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Financial Statements

**Irish League of Credit Unions
Financial Statements
Year ended 31 December 2006**



Directors and other information

Board of Directors at 31 December 2006

Anne O'Byrne	(President)
Samuel Adair	(Vice President)
Con O'Brien	(Treasurer)
Mark Bailey	
Carmel Dowling	
Arthur Finlay	
Kevin Helferty	
Jimmy Johnstone	
John Long	
Noel Madden	
Gerry McGee	
Rosemary O'Doherty	
Jim O'Dwyer	

Address

33-41 Lower Mount Street
Dublin 2

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place
Dublin 2

Solicitors

McCann Fitzgerald
2 Harbourmaster Place
International Financial Services Centre
Dublin 1

Bankers

Bank of Ireland
Rathfarnham Shopping Centre
Dublin 14

Allied Irish Bank plc
6/7 Main Street
Rathfarnham
Dublin 14

Bank of Ireland
Treasury & International Banking
Colvill House
Talbot Street
Dublin 1

Bank of Ireland
7 Donegall Square North
Belfast BT1 5LO

Bank of Ireland
4/6 High Street
Belfast BT1 2BA

Directors' Report

The directors present herewith their report and the audited financial statements of the Irish League of Credit Unions ("The ILCU") for the year ended 31 December 2006.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Rules of the ILCU and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland.

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the ILCU and the Group of the surplus as deficit of the group for that year. In preparing these financial statements, 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 financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the ILCU and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the ILCU website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Books of account

The measures taken by the directors to secure compliance with the ILCU's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at 33-41 Lower Mount Street, Dublin 2.

Principal activities and business review

The ILCU is a trade and representative association for affiliated Credit Unions in Ireland, both North and South. The ILCU also provides support services in insurance, financial, human resources, marketing and legal matters to member credit unions.

Directors' Report - continued

Financial Risk management

The Group is exposed to a range of financial risks. In particular, the key financial risk facing the Group is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies. The risks that the Group primarily faces due to the nature of its liabilities and investment activities are market risk (interest rate risk, currency risk, equity price risk), credit risk and liquidity risk. While the Group prohibits the use of derivatives it manages financial risk in its subsidiary ECCU Assurance Company Limited ("ECCU") through its asset and liability management framework which includes a detailed investment policy.

(a) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. While, the Group's assets are managed by a third party, interest rate risk is monitored through a comprehensive investment policy.

(b) Currency risk

The Group is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in Sterling. The Group seeks to mitigate the risk by matching the estimated Sterling liabilities with assets in the same currency.

(c) Equity price risk

The Group is exposed to equity price risk as a result of holdings in equity investments. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency requirements in ECCU, the Group's insurance subsidiary. Investments held are listed and traded on recognised stock exchanges. The Group has a defined investment policy which sets limits on the exposure to equities. Investment management meetings are held regularly within the Group to ensure compliance with the investment policy in place.

(d) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- ▶ exposure to corporate bonds;
- ▶ reinsurer's share of insurance liabilities

Credit risk in relation to exposure to corporate bonds is managed through the Group's investment policy.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's primary liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

(e) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. Limits are set on the minimum proportion of maturing funds available to meet such calls. This is managed via the investment policy in ECCU and solvency capital requirements.

Directors' Report - continued

Results and reserves

The results for the year are set out on page 98. The surplus for the year was €7.574m compared to €11.867m in 2005. The increase in income from insurance operations for the year ended 31 December 2006 reflects the impact of an decrease in the claims experience refunds to Credit Unions of €8.5m, partially offset by a more competitive and reduced premium rate structure from 1st January 2006 as recommended by the actuaries. Claims ratios have improved in the current year. Movements in reserves are shown in note 14 to the financial statements.

Directors

The names of the persons who were directors at any time during the year ended 31 December 2006 are set out below. Unless indicated otherwise they served as directors for the entire year.

