Outward reinsurance premiums	(25,954)	(27,771)	(52,312)	(52,312)
Net premiums written	158,824	157,089	311,423	311,423
Change in the provision for unearned premiums				
Gross amount	(4,600)	(9,343)	(4,269)	(4,269)
Reinsurers' share	198	661	(3,710)	(3,710)
Change in net provision for unearned premiums	(4,402)	(8,682)	(7,979)	(7,979)
Earned premiums, net of reinsurance	**154,422**	**148,407**	**303,444**	**303,444**
Allocated investment return transferred from the non-technical account	**13,376**	**14,766**	**25,205**	**25,205**
Claims incurred, net of reinsurance				
Claims paid:				
Gross amount	(110,026)	(122,883)	(242,648)	(242,648)
Reinsurers' share	8,670	19,680	37,920	37,920
Net claims paid	(101,356)	(103,203)	(204,728)	(204,728)
Change in the provision for claims:				
Gross amount	(121,314)	(30,586)	(71,372)	(72,892)
Reinsurers' share	6,844	16,619	16,750	16,750
Change in the net provision for claims	(114,470)	(13,967)	(54,622)	(56,142)
Claims incurred, net of reinsurance	**(215,826)**	**(117,170)**	**(259,350)**	**(260,870)**
Net operating expenses	**(41,447)**	**(40,875)**	**(81,879)**	**(82,214)**
Balance on the technical account - general business	**(89,475)**	**5,128**	**(12,580)**	**(14,435)**

FBD Insurance plc
Profit & Loss Account – Non-Technical Account

	June 2015 €000s	June 2014 €000s Restated	Dec 2014 €000s Restated	Dec 2014 €000s
Balance on the technical account - general business	**(89,475)**	**5,128**	**(12,580)**	**(14,435)**
Longer term investment return	**14,732**	**14,604**	**29,240**	**29,240**
Allocated investment return transferred to the technical account - general business	(13,376)	(14,766)	(25,205)	(25,205)
Other income	2,659	2,299	5,912	5,912
Other Expenses	(711)		(490)	(490)
Restructuring costs	-	-	-	-
Revaluation of owner occupied property	-	-	1,480	1,480
Operating profit	**(86,171)**	**7,265**	**(1,643)**	**(3,498)**
Short term fluctuations in investment return	**(9,997)**	**(1,885)**	**(2,454)**	**(2,454)**
Profit on ordinary activities before tax	**(96,168)**	**5,380**	**(4,097)**	**(5,952)**
Tax on profit on ordinary activities	11,850	(672)	1,168	1,358
Profit on ordinary activities after tax	**(84,318)**	**4,708**	**(2,929)**	**(4,594)**

FBD Insurance plc
Balance Sheet - Assets

	June 2015	June 2014	Dec 2014	Dec 2014
		Restated	Restated	
	Unaudited	Unaudited	Unaudited	Audited
	€000s	€000s	€000s	€000s
Investments				
Land and buildings	36,869	27,739	36,029	36,029
Financial investments	859,915	825,881	846,838	846,838
	896,784	**853,620**	**882,867**	**882,867**
Reinsurers' share of technical provisions				
Provision for unearned premiums	16,208	20,381	16,010	16,010
Claims outstanding	48,144	41,170	41,300	41,300
	64,352	**61,551**	**57,310**	**57,310**
Debtors				
Debtors arising out of direct insurance operations	51,365	51,106	47,207	47,207
Other debtors	5,281	7,995	1,314	1,314
	56,646	**59,101**	**48,521**	**48,521**
Other assets				
Tangible assets	**50,725**	**34,036**	**45,891**	**45,891**
Current tax	**8,551**	**6,089**	**8,542**	**8,542**
Deferred tax	**10,686**	**(2,107)**	**(831)**	**(1,590)**
Prepayments and accrued income				
Accrued interest and rent	1,519	1,203	2,655	2,655
Deferred acquisition costs	29,127	27,329	28,427	28,427
Other prepayments and accrued income	11,559	12,470	10,375	10,375
	42,205	**41,002**	**41,457**	**41,457**
Total assets	**1,129,949**	**1,053,292**	**1,083,757**	**1,082,998**

