ANNUAL REPORT & STATEMENT OF ACCOUNTS

Irish Public Bodies Mutual Insurances Ltd.

2009

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Irish Public Bodies Mutual Insurances Ltd.

Irish Public Bodies Mutual Insurances Ltd.
12 - 14 Lower Mount Street, Dublin 2. Tel: 01 639 5500 Fax: 01 639 5510 Email: info@ipb.ie

Regulated by the Financial Regulator

Irish Public Bodies Mutual Insurances Ltd.

Contents

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty-fourth Ordinary General Meeting of Irish Public Bodies Mutual Insurances Limited will be held in The Burlington Hotel, Dublin, on Thursday, the 27th day of May 2010, at 12.00 noon, for the following purposes:

1. To elect Directors.

2. To receive the Directors' Report and Statement of Accounts for the year ended 31st December 2009.

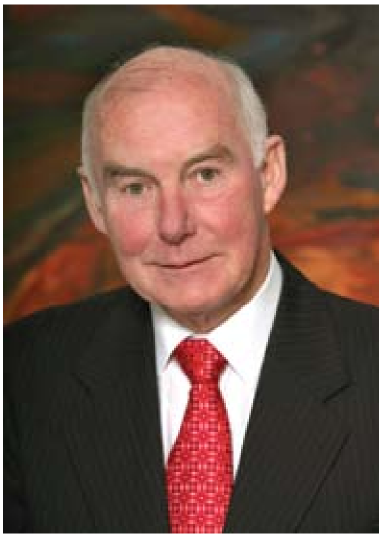
3. To authorise the Directors to fix the Auditors' remuneration.

4. To transact any other ordinary business of the Company.

By order of the Board,
R. Reilly,
Secretary.
Date: 1st April 2010.

Chairman's Statement

for the year ended 31st December 2009



GENERAL REVIEW

Following the economic and investment market turmoil which marked 2008, this year saw a return to positive investment growth accompanied by an increase in premium levels across the main product lines. In general, claims levels held steady though we saw some large property claims due to floods and extreme wintry conditions. These claims were substantially reinsured which allowed the Company to return to profit in 2009 and, as a consequence, to improve its financial strength.

INSURANCE MARKET CONDITIONS

2008 was a difficult year for the insurance market, with the impact of weak investment markets being exacerbated by a deterioration in underwriting results. In 2009, extreme weather conditions led to an unprecedented level of claims for property damage, and as a consequence premium rates across the market are likely to increase as insurers seek to compensate for recent losses. I am delighted to report that Irish Public Bodies Mutual Insurances Limited has resisted this pressure and delivered premium reductions in 2010 for selected product lines where experience provides justification.

OUTLOOK

The financial strength of the Company, combined with its long experience, gives me confidence that it can continue to provide much needed insurance solutions to clients. The Company has been ever present through the enormous changes affecting our market place in recent years and decades. We remain committed for 2010 and beyond to providing innovative and value for money insurance solutions, supported by top class service, to all clients.

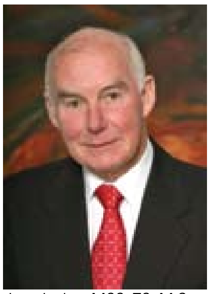
SOLVENCY II

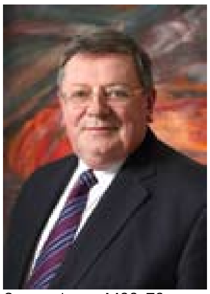
The Company currently calculates its minimum regulatory requirements based on the EU Solvency 1 Directive. The EU Solvency II Directive will require the calculation of solvency and reserving methods on a realistic market consistent basis and is expected to have an implementation date in 2012. The Company has already commenced analysing Solvency II requirements and assessing its impact on the Company's reserving policies, its capital requirements and its corporate governance.

Jerry Lodge, Chairman.
Date: 1st April 2010.

