



Interim Report

Six months to 30 June 2004

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FINANCIAL HIGHLIGHTS

For the 6 months ended 30 June 2004 (*unaudited*)

- Total profit after tax of €163.6m (2003: €111.2m) + 47%
- Total earnings per share 60.7 cent¹ (2003: 41.3 cent¹)
- ROI/UK pre-tax contribution €185.8m (2003: €188.0m)
- Total contribution earnings per share 55.8 cent¹ (2003: 58.2 cent¹)

Banking

New Loans Issued	€3,681m	+43%
Loan Book Growth on 30 June 2003	€3,525m	+23%
Loan Book Growth on 31 December 2003	€1,965m	+11%
ROI Mortgage New Business	€2,229m	+41%
ROI Mortgage Book Growth on 30 June 2003	€2,271m	+21%
ROI Mortgage Book Growth on 31 December 2003	€1,134m	+9%

Bancassurance Sales	€26.1m ²	+17%
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Life

New Business	€187.5m	+22%
Value of New Business	€24.5m	+26%
Interim Dividend per Share	16.5 cent	+10%
Total Tier 1 Capital Ratio	10%	(2003: 11%)
Life Solvency Cover (times)	1.8	(2003: 1.8)

Commenting on the results David Went, Group Chief Executive said:-

“We are very satisfied with the Group’s performance in the first half of the year. Both our life and banking businesses are performing strongly and are participating fully in the growth in their respective markets.

The backdrop for our business is very positive given the strength of the Irish economy. Forecasts are for over 40,000 new jobs being created this year and for a record number of new housing completions - between 70,000 and 80,000 units. For us this has translated into strong volume growth in the first half with **permanent tsb**’s new residential mortgage lending in Ireland up 41% and, on the life side, with an increase of 63% in individual pension sales.

While the margin environment is challenging we have continued our unrelenting focus on controlling our cost base. We expect full year group operating costs for 2004 in Ireland to be running at 2001 levels – a very significant real reduction given cost inflation and volume growth over that period.

Overall the financial result for the half year 2004, with the underlying pre-tax operating profit (contribution) up 15%, is very satisfactory. This strong start plus the continuing momentum in the business augers well for the full year outcome.”

¹ Including own shares held for the benefit of life assurance policyholders

² Unless otherwise indicated all life and pensions sales are expressed on a weighted annual premium equivalent basis

Operating Review

Banking and Other Activities

permanent tsb, the group's banking division, continues to focus on its strategic objective of becoming the leading provider of personal financial services in Ireland. In the first half of the year **permanent tsb** consolidated its leadership position in the Irish residential and new car finance markets while continuing to improve its position in the bancassurance and current account markets.

Against a continuing favourable economic backdrop total loans and advances to customers at 30 June 2004 were €19.1bln, an increase of 11% on outstanding balances at 31 December 2003 and 23% ahead of outstanding balances at 30 June 2003. Total gross new lending at €3.7bln was 43% ahead of the first half 2003 (€2.6bln). The growth in balances over the principal business lines was as follows:

	30 June 2004 €m	31 Dec 2003 €m	Growth %
Mortgage Lending - ROI ³	13,192	12,058	9
Consumer Finance	1,392	1,285	8
Commercial Lending	1,175	1,167	-
	15,759	14,510	
Mortgage Lending - UK (Stg£) ³	2,235	1,844	21
Total Lending - €m	19,091	17,126	11

The residential mortgage market in the Republic of Ireland continued to be very strong during the first half of 2004. Total gross new mortgages issued were €2.2bln, an increase of 41% on the €1.6bln issued in the first half of 2003. Residential mortgage balances outstanding increased by 9% to €13.2bln compared to €12.1bln at 31 December 2003. The group believes that it has maintained its leading position in the Irish residential mortgage market in the first half of 2004.

In the UK mortgage demand was also strong with mortgage balances outstanding in Capital Home Loans, the group's centralised mortgage lender, increasing 21% to Stg£2.2bln from Stg£1.8bln at 31 December 2003. Gross new mortgages issued in the first half of 2004 were Stg£559m, an increase of 65% over the Stg£338m issued in the first half of 2003.

New consumer finance loans issued increased 13% to €465m from €412m in the first half of 2003 with this growth being helped by the recovery in the new car market during the first half of the year. As a result of this new lending consumer finance balances outstanding increased 8% to €1.4bln from €1.3bln at 31 December 2003. New commercial loans issued increased 41% to €131m in the first half of 2004 compared to €93m issued in the first half of 2003 with the book remaining flat compared to 31 December 2003.

Customer account balances outstanding at 30 June 2004 were €11.5bln, an increase of 14% over balances outstanding at 31 December 2003 with particularly strong growth in commercial deposits and current account balances.

Sales of life and pensions products through the **permanent tsb** branch network were €26.1m, an increase of 17% over the first half 2003 level of €22.4m. Bancassurance sales have benefited from the deployment of new sales processes and technology across the branch network in the second half of 2003.

In the first half of 2004 the bank continued to focus on and invest in programmes to improve branch and head office efficiency, manage costs and improve customer satisfaction. As a result of these and other initiatives undertaken in 2003 administrative costs in the first half 2004 were down 2% overall. The

³ Including securitised mortgage assets

successful execution of these programmes will ensure that cost growth in the bank will be flat through to 2005.

Life Business

The group's principal life operating divisions are Retail Business, Corporate Business and Irish Life Investment Managers, each of which operates in a defined segment within the Irish life and pensions marketplace. Overall life sales of €187.5m in the first half of 2004 were 22% ahead of 2003 (€154.2m) with good growth experienced in all operating divisions.

Sales in the group's principal life businesses are summarised below:

	30 June 2004 €m	30 June 2003 €m	Growth %
Retail Business	81.9	63.5	29
Corporate Business	70.9	62.2	14
Investment Management	25.6	20.7	24
Irish Life International	7.8	6.4	22
	186.2	152.8	22
UK	1.3	1.4	-
	187.5	154.2	22

Retail Business

The group's retail business is focused upon sales of life and pensions products to the retail market in Ireland. Its principal product lines are protection, pensions, investment bonds and regular savings products.