Anne O'Byrne	<i>(President)</i>
Samuel Adair	<i>(Vice President)</i>
Con O'Brien	<i>(Treasurer)</i>
Mark Bailey	
Carmel Dowling	
Arthur Finlay	
Kevin Helferty	
Jimmy Johnstone	
John Long	
Noel Madden	
Gerry McGee	
Rosemary O'Doherty	
Jim O'Dwyer	

Directors' interests

The directors and their families had no interests in the ILCU or any other group company at 31 December 2006 or at 31 December 2005.

Transactions involving directors

There were no contracts of any significance in relation to the business of the ILCU in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2006.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

On behalf of the board

Anne O'Byrne	<i>President</i>
Con O'Brien	<i>Hon. Treasurer</i>

10 February 2007

Independent Auditors' Report

Independent auditors' report to the members of Irish League of Credit Unions

We have audited the financial statements on pages 98 to 118 and Schedule A on page 121. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the annual report and financial statements, in accordance with accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) and the Rules of the ILCU as set out on page 93 in the Statement of Directors' Responsibilities for the financial statements.

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the ILCU's members and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the ILCU balance sheet is in agreement with the books of account. We also report to you our opinion as to whether proper books of account have been kept by the ILCU.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only, of the President and CEO Forward, Supervisory Committees Report, Membership and Growth Report, Operational and Performance Review, Companies and Committees Report and Movement in Statistics. 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 Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 ILCU'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.

Independent Auditors' Report - continued

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice Ireland, of the state of the ILCU's and the Group's affairs as at 31 December 2006 and of the results and cash flows of the Group for the year then ended and comply with the Rules of the ILCU.

We have obtained all the information and explanations that we consider necessary for the purpose of our audit. In our opinion, proper books of account have been kept by the ILCU. The ILCU balance sheet is in agreement with the books of account.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place, Dublin 2.
10 February 2007

Consolidated Income and Expenditure Account	Notes	2006	2005
Year ended 31 December 2006		€'000	€'000
Income from all insurance operations		55,198	48,481
Affiliation fees and similar income		10,199	7,744
Other income		2,440	2,962
Income	2	67,837	59,187
Claims incurred		(49,615)	(42,490)
Administrative expenses		(15,864)	(9,790)
Operating surplus	3	2,358	6,907
Interest receivable and similar income	4	5,272	5,112
Surplus on ordinary activities before taxation		7,630	12,019
Taxation on surplus on ordinary activities	6	(56)	(152)
Surplus for the year		7,574	11,867
Surplus at beginning of year		130,863	118,996
Surplus at end of year	14	138,437	130,863

All amounts stated above relate to continuing operations. There were no recognised gains and losses other than those included in the consolidated income and expenditure account and, therefore, no separate statement of total recognised gains and losses has been presented.

There is no difference between the surplus on ordinary activities before taxation and the surplus for the financial year stated above and their historic cost equivalents.

On behalf of the board

Anne O'Byrne *President*
 Con O'Brien *Hon. Treasurer*

General Fund Balance Sheet	Notes	2006	2005
31 December 2006		€'000	€'000
Non Current Assets			
Tangible fixed assets	7	6,447	6,597
Financial fixed assets	8	<u>28,043</u>	<u>25,793</u>
		<u>34,490</u>	<u>32,390</u>
Current assets			
Investment financial assets	9	9,987	12,800
Debtors	10	6,992	7,779
Cash at bank and in hand		<u>23,974</u>	<u>25,103</u>
		40,953	45,682
Creditors - amounts falling due within one year	11	<u>(37,461)</u>	<u>(40,649)</u>
Net current assets		<u>3,492</u>	<u>5,033</u>
Total assets less current liabilities		<u>37,982</u>	<u>37,423</u>
Creditors - amounts falling due after more than one year	11	<u>(1,656)</u>	<u>(4,546)</u>
Total net assets		<u>36,326</u>	<u>32,877</u>
Represented by			
General Fund		<u>36,326</u>	<u>32,877</u>