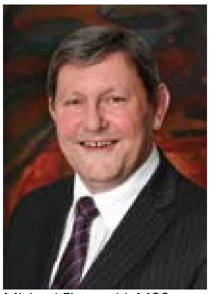
Report of the Directors

for the year ended 31st December 2009

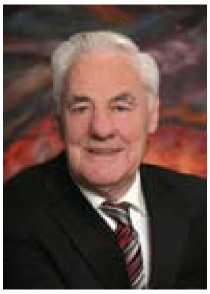

Jerry Lodge, MCC, TC, M.Sc. (Chairman)


George Jones, MCC, TC (Vice-Chairman)


Desmond Bruen


Michael Fitzgerald, MCC


Michael Joy, B.Comm., DPA, MIAPR


James Kelly


Luie McEntire, MCC


Michael McGreal, MCC


Sean O'Grady, TC


Patsy Treanor

The Directors have pleasure in submitting their Report and the Audited Accounts for the year ended 31st December 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the provision of a comprehensive insurance and risk management service to its Members.

PRINCIPAL RISKS AND UNCERTAINTIES

Information on the principal risks and uncertainties in the business is required by the European Accounts Modernisation Directive (2003/51/EC). The principal risks and uncertainties that the Company faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgement is involved, the Directors adopt a prudent approach to the provision and valuation of insurance reserves, with annual support and certification being provided by an external actuary.

Another risk facing the Company is the prevailing economic environment and its impact on the value of assets held to support the technical reserves.

RISK MANAGEMENT FRAMEWORK

The Company regularly reviews market, credit, liquidity and foreign currency risks in order to mitigate and manage risks as much as possible in the current economic environment.
The Company manages its capital requirements by assessing its required solvency margin on a regular basis. Assets admissible for regulatory purposes and available for solvency cover are 15.6 times (2008: 6.7 times) the minimum requirement, which was €19.1m. at year end (2008: €29.7m).
Further details of the Company's financial risk management are set out in notes 8 and 9 to the accounts.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS

The profit and loss account for the year ended 31st December 2009 and the balance sheet as at 31st December 2009 are set out on pages 7 to 10. The profit on ordinary activities before taxation amounted to €84m. (2008: loss of €103m.). After a taxation charge of €10m. (2008: credit of €13m.), the increase in retained earnings is €74m. (2008: decrease of €90m.).
The Directors consider it appropriate that these accounts are prepared on a going concern basis.

FUTURE DEVELOPMENTS

The Chairman's Statement on page 3 deals with the present and future outlook.

DIRECTORS

In accordance with the Articles of Association, Mr. Desmond Bruen, Mr. Michael Fitzgerald and Mr. Luie McEntire retire and, being eligible, offer themselves for re-election.

REVIEW OF KEY PERFORMANCE INDICATORS

Net earned premiums of €102m. increased by 10% from €92m. in 2008. The increase in revenue is due to rate increases applied to most classes of business.

The claims ratio decreased from 46.6% in 2008 to 29.0% in 2009, reflecting a continued reduction in claim levels.

The profit before tax is €84m. compared to a loss of €103m. for 2008. The improvement also reflects the upturn in investment markets following the global economic crisis of 2008.

Report of the Directors

for the year ended 31st December 2009

BOOKS OF ACCOUNT

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the Company. To achieve this, the Directors have appointed experienced accounts personnel who report to the Board and ensure that the requirements of Section 202 of the Companies Act, 1990, are complied with.

These books and accounting records are maintained at the Company's premises at 12-14 Lower Mount Street, Dublin 2.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2009. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EVENTS SINCE THE YEAR END

There were no events since the year end that warrant disclosure in the accounts or notes thereto.

AUDITORS

The Auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

Jerry Lodge, Chairman.
George Jones, Vice-Chairman.
Date: 1st April 2010.

Independent Auditors’ Report

to the members of Irish Public Bodies Mutual Insurances Limited

We have audited the financial statements of Irish Public Bodies Mutual Insurances Limited for the year ended 31st December 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1-20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s Members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company’s Members those matters we are required to state to them in an Auditors’ Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Irish Law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you our opinion as to: whether proper books of account have been kept by the Company; and whether the information given in the Directors’ Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors’ remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors’ Report and the Chairman’s Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Company as at 31st December 2009 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors’ Report is consistent with the financial statements.

Ernst & Young,
Chartered Accountants and Registered Auditors.
Dublin.
Date: 2nd April 2010.