The improved sales climate which emerged in the second half of 2003 driven by improved investor confidence as investment markets rebounded and the stimulation of the pensions market as a result of public policy initiatives, particularly the introduction of Personal Retirement Savings Accounts ("PRSAs"), continued through the first half of 2004.

As a result retail sales in the first half of 2004 at €81.9m were 29% ahead of 2003 levels of €63.5m. While sales were buoyant across all product lines growth in pension sales was particularly strong, up 63%. The group estimates that on foot of this strong sales performance it has, in the first half 2004, once again improved its overall market share position to in excess of 20%.

The retail business continued to make considerable progress on the implementation of the Horizon project in 2004. The core objective of this project is a fundamental re-design of the business processes to achieve operational efficiencies and increased productivity through leveraged use of proven technology. All new business is now being processed on the new system while conversion of older policies on to the new system has commenced. The project continues to be on target to complete in 2005.

Corporate Business

The corporate business division is focused upon the sale of group pensions and risk schemes to employers and their employees in Ireland. Corporate business is the dominant provider in this sector with an estimated market share of in excess of 40%. The business which is service driven, has achieved key competitive advantage through continued and sustained investment in both its staff and technology infrastructure in order to achieve sustainable improvement in service levels.

The key driver of the corporate business market is employment growth and salary levels within the Irish economy. The first half of 2004 saw an increase in employment levels which benefited the business. Sales in corporate business in the first half of 2004 increased 14% to €70.9m from €62.2m in the first half 2003 with strong growth in both new scheme sales and incremental sales.

Investment Management

Irish Life Investment Managers provides investment management services to the group's life and pensions business in addition to directly managing large segregated funds. Full value sales (including off balance sheet inflows) in the first half of 2004 were €337m compared to €683m in 2003. The first half 2003 outcome included one large ticket sale which did not recur in 2004 and excluding this item underlying sales were in line with 2003. As a result of these inflows, combined with market growth, total funds under management increased to €17.9bln at 30 June 2004 from €16.7bln at 31 December 2003, an increase of 8%.

Continued superior investment performance (in 2003 the group's key pension managed fund was the top performing managed fund in Ireland, while the group's consensus funds continue to track the benchmark index over all timeframes) has generated a very significant pipeline of new business which it is expected will complete in the second half of 2004.

Financial Review

Accounting Policies

The accounting policies applied in the interim financial statements for June 2004 are unchanged from the policies adopted in the 2003 annual report.

The group, in line with all companies listed in the European Union will be required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS") from 1 January 2005. IFRS represent a significant change from Republic of Ireland generally accepted accounting policies (GAAP). At this stage the key remaining uncertainties are:-

- The industry-wide interpretation of the insurance standard (IFRS 4)
- Whether the European Union adopts in full or in part the standards on financial instruments (IAS32 and IAS39)

The group has a project in place to ensure compliance with IFRS by 2005. This project, which is group wide, is examining the impact of the standards, including the required changes to GAAP and the group's accounting policies, and also ensuring that all the necessary system and process changes are completed on time.

In July 2004, the Accounting Standards Board ("ASB") issued Financial Reporting Exposure Draft 34 "Life Assurance" which contains proposals to change the accounting for life assurance business. If adopted as an accounting standard the ASB intends that the proposals would apply to financial statements for the year ended 31 December 2004. The proposals are currently the subject of much debate and discussion within the industry and considerable uncertainty exists regarding its interpretation. A final version of the proposal is not expected until October 2004.

Group Overview

The total profit after tax for the six months ended 30 June 2004 is set out below:-

	Unaudited 6 months to 30 June 2004 €m	Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Pre-tax contribution before short-term investment fluctuations and other charges/credits			
Republic of Ireland/UK Operations			
Banking & Other Activities	55.4	74.8	128.8
Life Assurance Activities	105.0	96.9	189.7
Core pre tax Contribution	160.4	171.7	318.5
Share of Associate Company	25.4	16.3	45.2
Pre tax Contribution – ROI/UK	185.8	188.0	363.7
Contribution - US	-	1.5	1.5
Total Pre tax Contribution	185.8	189.5	365.2
Short-term Investment Fluctuations			
Life Assurance Activities	9.4	5.9	27.5
Share of Associate Company	0.6	0.8	(2.0)
Other Charges / Credits			
Goodwill Charge	(5.8)	(5.9)	(13.8)
Exceptional Items	2.0	(46.6)	(47.1)
Economic Assumption Changes	-	(2.8)	(20.2)
Profit before Tax and Minority Interest	192.0	140.9	309.6
Government Levy	(6.1)	(6.1)	(12.2)
Taxation	(21.8)	(24.2)	(35.9)
Minority Interest	(0.5)	0.6	0.3
Total Profit after Tax	163.6	111.2	261.8

Total profit after tax and exceptional items for the six months to 30 June 2004 was €163.6m up 47% when compared to €111.2m in 2003. The pre tax profit after exceptional items for the period was ahead 36% to €192.0m compared to €140.9m in 2003.

The 2004 outcome includes a net positive €10m of short-term investment fluctuations (2003: €6.7m) reflecting the continued recovery in investment markets in the first half of the year. Exceptional items in 2004 were a positive €2.0m reflecting profits achieved on the disposal of surplus branch property in the bank. This compares to negative exceptional items of €46.6m in 2003 which principally relates to the loss on disposal of the group's last remaining US operating company, Guarantee Reserve Life Insurance Company.

The total pre tax contribution in ROI/UK was €185.8m compared to €188.0m in 2003. The 2003 outcome included €26.0m in gains achieved on a repositioning of the bank's investment portfolio and, adjusting for this once off item, underlying growth in the pre tax contribution was 15%. While the reported contribution from banking and other activities fell to €55.4m from €74.8m in 2003, the underlying pre tax contribution, excluding the impact of the repositioning of the investment portfolio, was ahead 14% reflecting strong growth in new mortgage lending combined with tight cost management (costs for the six months to 30 June 2004 were 2% below the corresponding period in 2003).