On behalf of the board

Anne O'Byrne President
 Con O'Brien Hon. Treasurer

Savings Protection Scheme Fund	Notes	2006	2005
Balance Sheet		€'000	€'000
31 December 2006			
Non Current Assets			
Investment financial assets	9	30,273	15,790
Current Assets			
Investment financial assets	9	57,427	67,089
Debtors	10	7,818	5,681
Cash at bank and on hand		<u>3,672</u>	<u>3,444</u>
		68,917	76,214
Creditors - amounts falling due within one year	11	<u>(30)</u>	<u>—</u>
Net current assets		68,887	92,004
Total assets less current liabilities		99,160	92,004
Provisions for liabilities and charges	12	(3,567)	—
Total net assets		<u>95,593</u>	<u>92,004</u>
Represented by			
Savings Protection Scheme Fund		<u>95,593</u>	<u>92,004</u>

On behalf of the board

Anne O'Byrne President
 Con O'Brien Hon. Treasurer

Consolidated Balance Sheet	Notes	2006	2005
31 December 2006		€'000	€'000
Non Current Assets			
Tangible fixed assets	7	6,447	6,598
Investment financial assets	9	<u>30,273</u>	<u>15,790</u>
		<u>36,720</u>	<u>22,388</u>
Current assets			
Investment financial assets	9	116,537	132,054
Debtors	10	13,840	13,854
Cash at bank and in hand		<u>30,653</u>	<u>31,631</u>
		161,030	177,539
Creditors - amounts falling due within one year	11	<u>(34,310)</u>	<u>(49,136)</u>
Net current assets		<u>126,720</u>	<u>128,403</u>
Total assets less current liabilities		163,440	150,791
Creditors - amounts falling due after more than one year	11	–	(951)
Provision for liabilities and charges	12	<u>(25,003)</u>	<u>(18,977)</u>
Total net assets		<u>138,437</u>	<u>130,863</u>
Represented by			
Irish League of Credit Unions		131,919	124,881
Subsidiary undertakings		<u>6,518</u>	<u>5,982</u>
	14	<u>138,437</u>	<u>130,863</u>

On behalf of the board

Anne O'Byrne President
 Con O'Brien Hon. Treasurer

Consolidated Cashflow Statement	Notes	2006	2005
For the year ended 31 December 2006		€'000	€'000
Cash (outflow)/inflow from operating activities	13 (a)	(7,707)	10,938
Return on investments and servicing of finance	13 (b)	3,995	3,412
Taxation paid	13 (c)	(107)	(103)
Capital expenditure	13 (d)	<u>(144)</u>	<u>(96)</u>
Cash inflow before management of liquid resources		(3,963)	14,151
Management of liquid resources	13 (e)	<u>3,987</u>	<u>(14,541)</u>
Increase /(Decrease) in cash for the year		<u>24</u>	<u>(390)</u>

Reconciliation of Net Cash Flow to Increase In Net Funds	Notes	2006	2005
		€'000	€'000
Increase/(Decrease) in cash for the year		24	(390)
Net cash (inflow)/outflow from increase in liquid resources	13 (e)	<u>(3,987)</u>	<u>14,541</u>
Changes in net funds resulting from cash flows		(3,963)	14,151
Exchange and other movements	13 (f)	<u>1,902</u>	<u>2,247</u>
Movement in net funds in the year		(2,061)	16,398
Net funds at start of year		<u>179,372</u>	<u>162,974</u>
Net funds at end of year	13 (f)	<u>177,311</u>	<u>179,372</u>

Accounting Policies and Estimation Techniques For the year ended 31 December 2006

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and the ILCU Rules. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board. The currency used in these financial statements is the euro denoted by the symbol €. The significant accounting policies and estimation techniques adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the ILCU and each of its subsidiaries ("the Group"). Intra group transactions are eliminated on consolidation.