Profit and Loss Account

for the year ended 31st December 2009

		Note	2009 €'000	2008 €'000
TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS				
Gross premiums written		2	**116,182**	105,912
Outward reinsurance premiums			**(15,047)**	(14,052)
Change in the gross provision for unearned premiums			**20**	367
Change in the provision for unearned reinsurance premiums			**674**	98
Earned premiums - net of reinsurance			**101,829**	92,325
Allocated investment return transferred from/(to) the non-technical account		3	**19,652**	(110,978)
Other technical income - net of reinsurance			**685**	692
TOTAL TECHNICAL INCOME			**122,166**	(17,961)
Claims paid	- gross amount		**89,856**	84,051
	- reinsurers' share		**(17,126)**	(7,210)
	- net of reinsurance		**72,730**	76,841
Change in the provision for claims	- gross amount		**(27,574)**	(42,847)
	- reinsurers' share		**(15,603)**	8,985
	- net of reinsurance		**(43,177)**	(33,862)
Claims incurred - net of reinsurance			**29,553**	42,979
Net operating expenses		4	**15,008**	14,123
TOTAL TECHNICAL CHARGES			**44,561**	57,102
BALANCE ON THE TECHNICAL ACCOUNT			**77,605**	(75,063)

Profit and Loss Account

for the year ended 31st December 2009

	Note	2009 €'000	2008 €'000
NON-TECHNICAL ACCOUNT			
Balance on the technical account		**77,605**	(75,063)
Investment income/(loss)	5	**27,027**	(124,167)
Unrealised losses on investments	5	**(223)**	(14,448)
Allocated investment return transferred (to)/from the technical account	3	**(19,652)**	110,978
Other charges		**(430)**	(330)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**84,327**	(103,030)
Tax (charge)/credit on profit/(loss) on ordinary activities	7	**(10,467)**	13,010
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**73,860**	(90,020)

Premiums written and profit/(loss) on ordinary activities before taxation have arisen solely from continuing operations.

There are no recognised gains or losses in either year other than those shown in the profit and loss account.

Approved by the Board on the 1st April 2010.

Jerry Lodge, Chairman.
George Jones, Vice-Chairman.

Balance Sheet

as at 31st December 2009

	Note	2009 €'000	2008 €'000
ASSETS			
INVESTMENTS			
Other financial investments	8	**954,441**	930,254
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums		**2,777**	2,103
Claims outstanding		**69,841**	54,238
		72,618	56,341
DEBTORS			
Debtors arising out of direct insurance operations - policyholders		**3,901**	2,723
Debtors arising out of reinsurance operations		**4,012**	401
Other debtors	14	**2,585**	14,806
		10,498	17,930
OTHER ASSETS			
Cash at bank and in hand		**7,675**	3,668
Deferred taxation	10	**6,283**	2,719
		13,958	6,387
PRE-PAYMENTS AND ACCRUED INCOME			
Accrued interest		**22,399**	15,407
Deferred acquisition costs		**106**	137
Other pre-payments and accrued income		**60**	1,013
		22,565	16,557
TOTAL ASSETS		**1,074,080**	1,027,469

Balance Sheet

as at 31st December 2009

		Note	2009 €'000	2008 €'000
LIABILITIES				
CAPITAL AND RESERVES				
Profit and loss account	- profit brought forward		**191,871**	281,891
	- profit/(loss) for the financial year		**73,860**	(90,020)
			265,731	191,871
TECHNICAL PROVISIONS				
Provision for unearned premiums			**13,600**	13,620
Claims outstanding			**789,175**	816,749
Total technical provisions			**802,775**	830,369
CREDITORS				
Arising out of direct insurance operations			**829**	912
Arising out of reinsurance operations			**938**	838
Other creditors			**3,775**	3,469
			5,542	5,219
ACCRUALS AND DEFERRED INCOME			**32**	10
TOTAL LIABILITIES			**1,074,080**	1,027,469

Approved by the Board on the 1st April 2010.

Jerry Lodge, Chairman.
George Jones, Vice-Chairman.