The pre tax contribution from the group's life activities increased 8% to €105.0m (2003: €96.9m) principally due to improved new business sales and strong cost management (costs in the first half 2004 were down 3% on first half 2003). Reflecting an improved underwriting performance, particularly

driven by better claims experience, the contribution from the group's holding in Allianz Irish Life, a general insurance business, increased to €25.4m from €16.3m in the first half 2003.

Banking and Other Activities

	Unaudited 6 months to 30 June 2004 €m	Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Net Interest Income	171.8	163.5	331.9
Other Operating Income	3.5	12.9	18.7
Investment Book Gains	-	26.0	26.0
	175.3	202.4	376.6
Administrative Expenses	(112.9)	(114.9)	(227.1)
Provision for Bad & Doubtful Debts	(4.1)	(6.3)	(13.4)
	58.3	81.2	136.1
Pre tax Contribution from Other Activities	(2.9)	(6.4)	(7.3)
	55.4	74.8	128.8

The pre tax contribution generated by the group's banking and other activities in the first half 2004 was €55.4m compared to €74.8m in 2003. The pre tax contribution of the banking activities was €58.3m compared to €81.2m in 2003. The 2003 outcome included capital gains of €26.0m realised on the repositioning of part of the bank's investment book as Euro interest rates fell in the first half of 2003. Excluding these capital gains, which were once off in nature, the underlying level of contribution growth from banking and other activities in 2004 was 14% reflecting strong growth in new mortgage lending and a 2% reduction in administrative expenses. These offset the negative impact of Euro interest rate reductions in 2003 on the net interest margin in 2004, and a reduction in other operating income as a consequence of higher levels of fees and commissions payable reflecting higher new business volumes.

Net interest income increased 5% to €171.8m from €163.5m in the first half 2003. Strong new mortgage lending, ahead 41% in the Republic of Ireland compared to the first half 2003, offset the negative impact which reductions in Euro interest rates in the first half 2003 had on the bank's retail deposit book and a lower running yield on the investment book as a consequence of the repositioning of the portfolio last year.

The net interest margin for the first half 2003 was 1.44% compared to a margin of 1.63% reported for the full year 2003 and 1.70% for the first half 2003. The reduction in Euro interest rates in the first half of 2003 led to downward pressure on retail margins in the second half of 2003 and the first half of 2004 due to the impact of retail deposit floors. In addition the high levels of new lending business and strong growth in asset balances led to a requirement to fund this growth largely in the wholesale markets which in turn led to a dilution in the reported margin.

Other operating income fell to €3.5m from €12.9m in the first half 2003. Fees and commissions payable, which are offset against other income, increased €5.3m to €21.0m as a result of the increased volumes of new residential mortgages while dealing profits fell to €0.3m from €5.5m in the first half 2003.

The reported other operating income in the group's banking operations includes no contribution from bancassurance sales as, in line with the group's accounting policies, bancassurance earnings are reflected in the pre tax contribution reported within the group's life assurance activities. The pre tax contribution achieved on the bancassurance book of life business in the first half 2004 was €18.5m, ahead 35% when compared to €13.7m in the first half 2003.

Administrative expenses fell 2% to €112.9m from €114.9m in the first half 2003. Having regard to the underlying level of inflation within the Irish economy this represents achievement of real cost reductions in the order of 6% to 7%. Cost management will continue to be a key focus within the bank through the remainder of the year and into 2005.

The charge for bad debt provisions of €4.1m in 2004 compares to €6.3m in 2003 and reflects the robust credit quality which prevails within all of the group's loan portfolios where realised bad debt loss levels are insignificant. Provisions held against the portfolios continue to be conservative with a reserve ratio of 51 basis points compared to an arrears ratio of 21 basis points.

Life Assurance Activities - Republic of Ireland/UK Contribution

	Unaudited 6 months to 30 June 2004 €m	Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Contribution from in-force Business			
Unwind of Discount Rate	51.2	45.3	89.1
Experience Variances	4.0	8.5	17.5
Horizon Development Expenditure	-	-	(11.3)
Operating Assumption Changes			
-Horizon	-	-	11.3
-Other	19.8	19.2	26.2
Expected Investment Return	2.1	1.8	4.9
Other Income	3.4	2.6	6.3
Pre tax Contribution	80.5	77.4	144.0
New Business Contribution	24.5	19.5	45.7
Total Pre tax Contribution	105.0	96.9	189.7

The total pre tax contribution for the 6 months ended 30 June 2004 was €105.0m, an increase of 8% on 2003.

The contribution from the in-force book increased 4% to €80.5m compared to €77.4m in 2003.

The unwind of the discount rate increased 13% to €51.2m (2003: €45.3m) reflecting the impact of growth in the in-force book combined with an increase in the risk discount rate at 31 December 2003. Experience variances for the first half 2004 remained positive at €4.0m compared to €8.5m in the first half 2003. Experience variances in the Irish life operations were positive at €9.2m (principally reflecting a good outcome on mortality) compared to €10.4m in 2003 reflecting the conservative nature of the underlying embedded value assumptions. Experience variances within the UK life operations were a negative €5.2m as the technical reserves required within the portfolio were strengthened. This compares to a negative experience of €1.9m in 2003.

In the year ended 2003 development expenditure on the Horizon project of €11.3m was written off in the embedded value as synergy gains arising from the deployment of the technology were realised during the year. The capitalised impact of these synergy gains, a positive €11.3m, was recognised as a change in operating assumptions in 2003. No similar synergy gains were recognised in the first half of 2004 nor was any further development expenditure written off. Total expenditure on the project of €25.1m was carried forward at 30 June 2004 and will be charged as the development is implemented and cost savings realised. These impacts are expected to be earnings neutral.

Operating assumption changes, principally relating to mortality and expense experience, had a total positive impact of €19.8m on the embedded value in the first half of 2004. This compares to €19.2m in the first half of 2003, which principally related to expense assumption changes following the disposal of the group's industrial branch business in 2002.