FBD Insurance plc
Balance Sheet – Equity & Liabilities

	June 2015	June 2014 Restated	Dec 2014 Restated	Dec 2014
	Unaudited €000s	Unaudited €000s	Unaudited €000s	Audited €000s
Capital and reserves				
Ordinary share capital	26,353	26,353	26,353	26,353
Reserves	110,339	212,757	192,540	197,850
Preference share capital	635	635	635	635
Total shareholders' funds	**137,327**	**239,745**	**219,528**	**224,838**
Technical provisions				
Provision for unearned premiums	184,250	184,724	179,650	179,650
Claims outstanding	715,297	552,276	593,982	638,504
	899,547	**737,000**	**773,632**	**818,154**
Retirement Benefit Obligation	40,007	27,596	42,427	-
Creditors				
Other Provisions	7,920	8,840	7,920	-
Creditors arising from direct insurance operations	15,965	12,114	11,437	11,437
Other creditors including tax and social security	20,147	21,158	18,673	18,429
Bank Overdraft	9,036	6,839	10,140	10,140
	53,069	**48,951**	**48,170**	**40,006**
Total equity and liabilities	**1,129,949**	**1,053,292**	**1,083,757**	**1,082,998**

FBD Insurance plc
Cashflow

	June 2015	June 2014	Dec 2014	Dec 2014
		Restated	Restated	
	Unaudited	Unaudited	Unaudited	Audited
	€000s	€000s	€000s	€000s
Net cash inflow from operating activities	23,258	22,479	57,812	57,812
Corporation tax paid	(9)	(2,656)	(2,660)	(2,660)
Capital expenditure	(9,093)	(8,158)	(24,062)	(24,062)
Proceeds from disposal of fixed assets	150	6	19	19
Dividends paid	-	(15,089)	(15,089)	(15,089)
	14,306	(3,418)	16,020	16,020
Cash flows were invested as follows:				
Net portfolio investment				
Quoted shares	(24,162)	(16,987)	(38,558)	(38,558)
Quoted debt securities	76,656	(25,369)	(3,303)	(3,303)
Unquoted shares	-	(1,279)	(1,779)	(1,779)
Deposits with banks	(36,866)	35,533	56,522	56,522
Bank overdraft	(1,378)	4,634	4,508	4,508
Loans and advances	54	50	(19)	(19)
Land and property	2	-	(1,351)	(1,351)
Net investment of cash flows	14,306	(3,418)	16,020	16,020

Statement of Accounting Policies

BASIS OF PREPARATION

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts 1963 to 2014 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

The principal accounting policies adopted by the Directors are:

A) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and certain financial investments.

B) TECHNICAL RESULT

The technical result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(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.

(ii) Unearned Premiums

Unearned premiums are those portions of premium income written in the year that relate to insurance cover after the year end. Unearned premiums are computed on a daily pro-rata 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 insurance business. These costs are recognised as a deferred acquisition cost asset and amortised on the same basis as the related premiums are earned, and are tested for impairment at each period end.

(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. Post balance sheet events are considered when determining whether a provision for unexpired risks is required.

(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 Company 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 Company 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.

Recoveries and salvage are recognised on a receipts basis.

(vi) Transfer of Investment Return to Technical Account - General Business

A transfer of longer term investment return is made from the non-technical account to the technical account - general business to reflect the return made on those assets directly attributable to the insurance business.

(vii) Reinsurance

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

A reinsurance asset (reinsurers' share of claims outstanding and provision for unearned premium) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Company may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer.

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

(viii) Funds withheld from Reinsurers

Some of the Company's reinsurance contracts are on a funds withheld basis. Under the agreements, the Company retains an agreed percentage of the premiums that would have been otherwise paid to the reinsurer.

C) INVESTMENT RETURN

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

D) INVESTMENTS

(i) Shares and Debt Securities

Quoted shares and debt securities are stated at market value. Unquoted shares are stated at the lower of cost and net realisable value.