Statement of Cash Flow

for the year ended 31st December 2009

	Note	2009 €'000	2008 €'000
OPERATING ACTIVITIES			
Premiums received net of reinsurance		**99,873**	98,525
Claims paid net of reinsurance		**(72,730)**	(76,841)
Investment income received		**31,511**	47,511
Operating expenses paid		**(14,119)**	(15,389)
Premiums paid to brokers		**(2,823)**	(2,672)
Net cash inflow from operating activities	11	**41,712**	51,134
Taxation paid less recovered		**(1,818)**	(2,430)
INVESTING ACTIVITIES			
Loans issued to local authorities		**(8,920)**	(19,575)
Loans repaid by local authorities		**3,437**	6,001
Purchases less sales of investments		**(5,915)**	(48,478)
Net cash outflow from investing activities		**(11,398)**	(62,052)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12	**28,496**	(13,348)

Notes to the Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation
The accounts have been prepared in accordance with the Companies Acts, 1963 to 2009, and with accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The financial statements have also been prepared in accordance with the provisions of the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business (revised December 2006), with the exception of the treatment of investments, which have not been carried at market values for reasons of prudence. Investments are recorded as stated in note (g) below, as permitted by the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (refer to note 8).

(b) Basis of accounting
The annual basis of accounting has been applied to all classes of business.

(c) Premiums
Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years. Premium adjustments for retrospectively rated policies are recognised when related losses are paid.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business being reinsured.

(d) Provision for unearned premiums
The provision for unearned premiums relates to premium income in respect of insured risks which continue after 31st December 2009 and is calculated on the twenty-fourths basis.

(e) Claims incurred and outstanding
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.

The provision for claims outstanding provides for the estimated cost after reinsurance recoveries, having due regard to collectability, of claims notified but not settled at 31st December 2009, the estimated cost of claims incurred but not reported together with all related claims handling expenses using the best information available at the date of the balance sheet. In addition, provision is made in respect of the Company's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland.

To estimate claims costs, the Company uses the most appropriate accepted acturial estimation techniques. Such techniques include the production of ranges of estimates by class of business and the performance of sensitivity analysis. These techniques take into account the characteristics of the Company's business and the extent of the development of claims in each underwriting year. The classes of policies written by the Company give rise to a significant degree of uncertainty concerning the ultimate cost of claims. Uncertainty as to the following arises in respect of the majority of policies written by the Company:

- whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- the extent of policy coverage and limits applicable;
- the amount of insured loss suffered by the policyholder; and
- the timing of a settlement to the policyholder.

(f) Deferred acquisition costs
Management costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(g) Investments
Quoted and unquoted investments are stated at the lower of cost or net realisable value.

Notes to the Accounts

(h) Investment income
Interest and dividends are treated on an accruals basis in the case of bank and building society deposits and quoted government, foreign, public bodies and municipal authority securities. An allocation of investment income from the non-technical account to the non-life technical account is made on the basis of the relationship between average technical provisions and revenue reserves.

(i) Realisation of investments
Gains and losses arising on the realisation of investments are dealt with in the profit and loss account in the year of realisation.

(j) Taxation and deferred taxation
Corporation tax is provided on taxable profits at current attributable rates. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax in the future. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse.

(k) Currency
The accounts are prepared in euro and all values are rounded to the nearest thousand (€'000). Assets and liabilities in foreign currencies have been converted at rates of exchange ruling at the balance sheet date. Gains and losses arising are dealt with in the profit and loss account.

(l) Pensions
The contributions to defined benefit and defined contribution schemes are charged to the profit and loss account on an accruals basis over the periods of staff service. The cost for the defined benefit scheme is calculated in accordance with the advice of a professionally qualified actuary.

(m) Deposits with credit institutions
Deposits with credit institutions are short term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amount of cash. Deposits with credit institutions comprise financial assets with less than twelve months maturity from the date of acquisition.

(n) Insurance contracts
Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate the policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder.

Contracts written by the Company to-date are classified as insurance contracts and these contracts cover most of the risk classes as defined under the European Communities (Non-Life Insurance) Framework Regulations, 1994 (S.I. No. 359 of 1994).