Changes in accounting policies

The financial statements have been prepared using the same accounting policies as set out in the financial statements for the year ended 31 December 2005 with the exception of the accounting policy on recognition and measurement of financial instruments following the adoption of FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments – Recognition and measurement". The group is applying these Standards as and from 1 January 2006 and hence the impact of adopting FRS 25 and FRS 26, are not reflected in the 31 December comparatives.

Income

All income is accounted for on an accruals basis. Written premiums in respect of monthly renewable term assurance cover are accounted for on an accruals basis, and are recognised as earned by reference to exposure during the related calendar month.

Expenditure

All expenses and commissions are written off in the year in which incurred. Outwards reinsurance premiums are accounted for in accordance with the contract terms when due, reflecting the period in which risk is transferred.

Outstanding claims

Claims payable on death and claims payable on disability are accounted for on notification. Full provision is made for insurance claims notified but not settled at the date of the balance sheet, using the best information available at that time. Provision is also made for the estimated cost of claims incurred but not reported until after the balance sheet date.

Claims payable include all related internal and external claims handling costs.

Reinsurance recoveries are accounted for in the same period as the related claim.

Investments

This classification includes two sub-classifications, namely, financial assets held for trading and those designated at fair value through the Income and Expenditure account at inception.

Accounting Policies and Estimation Techniques For the year ended 31 December 2006 – continued

Investments - continued

A financial asset is classified in this way if acquired principally for the purpose of selling in the short term or if so designated by management.

Gains or losses arising from changes in the fair value of the financial assets at fair value through income are presented in the Income and Expenditure account within Interest receivable and similar income' in the period in which they arise. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date.

Dividend income from financial assets at fair value through profit or loss is recognised in the Income and Expenditure account as part of Other income when the Group's right to receive payment is established.

Listed securities held by the Group's insurance operation and investments in certain funds are stated at market value with any realised or unrealised appreciation or diminution in value during the year being included in investment income.

Held to Maturity Financial Assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Other listed securities which are held to maturity and where the redemption values are pre-determined are carried at amortised cost plus accrued interest. Amortised cost represents the purchase price of the investments adjusted to recognise, on a time apportionment basis, the difference between cost and redemption value of the holdings.

Pensions

The group and the individual credit unions participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme. The Group is unable to identify its share of the underlying assets and liabilities of this scheme as the directors do not believe it is possible to split the assets and liabilities of the scheme. Accordingly, the directors have availed of the exemption outlined in paragraph 9(b) of FRS 17 in the preparation of the financial statements. The Group's pension charge in the Income and Expenditure account is based on contributions payable.

Fixed assets

Land, buildings and other fixed assets are stated at purchase cost. Depreciation is provided on a straight line basis at the following rates:

- ▶ Buildings 2%
- ▶ Office equipment 20-33%
- ▶ Motor vehicles 20%.

These rates are estimated to reduce the assets to their realisable values by the end of their expected working lives. Land is not depreciated.

Accounting Policies and Estimation Techniques For the year ended 31 December 2006 – continued

Currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at rates of exchange ruling at the balance sheet date. Income, expenditure and non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the date of the transactions.

Profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable are dealt with in the income and expenditure account.

Central Investment Management

Credit union funds invested by the ILCU under agency agreements are excluded from the balance sheet. Summary financial statements are set out in Schedule A on page 121. Amounts payable to the ILCU for administration of these investments are credited to General Fund income. Fixed maturity holdings which are anticipated to be held to maturity are valued at amortised cost plus accrued interest. Other investments, including the ongoing fund, are valued on a market value basis.

Advance payments for computer services

Advance payments for computer services are included in current liabilities in the consolidated financial statements to the extent that an obligation exists to repay monies received.

Liabilities in respect of advance payments received have been reduced to the extent that a liability for payment no longer exists.

Deferred taxation

Deferred tax is provided for on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted. A net deferred tax asset is regarded as recoverable and therefore recognisable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured based on the expenditures expected to be required to settle the obligation.