(ii) Investment Properties

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

E) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost includes internal staff costs directly attributable to self-constructed assets. Depreciation is provided in respect of all tangible fixed assets, which are available for use as at the balance sheet date 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
Motor vehicles:	5 years
Computer equipment:	5 years

F) TAXATION

The yearly charge for taxation is based on the (loss)/profit for the year and is calculated with reference to the tax rates applying at the balance sheet date. Deferred taxation is calculated on the differences between the company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Full provision for deferred tax assets and liabilities is provided at current tax rates on differences that arise between the recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax assets are only recognised when it is deemed more than likely that the Company will be able to recover them.

G) PENSIONS

The Company provides either defined benefit or defined contribution retirement benefit schemes for the majority of its employees.

(i) Defined benefit scheme

The Company is part of the Group defined benefit scheme operated by its parent FBD Holdings plc.

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 projected unit credit method is used to calculate scheme liabilities. The surplus or deficit on the scheme is carried in the Balance Sheet as an asset or liability. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions to future contributions to the scheme. Actuarial gains and losses are recognised immediately in equity through the Consolidated Statement of Comprehensive Income.

The current service cost and past service cost of the scheme are charged to the profit & loss account.

Past service cost is recognised as an expense when plan amendments or curtailments occur.

(ii) Defined Contribution Schemes

Costs arising in respect of the Company's defined contribution retirement benefit schemes are charged to the profit & loss account as an expense as they fall due.

H) CURRENCY

All amounts are stated in Euro. Balances in foreign currencies have been translated into Euro at contract rates where the amounts are covered by forward contracts. No forward contracts were used during 2014. All other balances are translated at the rate ruling at the year end. Non-monetary items are translated at the exchange rate at the date of transaction.

I) SHARE BASED PAYMENTS

The Company's parent, FBD Holdings plc, operates a share option scheme based on non-market vesting conditions. Options under the scheme have been issued to certain employees of the Company. The fair value of options is determined at the date of grant and expensed in the profit and loss account and credited to a capital contribution reserve over the period during which the employees become unconditionally entitled to the options. Payments made by the Company to FBD Holdings in respect of the exercise of the options are debited to the capital contribution reserve.

J) LEASES

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

(i) The Company 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 Company 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.

K) RESTRUCTURING COSTS

The costs of the fundamental restructuring of the Company's operations, such as redundancy costs, lease termination costs or other rationalisation costs are charged to profit or loss when the decision to restructure is irrevocable and has been communicated to the parties involved.

L) LAND & BUILDINGS

Land and buildings held for own uses are stated at market value. It is the Company's policy and practice to maintain all Company 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 insignificant and therefore not provided. Land and buildings are subject to a full revaluation by appropriately qualified personnel on a periodic basis.

M) DEBTORS FROM INSURANCE OPERATIONS

Amounts due from policyholders and intermediaries are accounted for on an accruals basis.

N) OTHER INCOME

Other income comprises the service charge earned on policyholder receivables, where outstanding premiums are settled by a series of instalment payments. The service charge is earned over the period of instalments.

O) OTHER PROVISIONS

Other provisions comprises the Company's share the proposed Motor Insurance Bureau of Ireland (MIBI) levy for the following year. This is based on the Company's estimated share of the Irish motor insurance market in the current year.

Explanatory Notes

Change in accounting policy

FBD Insurance has adopted FRS 102/103 (new Irish GAAP) effective for accounting periods beginning on 1 January 2015. The adoption of these new standards has resulted in changes to the company's accounting policies in the following areas that have affected the amounts reported in current and prior periods:

- The treatment of the Motor Insurers' Bureau of Ireland "MIBI" provision. Previously, this provision was based on the estimated current market share of the Irish motor insurance market and the current outstanding claims of MIBI.

  Under new Irish GAAP, insurance companies writing motor business will provide for their share of the MIBI levy for the following year only based on their estimated market share in the current year at the balance sheet date.

  As a result of this, the claims outstanding liability at 1 January 2014 has been reduced by €35.1 million while retained earnings and deferred taxation have increased by €30.7 million and €4.4 million respectively. The provision for MIBI levy has also been disclosed separately as "Other provisions" on the balance sheet.