(o) Reinsurance contracts
Contracts entered into with reinsurers that meet the classification requirements for insurance contracts under Irish GAAP are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits under the reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified within debtors arising from reinsurance operations), as well as long term receivables (classified as deposits with reinsurers) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Reinsurance assets are assessed for recoverability on an annual basis. If there is objective evidence that the reinsurance asset is not fully recoverable, the carrying amount is reduced to its recoverable amount and the write down is recognised in the profit and loss account.

2. SEGMENTAL INFORMATION

	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Total €'000
2009				
Gross premiums written	**82,788**	**25,386**	**8,008**	**116,182**
Gross premiums earned	**82,216**	**25,745**	**8,241**	**116,202**
Gross claims incurred	**(25,296)**	**(32,090)**	**(4,896)**	**(62,282)**
Gross operating expenses	**(10,685)**	**(3,277)**	**(1,046)**	**(15,008)**
Gross technical result	**46,235**	**(9,622)**	**2,299**	**38,912**
Reinsurance balance	**907**	**18,179**	**(730)**	**18,356**
Net technical result	**47,142**	**8,557**	**1,569**	**57,268**
Net technical provisions	**676,047**	**12,089**	**42,021**	**730,157**
2008				
Gross premiums written	73,884	23,846	8,182	105,912
Gross premiums earned	74,110	23,856	8,313	106,279
Gross claims incurred	(20,293)	(12,663)	(8,248)	(41,204)
Gross operating expenses	(9,852)	(3,180)	(1,091)	(14,123)
Gross technical result	43,965	8,013	(1,026)	50,952
Reinsurance balance	(13,926)	(1,907)	104	(15,729)
Net technical result	30,039	6,106	(922)	35,223
Net technical provisions	716,374	14,655	42,999	774,028

All premiums resulted from contracts of insurance concluded in the Republic of Ireland. Motor liability and motor other classes are included in motor.

Notes to the Accounts

3. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT	Note	**2009 €'000**	2008 €'000
Allocated by class of business:			
Third party liability		**14,004**	(77,418)
Fire and other damage to property		**4,294**	(24,986)
Motor		**1,354**	(8,574)
		19,652	(110,978)

The allocation of the investment return by class of business is on the basis of the relationship between gross written premiums by class of business.

4. NET OPERATING EXPENSES		**2009 €'000**	2008 €'000
Acquisition costs		**1,000**	1,087
Change in deferred acquisition costs		**31**	(16)
Incurred acquisition costs		**1,031**	1,071
Administrative expenses	6	**13,977**	13,052
		15,008	14,123

5. INVESTMENT INCOME/(LOSS)	**2009 €'000**	2008 €'000
Income from listed investments	**35,485**	43,077
Income from other investments	**3,019**	3,804
	38,504	46,881
Losses on the realisation of investments	**(11,477)**	(171,048)
	27,027	(124,167)
Unrealised losses on investments	**(223)**	(14,448)
Total investment return	**26,804**	(138,615)

All of the listed investments are listed on recognised stock exchanges.

6. ADMINISTRATIVE EXPENSES	**2009 €'000**	2008 €'000
Administrative expenses include:		
Auditors' remuneration including VAT	**121**	128
Directors' remuneration - fees	**207**	–
Direct salary	**271**	301
Social welfare	**22**	26
Pension costs	**12**	108

The above costs are in respect of three administrative staff. The company has contracted Brennan Insurances to conduct services on its behalf.

7. TAX (CHARGE)/CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Note	2009 €'000	2008 €'000
[a] Analysis of charge for year:			
Tax (charge)/credit based on the results for the year is as follows:			
Current tax:			
Taxation on foreign dividends		(217)	(318)
Irish corporation tax (charge)/credit	7[b]	(10,350)	12,090
Adjustment in respect of prior years		(3,464)	(628)
Total current tax (charge)/credit		(14,031)	11,144
Deferred tax:			
Origination and reversal of timing differences		113	1,866
Adjustment in respect of prior years		3,451	–
Total deferred tax credit	10	3,564	1,866
Tax (charge)/credit on profit/(loss) on ordinary activities		(10,467)	13,010

Trading income is subject to corporation tax at the rate of 12.5%.
Non-trading income is subject to corporation tax at the rate of 25%.