The assumptions underlying the embedded value continue to be conservatively based and it is expected that experience against assumptions will remain positive going forward.

The expected investment return is calculated by reference to the assumed long-term investment return for equities and property included within the embedded value combined with the actual earnings on short-term cash. The expected return in the first half 2004 of €2.1m compares to €1.8m in 2003.

Other income, which principally represents the net contribution from Cornmarket and Irish Progressive Services International, increased to €3.4m from €2.6m.

The contribution from new business in the first half 2004 increased 26% to €24.5m from €19.5m in 2003. The principal reason for this uplift in new business contribution was the 22% increase in new business sales from €154.2m to €187.5m.

Life new business margins in Ireland for the half year 2004 were 12.7% (2003:11.9%) made up as follows:

	30 June 2004	30 June 2003
	%	%
Life Operations	12.8	12.1
Investment Management	12.1	10.6
	12.7	11.9

The improvement in margins in the group's life operations principally reflects the impact of higher sales volumes compared to the first half of 2003. Margins in the life operations improved from 12.1% in the first half 2003 to 12.8% in the first half 2004 due to increased sales levels and a continued focus on cost management which offset the impact of competitive pricing pressures particularly in the protection market and the impact of lower margin PRSA sales. The improvement in investment management margins in the first half 2004 is principally due to a more favourable mix of new business.

Contribution - US

The group completed the disposal of Guarantee Reserve Life Insurance Company, its last remaining US operating company, on 30 June 2003. The pre tax operating contribution from the Company up to the date of disposal was €1.5m. No contribution arises in 2004.

Short Term Investment Fluctuations ("STIFs")

The continued recovery in investment markets during the first half of 2004 resulted in positive STIFs of €10.0m compared to a positive €6.7m in 2003. These STIFs principally reflect unit linked management fees variances in the group's life assurance business.

Other Credits/(Charges)

The positive exceptional item in the first half 2004 of €2.0m comprises profits achieved on the disposal of surplus bank branch properties. The negative exceptional item in the first half 2003 of €46.6m reflects the book loss arising on the disposal of Guarantee Reserve (€49.6m) and profits achieved on the disposal of surplus bank branch properties (€3.0m).

Taxation

A charge of €6.1m (2003: €6.1m) arises in the half year to 30 June 2004 in consequence of the Irish Government's decision to levy a discriminatory charge of €100m per annum on the deposit taking business of the Irish domestic banks. The group's share of this charge until 2005 is €12.2m per annum.

The group's normal taxation charge for the six months to 30 June 2004 of €21.8m compares to €24.2m in 2003 and represents an effective tax rate of 11%.

Capital and Liquidity

The group's capital and liquidity remained strong at 30 June 2004. The Tier 1 and total capital ratios were 10.1% (31 December 2003: 11.1%) while the liquidity ratio within the group's banking business was 27% (31 December 2003: 26%). The solvency margin in Irish Life Assurance plc, the group's principal life assurance business, was covered 1.8 times by available assets (31 December 2003: 1.8 times).

In August 2004 the group raised €150m in additional upper Tier 2 capital within its banking operations. As a result of this transaction the group is very comfortably positioned as regards its capital requirements in the future.

Dividends

The directors have declared an interim dividend of 16.5 cent for the first six months of 2004. This compares to an interim dividend paid in 2003 of 15.0 cent. The dividend will be paid on 15 November 2004 to shareholders on the register as at 8 October 2004. The ex dividend date is 6 October 2004.

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Group Profit and Loss Account six months ended 30 June 2004

		Unaudited 6 months to 30 June 2004 €m	As restated Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Banking and other activities				
Interest receivable and similar income	6	434.3	389.4	712.0
Interest payable and similar charges		(262.5)	(225.9)	(380.1)
Net interest income		171.8	163.5	331.9
Fees and commission receivable		22.7	22.2	45.0
Fees and commission payable		(21.0)	(15.7)	(34.9)
Dealing profits		0.3	5.5	6.1
Other banking income	7	1.5	26.9	28.5
Income from other activities		3.2	2.9	6.1
		178.5	205.3	382.7
Administrative expenses	8	(119.0)	(124.2)	(240.5)
Provision for bad and doubtful debts	9	(4.1)	(6.3)	(13.4)
Profit arising from banking and other activities		55.4	74.8	128.8
Life assurance activities				
Earned premiums				
Continuing operations		1,401.5	1,024.8	2,307.5
Discontinued operations – USA		-	62.3	60.8
		1,401.5	1,087.1	2,368.3
Investment return		813.7	599.0	1,625.7
Increase in shareholders' value of in-force business		65.8	15.3	40.6
Claims incurred		(641.2)	(575.2)	(1,191.9)
Change in other technical provisions				
Non unit linked business		(133.8)	(22.9)	(3.3)
Unit linked business		(1,253.0)	(829.5)	(2,306.1)
Operating expenses	8	(137.4)	(168.9)	(317.2)
Tax attributable to life assurance activities	10	(9.1)	(13.0)	(25.9)
Profit arising from life assurance activities after taxation		106.5	91.9	190.2
Tax attributable to the profit on life assurance activities	10	7.9	9.6	8.3
Profit arising from life assurance activities before taxation	2	114.4	101.5	198.5
Goodwill charge		(5.8)	(5.9)	(13.8)
Profit arising from operating activities				
Continuing operations		164.0	169.4	312.5
Discontinued operations – USA		-	1.0	1.0
		164.0	170.4	313.5