- Under FRS 17 FBD Insurance availed on an exemption allowing it not to provide for its share of the defined benefit obligation as it was part of a multi-employer pension scheme. Under new Irish GAAP, this exemption is no longer available. This has resulted in pension liability of €21.8 million being reflected on the balance sheet at 1 January 2014 with corresponding adjustments to opening revenue reserves of €19.1 million and deferred taxation of €2.7 million.

- Adoption of FRS 102/103 has resulted in some other insignificant amendments to prior year numbers.

These changes in accounting policies have resulted in the following adjustments to the opening reserves in FBD at 1 January 2014:

	01/01/14 as previously stated €000s	01/01/14 Impact of changes €000s	01/01/14 Restated €000s
Balance Sheet at 1 January 2014			
Equity: Retained earnings	216,589	11,619	228,208
Liabilities: Retirement Benefit Obligation	-	21,803	21,803
Liabilities: Claims outstanding	565,612	(35,082)	530,530
Liabilities: Deferred taxation liability	905	1,660	2,565

The impact of these changes to the December 2014 comparative financial statements of FBD Insurance is as follows:

	31/12/14 as previously stated €000s	31/12/14 Impact of changes €000s	31/12/14 Restated €000s
Profit & loss account			
Expenses			
Net operating expenses	(82,214)	335	(81,879)
Net claims and benefits	(260,870)	1,520	(259,350)
Loss on ordinary activities before tax	**(5,952)**	**1,855**	**(4,097)**
Tax on profit on ordinary activities	1,358	(190)	1,168
Loss on ordinary activities after tax	**(4,594)**	**1,665**	**(2,929)**

Balance Sheet at 31 December 2014			
Equity: Retained earnings	197,850	(5,310)	192,540
Liabilities: Retirement Benefit Obligation	-	42,427	42,427
Liabilities: Claims outstanding	638,504	(44,522)	593,982
Liabilities: Other provisions	-	7,920	7,920
Liabilities: Other creditors	18,429	244	18,673
Liabilities: Deferred taxation liability	1,590	(759)	831

Comparative financial statements for June 2014 have been impacted as follows:

	30/06/14 as previously stated €000s	30/06/14 Impact of changes €000s	30/06/14 Restated €000s
Profit & loss account			
Expenses			
Net claims and benefits	(117,930)	760	(117,170)
Result before taxation	**4,620**	**760**	**5,380**
Income taxation charge	(577)	(95)	(672)
Result for the period	**4,043**	**665**	**4,708**

Balance Sheet at 30 June 2014			
Equity: Retained earnings	205,541	7,216	212,757
Liabilities: Retirement Benefit Obligation	-	27,596	27,596
Liabilities: Claims outstanding	596,958	(44,682)	552,276
Liabilities: Other provisions	-	8,840	8,840
Liabilities: Deferred taxation liability	1,077	1,030	2,107

The following are the restated notes to the 2014 financial statements. All other notes included within the 2014 audited financial statements are unaffected by the change in accounting policy. This should be read in conjunction with the 2014 audited financial statements

1. SEGMENTAL INFORMATION

	Dec 2014 Restated Unaudited			Dec 2014 Audited		
	Gross €000s	**Ceded €000s**	**Net €000s**	Gross €000s	Ceded €000s	Net €000s
(a) Written premiums						
Motor	**167,841**	**(7,040)**	**160,801**	167,841	(7,040)	160,801
Liability	**68,648**	**(2,642)**	**66,006**	68,648	(2,642)	66,006
Fire and other damage to property	**121,542**	**(42,391)**	**79,151**	121,542	(42,391)	79,151
Miscellaneous	**5,704**	**(239)**	**5,465**	5,704	(239)	5,465
	363,735	**(52,312)**	**311,423**	363,735	(52,312)	311,423

All gross premiums are written in the Republic of Ireland.