[b] Factors affecting tax charge for year:
The tax assessed for the year is lower than the standard rate of corporation tax due to the differences as explained below:

	2009	2008
Profit/(loss) on ordinary activities before tax	84,327	(103,030)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 12.5%	10,541	(12,879)
Effect of:		
Provision for impairment of investments	28	1,805
Expenses not deductible for tax purposes	17	17
Income not assessed to tax in current year	–	61
Reserves and technical adjustments	85	–
Double tax relief	(2)	(3)
Income not subject to tax	(319)	(1,091)
Irish corporation tax charge/(credit)	10,350	(12,090)

[c] Factors that may affect future tax charges:
The total tax charge in future periods will be affected by any changes in the corporation tax rate and trading losses available to offset taxable trading profits.

8. OTHER FINANCIAL INVESTMENTS

	Historical Cost		Current Value	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Listed equity shares	125,946	127,412	151,653	131,325
Debt securities and other fixed income securities:				
Government fixed interest	585,013	547,576	595,977	573,455
Other fixed income securities	112,524	156,978	113,605	134,370
Loans to local authorities	45,824	40,341	45,955	40,575
Property investments	7,416	4,718	7,657	4,718
Deposits with credit institutions	77,718	53,229	77,718	53,229
Total Investments	954,441	930,254	992,565	937,672

The historical cost of €954.4 million shown above is the original cost of €991.5 million less diminution in value of €37.1 million. The listed equities and fixed income securities are all listed on recognised stock exchanges. The property investments were acquired in 2007 and are valued at cost. In the opinion of the Directors, the cost of the property investments is lower than their net realisable value.

Notes to the Accounts

Financial Risk Management:

Interest rate risk
The Company has no external borrowings and as such is not exposed to interest rate or refinancing risks on borrowings. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short term deposit rates.

Price risk
The Company is exposed to price risk on the majority of the investments held by the Company.

Liquidity risk
The Company actively maintains cash balances on short term deposits to ensure that the Company has sufficient available funds for operations.

Credit risk
The Company has identified credit risks associated with the cash and deposits it has placed with third party banking institutions and loans to local authorities. The Company recognises the credit risks associated with its reinsurance arrangements. The Company manages its reinsurance risks by establishing a reinsurance strategy and this strategy sets out the required security ratings of its reinsurers and the procedures to follow if set ratings are not met.

9. FINANCIAL INSTRUMENTS
The Company is exposed to currency risks arising from the foreign currency investments it holds, mainly sterling denominated securities. The Company enters into forward currency agreements, normally on a three-month basis, to reduce foreign currency exposure.

	Carrying Value €'000	Principal Hedged €'000	Underlying Principal Stg£'000
2009			
1 year or less			
Currency sold	**7,887**	**7,718**	**7,000**
2008			
1 year or less			
Currency sold	5,225	5,743	5,000

Changes in the fair value of instruments used as hedges are not recognised until the hedged position matures. The unrecognised loss at 31st December 2009 was €0.169m. (2008: €0.518m. gain). Hedged losses recognised for 2009 were €0.033m. (2008: €1.018m. gain).

10. DEFERRED TAXATION	Note	2009 €'000	2008 €'000
Balance at beginning of year		**(2,719)**	(853)
Profit and loss account - credit	7	**(3,564)**	(1,866)
Balance at end of year (asset)		**(6,283)**	(2,719)
Analysis of deferred taxation:			
Provision for unrealised losses on investments		**(4,642)**	(4,614)
Investment income taxable in the future		**668**	1,895
Reserves adjustment		**(2,309)**	–
		(6,283)	(2,719)

11. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2009 €'000	2008 €'000
Operating profit/(loss)	**84,327**	(103,030)
(Increase)/decrease in debtors	**(9,643)**	1,713
Decrease in unearned premiums	**(693)**	(465)
Decrease in claims provisions	**(43,177)**	(33,862)
Increase/(decrease) in creditors	**345**	(290)
(Increase)/decrease in premiums due	**(1,178)**	1,588
Realised losses on investments	**11,700**	185,496
Movement in deferred acquisition costs	**31**	(16)
Net cash inflow from operating activities	**41,712**	51,134