Group Profit and Loss Account six months ended 30 June 2004

		Unaudited 6 months to 30 June 2004 €m	As restated Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Profit arising from operating activities brought forward		164.0	170.4	313.5
Share of profits of associate company		26.0	17.1	43.2
		190.0	187.5	356.7
Profit on disposal of fixed assets	4	2.0	3.0	3.2
Loss arising on disposal of US business	4	-	(49.6)	(50.3)
Profit on ordinary activities before taxation		192.0	140.9	309.6
Tax on profit on ordinary activities	10	(27.9)	(30.3)	(48.1)
		164.1	110.6	261.5
(Profit)/loss attributable to minority interests		(0.5)	0.6	0.3
Profit for the financial period after taxation		163.6	111.2	261.8
Dividends - interim		(44.5)	(40.4)	(40.6)
Dividends - final		-	-	(97.0)
Profit retained for the period		119.1	70.8	124.2
Earnings per share (cent)	11	62.2	42.3	99.5
Fully diluted earnings per share (cent)	11	61.8	42.2	99.3
Earnings per share including own shares held for the benefit of life assurance policyholders (cent)	11	60.7	41.3	97.2
Earnings per share based on total contribution including own shares held for the benefit of life assurance policyholders (cent)	11	55.8	58.2	111.6

Group Balance Sheet as at 30 June 2004

	Unaudited 30 June 2004 €m	As restated Unaudited 30 June 2003 €m	Audited 31 Dec 2003 €m
ASSETS			
Attributable to banking and other activities			
Cash and balances at central banks	135.5	211.0	187.0
Government bills and other eligible bills	-	114.8	86.8
Loans and advances to credit institutions	3,667.4	1,749.9	2,781.2
Loans and advances to customers	18,078.0	14,274.7	16,027.5
Securitised assets – mortgage assets	1,013.1	1,291.1	1,098.7
Less: non recourse funding	(990.2)	(1,269.2)	(1,076.1)
	22.9	21.9	22.6
Debt securities – listed	2,730.3	3,021.2	2,600.6
Interest in associate company	107.2	69.5	90.8
Investment properties	23.6	23.6	23.6
Tangible fixed assets	213.5	222.0	221.3
Other assets/debtors			
- Amounts falling due within one year	31.8	26.9	175.7
- Amounts falling due after one year	17.4	18.2	17.8
Prepayments and accrued income	228.3	256.6	212.5
Total assets attributable to banking and other activities	25,255.9	20,010.3	22,447.4
Attributable to life assurance activities			
<u>Investments:</u>			
Investment properties	97.3	114.6	97.8
Equity shares and units in unit trusts	155.6	182.3	148.4
Debt and other fixed income securities	1,696.7	1,661.9	1,651.0
Loans secured by mortgages and policies	2.7	4.4	3.1
Deposits with credit institutions	546.9	493.2	602.0
	2,499.2	2,456.4	2,502.3
Assets held to cover linked liabilities	14,158.9	11,410.0	12,847.4
Shareholders' value of in-force business	947.3	858.7	878.3
Reinsurer's share of technical provisions	1,241.3	1,255.7	1,298.3
Other assets/debtors			
- Amounts due within one year	183.2	162.7	127.0
- Amounts falling due after one year	66.1	63.5	64.9
	249.3	226.2	191.9
Tangible fixed assets	45.6	43.3	45.3
Cash at bank	55.7	59.4	49.9
Prepayments and accrued income	66.6	79.2	51.8
Total assets attributable to life assurance activities	19,263.9	16,388.9	17,865.2
Intangible assets			
Goodwill on acquisition	191.8	205.5	197.6
Total assets	44,711.6	36,604.7	40,510.2

Group Balance Sheet as at 30 June 2004

	Unaudited 30 June 2004 €m	As restated Unaudited 30 June 2003 €m	Audited 31 Dec 2003 €m
Notes			
LIABILITIES			
Attributable to banking and other activities			
Deposits by credit institutions	1,894.5	2,561.7	2,759.0
Customer accounts	11,518.4	10,102.2	10,060.4
Debt securities in issue	10,440.9	6,251.6	8,081.4
Other liabilities/creditors			
- Amounts falling due within one year	59.7	59.1	43.5
Accruals	88.5	63.9	198.5
Dividends	44.5	40.4	97.0
Provision for liabilities and charges	20.3	15.9	20.8
Subordinated liabilities	781.8	636.2	793.9
Total liabilities attributable to banking and other activities	24,848.6	19,731.0	22,054.5
Attributable to life assurance activities			
Life assurance technical provisions	3,259.5	3,144.6	3,176.8
Technical provision for linked liabilities	14,213.4	11,464.5	12,902.0
Other liabilities/creditors			
- Amounts falling due within one year	181.3	221.4	274.7
Accruals	31.0	30.8	43.8
Provision for deferred taxation	-	8.8	1.3
Total liabilities attributable to life assurance activities	17,685.2	14,870.1	16,398.6
Capital and reserves			
Share capital	86.3	86.2	86.2
Share premium	51.8	51.2	51.2
Other capital reserves	6.9	6.9	6.9
Revaluation reserve	79.5	80.4	80.6
Retained profits	1,999.5	1,825.9	1,879.0
	2,224.0	2,050.6	2,103.9
Own shares held for the benefit of life assurance policyholders	1 (54.5)	(54.5)	(54.6)
Shareholders' funds attributable to equity interests	2,169.5	1,996.1	2,049.3
Equity minority interests – life assurance activities	8.3	7.5	7.8
Total liabilities	44,711.6	36,604.7	40,510.2

Statement of Total Recognised Gains & Losses six months ended 30 June 2004

	Unaudited 6 months to 30 June 2004 €m	Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Profit for the financial period	163.6	111.2	261.8
Gains on revaluation of tangible fixed assets	-	80.4	80.6
Exchange adjustments on investment in overseas subsidiaries net of exchange adjustments on related foreign currency borrowings	0.3	(2.7)	(3.0)
Total recognised gains and losses relating to the period	163.9	188.9	339.4

Reconciliation of Movement in Shareholders' Funds six months ended 30 June 2004

	Unaudited 6 months to 30 June 2004 €m	As restated Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
At 1 January	2,049.3	1,844.4	1,844.4
Total recognised gains and losses	163.9	188.9	339.4
Dividends paid and proposed	(44.5)	(40.4)	(137.6)
Issue of share capital	0.7	1.9	1.9
Change in cost of own shares held for the benefit of life assurance policyholders	0.1	1.3	1.2
At period end	2,169.5	1,996.1	2,049.3