	Dec 2014 Restated Unaudited			Dec 2014 Audited		
	Gross €000s	**Ceded €000s**	**Net €000s**	Gross €000s	Ceded €000s	Net €000s
(b) Earned premiums						
Motor	**165,319**	**(7,040)**	**158,279**	165,319	(7,040)	158,279
Liability	**66,636**	**(2,642)**	**63,994**	66,636	(2,642)	63,994
Fire and other damage to property	**121,850**	**(45,851)**	**75,999**	121,850	(45,851)	75,999
Miscellaneous	**5,661**	**(489)**	**5,172**	5,661	(489)	5,172
	359,466	**(56,022)**	**303,444**	359,466	(56,022)	303,444

	Dec 2014 Restated Unaudited			Dec 2014 Audited		
	Gross Inv. Income	**Inv. Expenses**	**Net Inv. Income**	Gross Inv. Income	Inv. Expenses	Net Inv. Income
	€000s	**€000s**	**€000s**	€000s	€000s	€000s
(c) Allocated investment return						
Motor	**13,401**	**(470)**	**12,931**	13,401	(470)	12,931
Liability	**9,508**	**(333)**	**9,175**	9,508	(333)	9,175
Fire and other damage to property	**2,972**	**(104)**	**2,868**	2,972	(104)	2,868
Miscellaneous	**239**	**(8)**	**231**	239	(8)	231
	26,120	**(915)**	**25,205**	26,120	(915)	25,205

	Dec 2014 Restated Unaudited			Dec 2014 Audited		
	Gross	**Ceded**	**Net**	Gross	Ceded	Net
	€000s	**€000s**	**€000s**	€000s	€000s	€000s
(d) Incurred claims						
Motor	**165,130**	**(14,709)**	**150,421**	166,650	(14,709)	151,941
Liability	**61,562**	**(1,452)**	**60,110**	61,562	(1,452)	60,110
Fire and other damage to property	**82,740**	**(37,410)**	**45,330**	82,740	(37,410)	45,330
Miscellaneous	**4,588**	**(1,099)**	**3,489**	4,588	(1,099)	3,489
	314,020	**(54,670)**	**259,350**	315,540	(54,670)	260,870

	Dec 2014 Restated Unaudited			Dec 2014 Audited		
	Gross	**Ceded**	**Net**	Gross	Ceded	Net
	€000s	**€000s**	**€000s**	€000s	€000s	€000s
(e) Operating expenses						
Motor	**43,837**	**(535)**	**43,302**	43,991	(535)	43,456
Liability	**17,929**	**(258)**	**17,671**	17,993	(258)	17,735
Fire and other damage to property	**31,744**	**(12,290)**	**19,454**	31,856	(12,290)	19,566
Miscellaneous	**1,490**	**(38)**	**1,452**	1,495	(38)	1,457
	95,000	**(13,121)**	**81,879**	95,335	(13,121)	82,214

Net operating expenses are comprised as follows:

	Dec 2014 Restated Unaudited Net €000s	Dec 2014 Audited Net €000s
Administration costs	**26,310**	26,645
Acquisition costs	**51,751**	51,751
Commission	**5,816**	5,816
Change in deferred acquisition costs	**(1,998)**	(1,998)
	81,879	82,214

(f) Technical result

	Dec 2014 Restated Unaudited €000s	Dec 2014 Audited €000s
Motor	**(22,512)**	(24,187)
Liability	**(4,613)**	(4,676)
Fire and other damage to property	**14,083**	13,971
Miscellaneous	**462**	457
	(12,580)	(14,435)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Dec 2014 Restated Unaudited €000s	Dec 2014 Audited €000s
Irish corporation tax charge	**1,871**	1,871
Current tax charge	**1,871**	1,871
Deferred tax charge	**(703)**	(513)
	1,168	1,358
The differences are explained below:		
Profit on ordinary activities before tax	**(4,097)**	(5,952)
Corporation tax at standard rate of 12.5**%** (2013: 12.5%)	**512**	744
Depreciation for year in excess of capital allowances	**(104)**	(104)
Non-taxable income/unrealised gains or expenses not deductible for tax purposes	**1,634**	1,402
Pension paid	**(164)**	(164)
Income taxable at a higher rate	**(7)**	(7)
Tax charge for current year	**1,871**	1,871
Deferred tax charge	**(703)**	(513)
	1,168	1,358

12. RESERVES

	Dec 2014 Restated Unaudited €000s	Dec 2014 Audited €000s
Revenue reserves		
At beginning of year	**205,411**	212,386
Transfer from profit and loss account	**(2,929)**	(4,594)
Dividends	**(15,089)**	(15,089)
At end of year	**187,393**	192,703
Capital contribution		
At beginning of year	**4,203**	4,203
Received during year	**944**	944
At end of year	**5,147**	5,147
	192,540	197,850

The capital contributions received from FBD Holdings Plc, the Company's parent, are in the form of share options granted to the Company by its parent.