Notes to the Financial Statements for the year ending 31 December 2006

1 Group structure

The Irish League of Credit Unions (the "ILCU") is the ultimate parent company of the group. Details of subsidiaries are given in note 17. Copies of the Irish League of Credit Unions consolidated financial statements may be obtained from 33-41 Lower Mount Street, Dublin 2.

Transactions with other companies in the group are not disclosed as the ILCU has taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Transactions'.

2 Income

	2006 €'000	2005 €'000
The analysis of income by geographical location is as follows:		
Republic of Ireland	58,476	51,545
Northern Ireland	9,361	7,642
	<u>67,837</u>	<u>59,187</u>

3 Operating surplus

	2006 €'000	2005 €'000
Operating surplus is stated after charging/(crediting):		
Depreciation	268	302
Auditors' remuneration	114	111
Directors' remuneration		
- for services as director	-	-
- for other services	-	-
Foreign exchange (gain)	(180)	(365)
Operating lease charges	-	-
Provisions in respect of guarantees (see notes 12 and 15)	4,720	-

4 Interest receivable and similar income

	2006 €'000	2005 €'000
Group:		
Interest receivable comprises:		
Interest on loans to credit unions	70	40
Investment income & similar income	5,202	5,072
	<u>5,272</u>	<u>5,112</u>

Notes to the Financial Statements for the year ending 31 December 2006 – continued

5 Staff costs and employee information

	2006	2005
	€'000	€'000
Wages and salaries	3,723	3,333
Social welfare costs	368	333
Pension costs	636	474
	<u>4,727</u>	<u>4,140</u>
	2006	2005
	Number	Number
The average number of persons employed during the year was:		
Management	7	7
Administration	<u>69</u>	<u>64</u>
	<u>76</u>	<u>71</u>

Notes to the Financial Statements for the year ending 31 December 2006 – continued

6 Taxation on surplus on ordinary activities

	Group	
	2006 €'000	2005 €'000
Current tax:		
Corporation tax @ 12.5% (2004: 12.5%) on surplus for the year	63	84
Overprovision in respect of prior year	–	–
Current tax charge for year	63	84
Deferred tax @ 12.5% (2004: 12.5%)	(7)	68
	<u>56</u>	<u>152</u>
The current tax charge for the year is lower than the current charge that would result from applying the standard rate of Irish Corporation tax to the surplus on ordinary activities. The differences are explained below:		
	2006 €'000	2005 €'000
Surplus on ordinary activities before taxation	<u>7,630</u>	<u>12,019</u>
Surplus on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2005: 12.5%)	954	1,502
Effects of:		
Disallowable expenses	–	–
Income not subject to tax	(898)	(1,350)
Unrealised gains / (losses) on investments	7	(68)
Over provision in respect of prior year	–	–
Current tax charge for the year	<u>63</u>	<u>84</u>

The Revenue Commissioners have confirmed that the Irish League of Credit Unions is exempt from Income Tax up to and including 1999 and it is anticipated that this exemption will also be forthcoming for the period up to and including 2006.

Notes to the Financial Statements for the year ending 31 December 2006 – continued

7 Tangible Assets

Group	Premises €'000	Office equipment €'000	Motor vehicles €'000	Total €'000
Cost or valuation				
At 1 January 2006	7,702	3,190	341	11,233
Additions	–	28	186	214
Disposals	–	–	(210)	(210)
At 31 December 2006	<u>7,702</u>	<u>3,218</u>	<u>317</u>	<u>11,237</u>
Accumulated depreciation				
At 1 January 2006	1,362	3,141	132	4,635
Charge for the year	154	41	73	268
Disposals	–	–	(113)	(113)
At 31 December 2006	<u>1,516</u>	<u>3,182</u>	<u>92</u>	<u>4,790</u>
Net book amount				
At 31 December 2006	<u>6,186</u>	<u>36</u>	<u>225</u>	<u>6,447</u>
At 31 December 2005	<u>6,340</u>	<u>49</u>	<u>209</u>	<u>6,598</u>