Group Cash Flow Statement six months ended 30 June 2004

	Unaudited 6 months to 30 June 2004 €m	Unaudited 6 months to 30 June 2003 €m	Audited 12 months to 31 Dec 2003 €m
Net cash (outflow) / inflow from banking and other activities	(32.0)	226.4	(989.6)
Net cash inflow from life assurance activities	138.0	33.1	43.3
Net cash inflow / (outflow) from operating activities	106.0	259.5	(946.3)
Dividends received from associate company	5.1	-	-
Returns on investment and servicing of finance			
Interest paid on subordinated loan	(35.9)	(33.9)	(38.4)
Taxation			
Tax paid	(7.1)	(15.8)	(44.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(7.2)	(8.1)	(19.9)
Sale of tangible fixed assets	4.5	6.5	12.2
Equity dividends paid	(97.0)	(89.3)	(129.7)
Financing			
Shares issued	0.7	1.9	1.9
Issue of subordinated liabilities	-	10.1	159.7
(Decrease) / increase in cash	(30.9)	130.9	(1,004.9)

Notes to the Group Interim Financial Statements six months ended 30 June 2004

1. Changes in Accounting Policies & Presentation of Information

The accounting policies are unchanged from those outlined on pages 34 to 37 of the 2003 annual report.

The June 2003 comparative figures have been restated following the implementation in December 2003 of UITF Abstract 37, "Purchases and sales of own shares". As required by the UITF Abstract, the cost of shares held by Irish Life Assurance plc, the principal life assurance subsidiary of the group, for the benefit of its policyholders at 30 June 2003 (€54.5m) has been deducted from shareholders funds. This deduction is presented as a separate line on the balance sheet. As a consequence, the related liabilities have been restated and no net profit or loss impact arises.

The impact of the restatement on the profit and loss account and balance sheet of the group for June 2003 was as follows:

	June 2003 as reported €m	Restatement €m	June 2003 as restated €m
Profit and Loss account			
<i>Life assurance activities</i>			
Investment return	593.3	5.7	599.0
Change in other technical provisions unit linked business	(823.8)	(5.7)	(829.5)
Balance Sheet			
<i>Assets attributable to life assurance activities</i>			
Assets held to cover linked liabilities	11,471.3	(61.3)	11,410.0
<i>Liabilities attributable to life assurance activities</i>			
Technical provision for linked liabilities	11,471.3	(6.8)	11,464.5
<i>Capital and reserves</i>			
Own shares held for the benefit of life assurance policyholders	-	(54.5)	(54.5)

Notes to the Group Interim Financial Statements six months ended 30 June 2004

2. Analysis of the profit and loss account : supplementary information

The profit before tax includes the results of the life business on an embedded value basis and reflects the impact of investment market fluctuations on the group's results. The following analyses show:

(a) The contribution from the group and associate company on the basis of an assumed longer term level of investment return on the assets of the group's life and the associate company's general insurance business and before goodwill and other charges/credits.

(b) An analysis of the components of the embedded value earnings of the life business.

(a) Contribution before short term investment fluctuations, goodwill and other credits/(charges)

	6 months to 30 June 2004		
	Ireland €m	UK €m	Total €m
Life assurance activities (b)	101.1	3.9	105.0
Banking and other activities	40.7	14.7	55.4
Group Contribution	141.8	18.6	160.4
Share of associate's contribution	25.4	-	25.4
Total Contribution	167.2	18.6	185.8

	6 months to 30 June 2003		
	Ireland €m	UK €m	Total €m
<u>Continuing Operations</u>			
Life assurance activities (b)	93.3	3.6	96.9
Banking and other activities	63.4	11.4	74.8
Group Contribution	156.7	15.0	171.7
Share of associate's contribution	16.3	-	16.3
Total Contribution - Continuing Operations	173.0	15.0	188.0
Discontinued US life operations			1.5
Total Contribution			189.5

	12 months to 31 December 2003		
	Ireland €m	UK €m	Total €m
<u>Continuing Operations</u>			
Life assurance activities (b)	183.7	6.0	189.7
Banking and other activities	103.2	25.6	128.8
Group Contribution	286.9	31.6	318.5
Share of associate's contribution	45.2	-	45.2
Total Contribution - Continuing Operations	332.1	31.6	363.7
Discontinued US life operations			1.5
Total Contribution			365.2

Notes to the Group Interim Financial Statements six months ended 30 June 2004**2. Analysis of the profit and loss account : supplementary information (continued)**

The total contribution is reconciled to the profit and loss account as follows:

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
Total Contribution	185.8	189.5	365.2
Short term investment fluctuations			
Life assurance	9.4	5.9	27.5
Share of associate company	0.6	0.8	(2.0)
Goodwill charge	(5.8)	(5.9)	(13.8)
Effect of economic assumption changes on life assurance profits	-	(2.8)	(20.2)
Other credits/(charges)	2.0	(46.6)	(47.1)
Profit before tax	192.0	140.9	309.6

Notes to the Group Interim Financial Statements six months ended 30 June 2004

2. Analysis of the profit and loss account : supplementary information (continued)

(b) Analysis of contribution from life assurance activities

	6 months to 30 June 2004		
	Ireland €m	UK €m	Total €m
New business contribution	23.6	0.9	24.5
Contribution from existing business			
Unwind of discount rate	46.9	4.3	51.2
Experience variances	9.2	(5.2)	4.0
Operating assumption changes (i)	16.4	3.4	19.8
Expected investment returns	1.6	0.5	2.1
Other income	3.4	-	3.4
Contribution from life assurance activities	101.1	3.9	105.0
Short term fluctuations in investment returns			9.4
Life assurance achieved profits			114.4

	6 months to 30 June 2003		
	Ireland €m	UK €m	Total €m
<u>Continuing Operations</u>			
New business contribution	18.2	1.3	19.5
Contribution from existing business			
Unwind of discount rate	41.2	4.1	45.3
Experience variances	10.4	(1.9)	8.5
Operating assumption changes (i)	19.9	(0.7)	19.2
Expected investment returns	1.0	0.8	1.8
Other income	2.6	-	2.6
Contribution from life assurance activities	93.3	3.6	96.9
Contribution from discontinued US life assurance activities			1.5
Short term fluctuations in investment returns			5.9
Effect of economic assumption changes			(2.8)
Life assurance achieved profits			101.5