14. TECHNICAL PROVISIONS

(a) Gross Claims outstanding

	Prior years €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		310,905	378,896	325,382	368,085	363,766	338,865	249,928	239,763	251,706	315,697	
One year later		265,422	295,699	304,638	361,701	332,112	323,504	223,078	222,897	243,538	-	
Two years later		232,829	291,321	298,918	364,419	331,354	321,985	232,070	232,172	-	-	
Three years later		221,586	289,754	295,645	364,578	333,941	318,042	236,771	-	-	-	
Four years later		218,751	286,114	294,658	362,987	325,424	315,820	-	-	-	-	
Five years later		213,987	283,428	291,530	356,671	324,882	-	-	-	-	-	
Six years later		216,196	283,287	287,380	354,731	-	-	-	-	-	-	
Seven years later		215,988	279,330	285,994	-	-	-	-	-	-	-	
Eight years later		214,588	279,511	-	-	-	-	-	-	-	-	
Nine years later		214,676	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		214,676	279,511	285,994	354,731	324,881	315,820	236,771	232,172	243,538	315,697	
Cumulative payments		(208,428)	(272,866)	(275,637)	(338,105)	(298,203)	(270,240)	(170,940)	(145,724)	(122,340)	(116,715)	
Claims outstanding at 31 December 2014	9,389	6,248	6,645	10,357	16,626	26,678	45,580	65,831	86,448	121,198	198,982	593,982

14. TECHNICAL PROVISIONS (continued)

(b) Net Claims outstanding

	Prior years €000s	2005 €000s	2006 €000s	2007 €000s	2008 €000s	2009 €000s	2010 €000s	2011 €000s	2012 €000s	2013 €000s	2014 €000s	Total €000s
Estimate of cumulative claims:												
At end of underwriting year		277,153	284,359	291,897	320,390	288,626	262,036	221,693	222,245	235,632	264,843	
One year later		275,183	246,359	268,337	303,915	266,484	249,580	199,673	208,623	223,913		
Two years later		211,853	244,675	266,238	305,054	269,566	250,858	207,950	217,873	-		
Three years later		203,634	243,977	263,198	306,256	269,999	247,543	212,203	-	-		
Four years later		200,876	240,328	262,592	304,202	263,229	245,595	-	-	-		
Five years later		200,061	238,259	258,441	298,234	262,328	-	-	-	-		
Six years later		198,694	237,985	254,869	296,342	-	-	-	-	-		
Seven years later		198,005	234,325	253,591	-	-	-	-	-	-		
Eight years later		196,771	234,514	-	-	-	-	-	-	-		
Nine years later		196,906	-	-	-	-	-	-	-	-		
Estimate of cumulative claims		196,906	234,514	253,591	296,342	262,328	245,595	212,203	217,873	223,913	264,843	
Cumulative payments		(190,772)	(227,973)	(243,546)	(280,105)	(237,288)	(200,773)	(149,801)	(132,125)	(113,184)	(86,600)	
Claims outstanding at 31 December 2014	6,741	6,134	6,541	10,045	16,237	25,040	44,822	62,402	85,748	110,729	178,243	552,682

14. TECHNICAL PROVISIONS (continued)

Claims Outstanding

Full provision, net of reinsurance recoveries, is made at the reporting 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 reporting date in settling those claims. The Company 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 Company 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 reporting 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 profit & loss account.