ILCU	Premises €'000	Office equipment €'000	Motor vehicles €'000	Total €'000
Cost or valuation				
At 1 January 2006	7,702	3,179	341	11,222
Additions	–	28	186	214
Disposals	–	–	(210)	(210)
At 31 December 2006	<u>7,702</u>	<u>3,207</u>	<u>317</u>	<u>11,226</u>
Accumulated depreciation				
At 1 January 2006	1,362	3,131	132	4,625
Charge for the year	154	40	73	267
Disposals	–	–	(113)	(113)
At 31 December 2006	<u>1,516</u>	<u>3,171</u>	<u>92</u>	<u>4,779</u>
Net book amount				
At 31 December 2006	<u>6,186</u>	<u>36</u>	<u>225</u>	<u>6,447</u>
At 31 December 2005	<u>6,340</u>	<u>48</u>	<u>209</u>	<u>6,597</u>

Notes to the Financial Statements for the year ending 31 December 2006 – continued

8 Financial Assets

	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Investments in subsidiary companies	–	–	28,043	25,793

A list of subsidiaries is given in note 17.

During the year the ILCU subscribed €2.25m in respect of the call on “B” ordinary shares of €1.27 each by ECCU Assurance Company Limited (“ECCU”), made in December 2005. This amount was paid by the General Fund.

ECCU gave notice of an additional call in December 2006 on “B” ordinary shares amounting to €3.067m. No amounts have been included in the financial statements in respect of this call.

9 Investments

(a) Investment financial assets – non current

	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Held to maturity financial assets				
Debt, securities and other fixed income securities	30,273	15,790	30,273	15,790

(b) Investment financial assets - current

	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Available for sale financial assets				
Shares and other variable yield securities and units in unit trusts	32,457	38,558	26,689	32,962
Debt securities and other fixed income securities	37,050	38,355	–	–
Exchequer bills and notes	958	1,079	–	–
	70,465	77,992	26,689	32,962
Unlisted				
Deposits with credit institutions	45,292	54,062	39,945	46,927
Held to maturity financial assets				
Debt, securities and other fixed income securities	780	–	780	–
	116,537	132,054	67,414	79,889

Notes to the Financial Statements for the year ending 31 December 2006 – continued

9 Investments - continued

The movement in investment financial assets may be summarised as follows:

	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Available for sale financial assets				
Beginning of year	77,992	73,017	32,962	32,683
Additions	–	3,000	–	–
Redemptions	(7,477)	(200)	(6,886)	–
Revaluation surplus transfer to equity	<u>(50)</u>	<u>2,175</u>	<u>613</u>	<u>279</u>
End of year	70,465	77,992	26,689	32,962
Less: non current portion	–	–	–	–
Current position	<u>70,465</u>	<u>77,992</u>	<u>26,689</u>	<u>32,962</u>

	Group and ILCU	
	2006 €'000	2005 €'000
Held to maturity financial assets		
Beginning of year	15,790	12,429
Additions	14,214	2,782
Redemptions	–	–
Amortisation	<u>1,049</u>	<u>579</u>
End of year	31,053	15,790
Less: non current portion	<u>(30,273)</u>	<u>(15,790)</u>
Current portion	<u>780</u>	<u>–</u>

There were no gains or losses realised on the disposal of held-to-maturity financial assets in 2006 and 2005, as no financial assets were disposed during the period other than those redeemed of at their redemption date.

The Group has not reclassified any financial asset measured at amortised cost rather than fair value.