12. CHANGES IN CASH AND CASH EQUIVALENTS AND OTHER LIQUID INVESTMENTS DURING THE YEAR	Cash and cash equivalents **2009** **€'000**	Other liquid investments **2009** **€'000**	Total **2009** **€'000**	Total 2008 €'000
Balance at beginning of year	**56,897**	**831,966**	**888,863**	1,038,228
Net cash inflow/(outflow)	**28,496**	**(8,483)**	**20,013**	(149,365)
Balance at end of year	**85,393**	**823,483**	**908,876**	888,863

13. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AND OTHER LIQUID INVESTMENTS SHOWN IN THE BALANCE SHEET	**2009** **€'000**	2008 €'000	Change in year €
Cash at bank and in hand	**7,675**	3,668	4,007
Deposits with credit institutions	**77,718**	53,229	24,489
Other liquid investments	**823,483**	831,966	(8,483)
Total	**908,876**	888,863	20,013

Other liquid investments consist of listed equity shares, government fixed interest and other fixed income securities.

14. OTHER DEBTORS	**2009** **€'000**	2008 €'000
Corporate tax recoverable	**2,578**	14,791
Other debtors	**7**	15
	2,585	14,806

15. PENSION COSTS

There are externally funded defined benefit and defined contribution pension schemes covering employees of this Company and other participating employers and consequently it is not practicable to identify the share of underlying assets and liabilities of the scheme or provide information on the implications of the surplus or deficit in the scheme for the Company.

As provided for in these circumstances under Financial Reporting Standard No. 17 - Retirement Benefits, the disclosures appropriate to defined contribution schemes are given in note 6.

At 31st December 2009 there was no accrual for pension contributions (2008: €nil).

16. RELATED PARTY DISCLOSURES

In the normal course of business, the Company enters into transactions with Brennan Insurances, a party related through its key management.

Under a long term agreement between Irish Public Bodies Mutual Insurances Limited and Brennan Insurances, the latter provides underwriting and related insurance services to the Company, subject to the control and direction of the Board of Directors of Irish Public Bodies Mutual Insurances Limited. Brennan Insurances is remunerated by an annual insurance commission, the cost of which was €12.9m. (2008: €12.7m.) of which €2.1m. (2008: €2.6m.) was due at the balance sheet date.

17. DIRECTORS' REMUNERATION AND TRANSACTIONS

Directors' remuneration is outlined in note 6. There were no loans outstanding between the Company and its Directors at any time during the year.

18. COMMITMENTS AND CONTINGENCIES

The Company has entered into property investments which resulted in the Company investing in two separate property consortia. The Company has a commitment to make further payments of nearly €2m. on one of these investments over the course of the property development. Amounts are payable until January 2013 and, although these could alter during construction, significant changes are not expected.

19. STATUS OF THE COMPANY

The Company is limited by guarantee and does not have a share capital. The Company underwrites the insurances of Local, Health and Education Authorities.

20. APPROVAL OF THE ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 1st April 2010.

Company Information

Executive:	
General Manager	Alan Connolly, Dip. App. Fin.
Secretary/Assistant General Manager	Rosemary Reilly.
Contracted Management:	
Governance:	
Head of Governance	Diarmuid Brennan B.A., B.L.
Accounts:	
Head of Finance	Anna-Marie Conlan, FCCA.
Claims:	
Claims Manager	Paddy Moran, ACII.
Assistant Claims Manager:	Paul Doyle, BA (Hons.) Business & Law.
Investment:	
Investment Manager	Patrick McGinley, FCPA, MSI.
Risk:	
Risk Manager	Rosemary Ryan, MSc, MPM, BA, RGN, RCN,RM, CMIOSH.
Underwriting:	
Property/Motor Manager	Joe Reynolds, BA, ACII.
Liability Manager	Enda Brazel, BBS.
Assistant Liability Manager	Lorraine Scanlan, ACII.
Chartered Quantity Surveyor	Gerry McAuliffe, MSCS, MRICS.
Registered Office:	12-14 Lower Mount Street, Dublin 2.
Registered No:	7532 Republic of Ireland.
Auditors:	Ernst & Young, Harcourt Street, Dublin 2.
Bankers:	Allied Irish Banks plc, Dame Street, Dublin 2.
Solicitors:	Arthur Cox, Earlsfort Terrace, Dublin 2.