	Dec 2014 Restated Unaudited		Dec 2014 Audited	
(c) Reconciliation of claims outstanding	**Gross €000s**	**Net €000s**	Gross €000s	Net €000s
Balance at 1 January 2014	**522,610**	**496,540**	565,612	541,062
Change in provision for claims	**71,372**	**56,142**	72,892	56,142
Balance at 31 December 2014	**593,982**	**552,682**	638,504	597,204

(d) Reconciliation of provision for unearned premium

The following changes have occurred in the provision for unearned premiums during the year:

	Dec 2014 Restated Unaudited €000s	Dec 2014 Audited €000s
Balance at 1 January	**175,381**	175,381
Net premium written	**311,423**	311,423
Less: net premium earned	**(303,444)**	(303,444)
Changes in provision for unearned premium – reinsurers share	**(3,710)**	(3,710)
Provision for unearned premium at 31 December	**179,650**	179,650

(e) Reconciliation of reinsurers' share of technical provisions

	Dec 2014 Restated Unaudited		Dec 2014 Audited	
	Claims Outstanding	**UPR**	Claims Outstanding	UPR
	€000s	**€000s**	€000s	€000s
Balance at 1 January 2014	**24,550**	**19,720**	24,550	19,720
Change	**16,750**	**(3,710)**	16,750	(3,710)
Balance at 31 December 2014	**41,300**	**16,010**	41,300	16,010

16. DEFERRED TAX

	Dec 2014 Audited		
	Revaluation of investments	Other timing differences	Total
	€'000	€'000	€'000
Balance as at 1 January 2014	(1,054)	149	(905)
Charged to the profit & loss account in 2014	(1,108)	423	(685)
Balance as at 31 Dec 2014	(2,162)	572	(1,590)

	Dec 2014 Restated Unaudited				
	Revaluation of investments	**Insurance Contracts**	**Retirement Benefit Obligation**	**Other timing differences**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Balance as at 1 January 2014	**(1,054)**	**(4,385)**	**2,725**	**149**	**(2,565)**
Charged to the profit & loss account in 2014	**(1,108)**	**(190)**	**-**	**454**	**(844)**
Charged to other comprehensive income	**-**	**-**	**2,578**	**-**	**2,578**
Balance as at 31 Dec 2014	**(2,162)**	**(4,575)**	**5,303**	**603**	**(831)**

18. OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

	Dec 2014 Restated Unaudited	Dec 2014 Audited
	€000s	€000s
Amounts falling due within one year:		
Creditors and accruals	**17,008**	16,764
PAYE/PRSI	**1,296**	1,296
Trading balance with parent company	**369**	369
	18,673	18,429

29. RETIREMENT BENEFIT OBLIGATION

FBD Group operates a funded defined benefit retirement scheme for qualifying employees. FBD Insurance is part of this multi-employer scheme. The defined benefit plans are administered by a separate Trustee Company that is legally separated from the entity. The Trustee Company, who is responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation, is composed of representatives from both employers and current and former employees. The Trustees are required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. They are responsible for the investment policy with regard to the assets of the fund.

Pension actuaries have estimated that FBD Insurance plc share of the pension liability at 31 December 2014 was 78.2% (2013: 76.4%). These estimates were used to calculate the liability reflected in these financial statements. The following disclosures reflect the 100% position of the Group defined benefit retirement scheme.

Under the defined benefit plan, qualifying employees are entitled to retirement benefits of 1/60th of final salary for each year of service on attainment of a retirement age of 65. A full actuarial valuation was carried out on 1 July 2013, using the projected unit credit method, and the minimum funding standard was updated to 31 December 2014 by the schemes' independent and qualified actuary and confirms that the Scheme continues to satisfy the minimum funding standard. The long-term investment objective of the Trustees and the Company is to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. To meet these objectives, the scheme's assets are invested in a diversified portfolio, consisting primarily of equity and debt securities. These reflect the current long-term asset allocation ranges, having regard to the structure of liabilities within the scheme. The scheme typically exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

	Dec 2014
	%
(a) Assumptions used to calculate scheme liabilities	
Inflation rate increase	**1.50***
Salary rate increase	**0.00 - 2.50**
Pension payment increase	**0.00 - 1.50**
Discount rate	**2.20**

*Inflation assumed to be 0% p.a. for the next 3 years and 1.50% p.a. thereafter

(b) Mortality Assumptions

	Dec 2014 Years
The average life expectancy of current and future retirees used in the scheme at age 65 is as follows:	
Male	**20.8**
Female	**23.4**

The weighted average duration of the expected benefit payments from the scheme is *circa* 23 years.

The basis used to calculate the discount rate was reviewed in 2012. A detailed description of this review is included in Accounting Policy T (i) *Critical judgement in applying accounting policies*.