	12 months to 31 December 2003		
	Ireland €m	UK €m	Total €m
<u>Continuing Operations</u>			
New business contribution	42.0	3.7	45.7
Contribution from existing business			
Unwind of discount rate	80.2	8.9	89.1
Experience variances	23.6	(6.1)	17.5
Development expenditure	(11.3)	-	(11.3)
Operating assumption changes (i)	39.0	(1.5)	37.5
Expected investment returns	3.9	1.0	4.9
Other income	6.3	-	6.3
Contribution from life assurance activities	183.7	6.0	189.7
Contribution from discontinued US life assurance activities			1.5
Short term fluctuations in investment returns			27.5
Effect of economic assumption changes			(20.2)
Life assurance achieved profits			198.5

(i) Operating assumption changes are outlined on page 9 of the Operating and Financial Review.

Notes to the Group Interim Financial Statements six months ended 30 June 2004

3. Analysis of shareholder net assets

	30 June 2004 €m	30 June 2003 €m	31 Dec 2003 €m
Life assurance activities			
Ireland	1,545.3	1,484.3	1,439.5
UK	87.9	89.0	81.7
	1,633.2	1,573.3	1,521.2
Banking and other activities			
Ireland	249.8	154.0	262.7
UK	50.3	55.8	39.4
	300.1	209.8	302.1
Associate company	107.2	69.5	90.8
Attributable to goodwill	191.8	205.5	197.6
Minority Interest - life assurance activities	(8.3)	(7.5)	(7.8)
Shareholders' funds	2,224.0	2,050.6	2,103.9
Deduction in respect of own shares held for the benefit of life assurance policyholders	(54.5)	(54.5)	(54.6)
	2,169.5	1,996.1	2,049.3

Life assurance assets are analysed as follows:

	30 June 2004 €m	30 June 2003 €m	31 Dec 2003 €m
Shareholders' net assets (life assurance activities)			
Property	92.1	101.7	89.8
Equities	15.1	20.7	27.0
Fixed interest	19.0	18.9	18.4
Deposits	448.3	420.0	417.5
Other assets	111.4	153.3	90.2
	685.9	714.6	642.9
Shareholders' value of in-force business	947.3	858.7	878.3
	1,633.2	1,573.3	1,521.2

The shareholders' value of in-force business excludes the solvency capital attributable to shareholders of €296.1m (31 December 2003: €276.1m).

Shareholders' value of in-force business is net of a deduction of €51.3m (31 December 2003: €47.0m) in respect of the cost of maintaining the solvency margin.

Notes to the Group Interim Financial Statements six months ended 30 June 2004**4. Other credits/(charges)****(a) Disposal of fixed assets**

During the six months to 30 June 2004 the group disposed of a number of branch properties, the profit realised on these sales was €2.0m (30 June 2003: €3.0m). Profits realised for the 12 months to 31 December 2003 were €3.2m.

(b) Disposal of US business

On 30 June 2003 the group disposed of its remaining US subsidiary Guarantee Reserve Life Insurance Company. The financial statements at 30 June 2003 included a loss on disposal of €49.6m (31 December 2003: €50.3m)

5. New life assurance business

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
Full value premiums			
Ireland			
Recurring	111.0	89.7	167.7
Single	751.8	631.2	1,482.5
United Kingdom			
Recurring	0.9	0.9	1.9
Single	4.3	4.9	18.0
USA (Discontinued)			
Recurring	-	17.9	17.5
	868.0	744.6	1,687.6
Annual premium equivalent			
Ireland			
Ireland	186.2	152.8	316.0
UK	1.3	1.4	3.7
USA (Discontinued)	-	17.9	17.5
	187.5	172.1	337.2

Annual premium equivalent is calculated by weighting single premium business written at 10% of premium and annual premium business at 100% of premium.

Notes to the Group Interim Financial Statements six months ended 30 June 2004

6. Interest receivable and similar income

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
Loans and advances to customers	317.4	288.7	510.4
Loans and advances to credit institutions	49.8	48.6	49.2
Debt securities and other fixed income securities	36.2	19.4	88.4
Lease and instalment finance	30.9	32.7	64.0
	434.3	389.4	712.0

7. Other banking income

Other banking income in 2003 included €26.0m realised profits on the disposal of debt securities as part of a strategy to reposition the portfolio in response to the reduction in market interest rates.

8. Operating and administrative expenses

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
(a) Attributable to banking and other activities			
Banking operating expenses	112.9	114.9	227.1
Corporate costs	3.9	7.2	9.1
Other activities	2.2	2.1	4.3
	119.0	124.2	240.5
(b) Attributable to life assurance activities			
Life assurance operating expenses	97.2	113.8	214.8
Acquisition expenses	37.6	52.0	86.7
Corporate costs	2.6	3.1	4.4
Development expenditure	-	-	11.3
	137.4	168.9	317.2

Notes to the Group Interim Financial Statements six months ended 30 June 2004

9. Provision for bad and doubtful debts

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
Opening balance	91.7	85.6	85.6
Charged to the profit and loss account	4.1	6.3	13.4
Amounts written off	(2.9)	(3.5)	(7.3)
Closing balance	92.9	88.4	91.7
The closing balance is made up as follows:			
Specific	38.0	37.0	37.3
General	54.9	51.4	54.4
Closing balance	92.9	88.4	91.7

Notes to the Group Interim Financial Statements six months ended 30 June 2004**10. Taxation****(a) Tax attributable to life assurance activities**

Tax attributable to life assurance is analysed below and includes amounts in respect of policyholders and the tax on the change in shareholders' value of in-force business which is calculated with reference to the effective corporation tax rate applicable in each of the relevant territories.