Notes to the Financial Statements for the year ending 31 December 2006 – continued

10 Debtors

Amounts falling due within one year	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Premiums due from Credit Unions	4,994	5,021	4,994	5,021
Other debtors and prepayments	4,770	8,354	2,394	3,014
	<u>9,764</u>	<u>13,375</u>	<u>7,388</u>	<u>8,035</u>
Amounts falling due after more than one year				
Loans due from credit unions	4,076	479	4,076	479
	<u>13,840</u>	<u>13,854</u>	<u>11,464</u>	<u>8,514</u>

The SPS Fund entered into a loan facility with ILCUTECH Limited for an amount of €6.98m in respect of the initial funding of a standardised computer system for the credit union movement. The amount due to the SPS Fund in respect of this loan is €1.7m at 31 December 2006 (31 December 2005: €3.3m). The General Fund has guaranteed this loan. Consequently, no provision has been made in respect of this loan in the SPS Fund's financial statements. However, full provision in respect of this guarantee was made in the general fund.

11 Creditors

Creditors - Amounts falling due within one year	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Bank overdraft	152	103	11	–
Amounts due to group undertakings	–	–	4,702	4,606
Trade Creditors	5,416	7,588	4,785	4,213
Accruals	2,507	3,404	2,507	3,404
Amounts payable in respect of standardised computer system	2,644	2,679	2,644	2,679
Amounts due to credit unions (a)	23,372	35,151	21,024	24,299
Corporation tax payable	–	16	–	–
Deferred tax payable	91	98	–	–
VAT	26	10	26	10
PAYE/PRSI	<u>102</u>	<u>87</u>	<u>102</u>	<u>87</u>
	<u>34,310</u>	<u>49,136</u>	<u>35,801</u>	<u>39,298</u>

Notes to the Financial Statements for the year ending 31 December 2006 – continued

11 Creditors - continued

Creditors - Amounts falling due after one year	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Amounts payable in respect of standardised computer system	–	951	–	951

(a) Amounts due to credit unions	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Claims experience refund	2,348	10,852	–	–
LP/LS premiums prepaid	19,033	19,171	16,346	19,171
DBI premiums prepaid	1,991	5,128	4,678	5,128
	<u>23,372</u>	<u>35,151</u>	<u>21,024</u>	<u>24,299</u>

12 Provision for liabilities and charges

Group	2006 €'000	2005 €'000
Insurance claims outstanding (a)	21,436	18,977
Provision in respect of guarantees (b)	<u>3,567</u>	–
	<u>25,003</u>	<u>18,977</u>

Group				
(a) Insurance claims outstanding	2006 Gross	2006 Reassurers' Share	2006 Net	2005 Net
	€'000	€'000	€'000	€'000
At 1 January	18,977	(361)	18,616	17,782
Increase in the year	<u>2,459</u>	<u>(115)</u>	<u>2,344</u>	<u>833</u>
At 31 December	<u>21,436</u>	<u>(476)</u>	<u>20,960</u>	<u>18,615</u>

The claims outstanding have been established based on an actuarial valuation of the insurance subsidiary's liabilities to policyholders at 31 December 2006.

The reinsurers' share of insurance claims outstanding is included in debtors.

Notes to the Financial Statements for the year ending 31 December 2006 – continued

12 Provision for liabilities and charges - continued

(b) Group and SPS Fund	2006	2005
Provision in respect of guarantees	€'000	€'000
At 1 January	–	–
Charge for year	4,720	–
Utilised	<u>(1,153)</u>	–
At 31 December	<u>3,567</u>	–

13(a) Reconciliation of operating profit to net cash inflow from operating activities

	2006	2005
	€'000	€'000
Surplus before taxation	7,630	12,019
Depreciation	268	302
Loss/(Profit) on sale of fixed assets	27	(6)
Return on investments	(5,272)	(5,112)
(Increase) in debtors	(39)	(1,992)
(Decrease)/Increase in creditors	(15,802)	5,690
Increase in underwriting liabilities	2,459	887
Other increases in provisions for liabilities and charges	3,567	–
Exchange movements	<u>(545)</u>	<u>(850)</u>
Net Cash (Outflow)/Inflow from operating Activities	<u>(7,707)</u>	<u>10,938</u>

13(b) Returns on investments and servicing of finance

	2006	2005
	€'000	€'000
Interest received	<u>3,995</u>	<u>3,412</u>

13(c) Taxation paid

	2006	2005
	€'000	€'000
Corporation tax paid	(107)	(103)