During 2011, the Finance (No. 2) Act introduced an annual levy of 0.6% on the market value of assets held in pension schemes in Ireland from 2011 to 2014. The levy is payable on the value of assets at 30 June or the previous year end date. The levy for 2014 was €966,213 (2013: €700,214) and was paid out of the pension funds on or before September 2014 and will be recovered from members' pensions in future years. The 2013 levy has been reflected in the past service cost in 2014 and the 2014 levy will be reflected in the 2015 accounts.

The basis used to determine the expected return on plan assets is the money weighted rate of return achieved on the asset values used for the purpose of calculating the long-term funding rate. The actual return on the scheme assets for the year was a gain of €11,263,000 (2013: €11,369,000).

(c) Group Profit & loss account

	Dec 2014 €000s
Charged to profit & loss account:	
Service cost: employer's part of current service cost	**4,100**
Past service cost	**(912)**
Net interest expense	**1,102**
Charged to Group Profit & loss account	**4,290**

(d) Analysis of amount recognised in Group Statement of Comprehensive Income

	Dec 2014 €000s
Net actuarial losses/(gains)in the year due to:	
- Changes in financial and demographic assumptions	**33,180**
- Experience adjustments on benefit obligations	**(1,786)**
Actual return on plan assets less interest on plan assets	**(6,336)**
Actuarial loss	**25,058**
Deferred taxation credit	**(3,214)**
Actuarial loss net of deferred taxation	**21,844**

(e) Assets in scheme at market value	**Dec 2014**
	€000s
Equities	**51,334**
Bonds	**13,152**
Property	**6,505**
Managed funds	**43,838**
Cash deposits and other	**26,586**
Scheme assets	**141,415**
Actuarial value of liabilities	**(195,669)**
Net pension liability	**(54,254)**

The assets are part of unitised funds which have a broad geographical and industry type spread with no significant concentration in any one geographical or industry type. These unitised funds are managed by eight investment managers.

(f) Movement in deficit during the year	**Dec 2014**
	€000s
Net deficit in scheme at 1 January	**(28,538)**
Current service cost	**(4,100)**
Past service gain	**912**
Employer contributions	**3,620**
Interest on scheme liabilities	**(6,029)**
Interest on scheme assets	**4,927**
Actuarial (loss)/gain	**(25,058)**
Net deficit at 31 December	**(54,254)**

(g) Movement on assets and liabilities	Dec 2014 €000s
Assets	
Assets in scheme at 1 January 2014	**130,231**
Actual return less interest on scheme assets	**6,336**
Employer contributions	**3,632**
Employee contributions	**68**
Interest on scheme assets	**4,927**
Benefits paid	**(3,779)**
Assets in scheme at 31 December 2014	**141,415**
Liabilities	
Liabilities in scheme at 1 January 2014	**158,769**
Experience gains and losses on scheme liabilities	**(1,786)**
Changes in financial and demographic assumptions	**33,180**
Current service cost	**4,100**
Past service gain	**(912)**
Employee contributions	**68**
Interest on scheme liabilities	**6,029**
Benefits paid	**(3,779)**
Liabilities in scheme at 31 December 2014	**195,669**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €38.4m. A 1% reduction in the discount rate would increase the value of the scheme liabilities by €53.0m.
- The effect of inflation and salaries have been analysed together because they are linked. A rise in the long-term inflation assumption will increase the long term salary increase assumption and similarly for a fall in the long-term inflation assumption. A 1% increase in inflation/salaries would increase the value of the scheme liabilities by €27.4m. A 1% reduction in inflation/salaries would reduce the value of the scheme liabilities by €22.7m.
- The effect of assuming all members of the scheme will live one year longer would increase the scheme's liabilities by €4.1m.
- The current best estimate of 2015 contributions to be made by the Group to the pension fund is €3,600,000 (2014: €3,883,000).

The Company also operates defined contribution retirement benefit plans for qualifying employees who opt to join. The assets of the plans are held separately from those of the Company in funds under the control of Trustees. The Company recognised an expense of €1,654,000 (2013: €1,550,000) relating to these pension schemes.