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
Corporation taxation	10.3	11.7	27.0
Overseas tax	-	(0.6)	(0.8)
Deferred taxation	(1.2)	3.5	(3.5)
Duties and levies	-	1.3	1.3
Tax on change in shareholders' value of in-force business	-	(2.9)	1.9
	9.1	13.0	25.9

(b) Tax attributable to profit on ordinary activities is analysed as follows:

	6 months to 30 June 2004 €m	6 months to 30 June 2003 €m	12 months to 31 Dec 2003 €m
Tax attributable to profit on life assurance activities			
Corporation tax	7.9	12.5	6.4
Tax on change in shareholders' value of in-force business	-	(2.9)	1.9
	7.9	9.6	8.3
Corporation tax on banking and other activities	9.5	11.8	15.5
Deferred tax (credit) / charge on banking and other activities	(0.5)	(1.2)	3.7
Tax attributable to group's share of profits of associate company	4.5	2.6	7.4
Tax on disposal of properties	0.4	1.4	1.0
	21.8	24.2	35.9
Government levy on financial institutions	6.1	6.1	12.2
	27.9	30.3	48.1

Notes to the Group Interim Financial Statements six months ended 30 June 2004**11. Earnings per share**

	6 months to 30 June 2004	6 months to 30 June 2003	12 months to 31 Dec 2003
(a) Basic EPS			
Profit for the financial period after taxation	€163.6m	€111.2m	€261.8m
Weighted average ordinary shares in issue and ranking for dividend excluding own shares held for the benefit of life assurance policyholders	263,146,299	262,881,132	262,989,230
EPS	62.2 cent	42.3 cent	99.5 cent
(b) Fully diluted EPS			
Weighted average of potential dilutive ordinary shares arising from the group's share option schemes	1,778,982	373,727	615,402
Weighted average number of ordinary shares used in the calculation of fully diluted EPS	264,925,281	263,254,859	263,604,632
Fully diluted EPS	61.8 cent	42.2 cent	99.3 cent
(c) Basic EPS including own shares held for the benefit of life assurance policyholders			
As permitted under Irish Legislation the group's life assurance subsidiary holds shares in Irish Life & Permanent plc for the benefit of policyholders. Under accounting standards these are now required to be deducted from the total number of shares in issue when calculating EPS. In view of the fact that Irish Life & Permanent plc does not hold the shares for its own benefit, EPS based on a weighted average number of shares in issue is also disclosed. The calculation is set out below:			
Weighted average ordinary shares in issue and ranking for dividend excluding own shares held for the benefit of life assurance policyholders	263,146,299	262,881,132	262,989,230
Weighted average ordinary shares held for the benefit of life assurance policyholders	6,408,176	6,435,331	6,414,328
Weighted average ordinary shares in issue and ranking for dividend including own shares held for the benefit of life assurance policyholders	269,554,475	269,316,463	269,403,558
Basic EPS including own shares held for the benefit of life assurance policyholders	60.7 cent	41.3 cent	97.2 cent

Notes to the Group Interim Financial Statements six months ended 30 June 2004

11. Earnings per share (continued)

(d) EPS based on total contribution including own shares held for the benefit of life assurance policyholders

	6 months to 30 June 2004	6 months to 30 June 2003	12 months to 31 Dec 2003
	Per Share Cent	Per Share Cent	Per Share Cent
Earnings as reported above	60.7	41.3	97.2
<u>Adjustments</u>			
Short term investment fluctuations	(3.7)	(2.5)	(9.5)
Goodwill	2.1	2.2	5.1
Profit on the disposal of property	(0.7)	(1.1)	(1.2)
Loss on disposal of US business	-	18.4	18.7
Effect of economic assumption changes on life assurance profit	-	1.0	7.5
Taxation relating to the adjustments	(2.8)	(0.9)	(6.1)
Minority interest	0.2	(0.2)	(0.1)
Total contribution after taxation	55.8	58.2	111.6

Weighted average ordinary shares in issue and ranking for dividend including own shares held for the benefit of life assurance policyholders

269,554,475 269,316,463 269,403,558

EPS based on total contribution including own shares held for the benefit of life assurance policyholders

55.8 cent 58.2 cent 111.6 cent

The EPS based on total contribution is presented to illustrate the underlying movement in earnings of the group and as such excludes short term investment fluctuations, items of an exceptional nature, goodwill and minority interests.

Notes to the Group Interim Financial Statements six months ended 30 June 2004**12. Embedded Value Profits**

The principal economic assumptions used in the calculation of shareholders' value of in-force are as follows

	Ireland		UK	
	30 June 2004 %	31 Dec 2003 %	30 June 2004 %	31 Dec 2003 %
Risk discount rate	8.00	8.00	8.40	8.00
Investment returns				
Fixed Interest	2.9 to 4.9	3.0 to 4.9	5.00	4.75
Equities & Property	6.25	6.25	7.15	6.75
Expense inflation	4.00	4.00	2.90	2.75

Assumptions made for demographic factors such as mortality and morbidity are based on published tables of rates adjusted in line with the experience of the companies concerned. Assumptions in respect of withdrawals and expense levels are based on the experience of the companies concerned. Economic assumptions are based on a long term view of economic activity using external economic conditions at the balance sheet date as a starting point.

The shareholders' value of in-force and the new business contribution allows for the cost of maintaining the statutory minimum solvency margin. Recurring single premiums are not assumed to recur in the calculation of the shareholders' value of in-force.

Allowance is made for taxation by using models which reflect the relevant taxation regimes affecting different classes of products; no credit is taken in respect of any reductions of taxes which may derive from expenses attributable to future business.

13. Approval of Group interim financial statements

The Group interim financial statements were approved by the board on 31 August 2004.

Independent review report to Irish Life & Permanent plc for the six months ended 30 June 2004**Introduction**

We have been instructed by the company to review the financial information set out on pages 12 to 29 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Irish Stock Exchange. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Irish Stock Exchange which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in Ireland and the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed.

A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.



Chartered Accountants
Registered Auditors
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Dublin 1

31 August 2004