Notes to the Financial Statements for the year ending 31 December 2006 – continued

13(d) Capital expenditure

	2006	2005
	€'000	€'000
Disposal of fixed assets	70	70
Payment to acquire tangible fixed assets	<u>(214)</u>	<u>(166)</u>
	<u>(144)</u>	<u>(96)</u>

13(e) Management of liquid resources

	2006	2005
	€'000	€'000
Increase in Short Term Deposits	1,596	(91)
Net increase in marketable securities	<u>2,391</u>	<u>(14,450)</u>
	<u>3,987</u>	<u>(14,541)</u>

13(f) Analysis of changes in net funds

Analysis of changes in net funds	1 January 2006	Cash Flow	Exchange & Other Movements	31 December 2006
	€'000	€'000	€'000	€'000
Net cash:				
Cash at bank and in hand	208	73	–	281
Bank overdrafts	<u>(103)</u>	<u>(49)</u>	<u>–</u>	<u>(152)</u>
	105	24	–	129
Liquid resources:				
Marketable securities	147,844	(2,391)	1,357	146,810
Short Term Deposits	<u>31,423</u>	<u>(1,596)</u>	<u>545</u>	<u>30,372</u>
	<u>179,267</u>	<u>(3,987)</u>	<u>1,902</u>	<u>177,182</u>
Net funds	<u>179,372</u>	<u>(3,963)</u>	<u>1,902</u>	<u>177,311</u>

Notes to the Financial Statements for the year ending 31 December 2006 – continued

14 Statement of movement in total reserves

	Group		ILCU	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Opening reserves at 1 January	130,863	118,996	124,881	114,388
Surplus for the year	7,574	11,867	7,038	10,493
Closing reserves at 31 December	<u>138,437</u>	<u>130,863</u>	<u>131,919</u>	<u>124,881</u>

15 Guarantees, commitments and contingent liabilities

The SPS Fund gave guarantees, amounting to €3.2m to a credit union during the year ended 31 December 2004. The outstanding commitment in respect of this guarantee was €1.66m at 31 December 2006.

The SPS Fund gave further guarantees amounting to €0.27m in the year ended 31 December 2006. The outstanding commitment in respect of this guarantee was €0.22m at 31 December 2006.

The SPS Fund gave a further guarantee amounting to €2.3m to a credit union during the year ending 31 December 2005. This guarantee was increased to €4.7m by the SPS Fund following approval by the ILCU Board on 11 February 2006. Payments of €1.153m were made in respect of this guarantee during the year ending 31 December 2006. The outstanding commitment in respect of this guarantee was €3.567m at 31 December 2006. The Board has approved loans to certain credit unions of €3.35m as at 31 December 2006, which have not yet been drawn down.

Provisions have been included in the financial statements in respect of these guarantees. These have been made based on the estimated cashflow expected to be required to settle the ILCU's obligation under these guarantees. This represents the best estimate of the fair value of guarantees outstanding at 31 December 2006. (See note 12)

At 31 December 2006 the total guarantees outstanding were €5.5m and a provision of €3.567m was recognised.

Notes to the Financial Statements for the year ending 31 December 2006 – continued

16 Pensions

The Group and credit unions participate in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded scheme of the defined benefit type, with assets invested in separate trustee administered funds.

The scheme is a defined benefit scheme. However, the Group is unable to identify its share of the underlying assets and liabilities. Consequently, the Group accounts for its contributions to the scheme as if it were a defined contribution scheme. Contributions payable to the scheme are recognised in the income and expenditure account.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified, actuary. The actuarial review looks at the past and future liabilities of the scheme.

The last such actuarial valuation was carried out with an effective date of 1 March 2005 using the Projected Unit Credit method. The principal actuarial assumption used in the valuation was the investment return would be 1.5% higher than the annual salary increases. The market value of the scheme's assets at 1 March 2005 was €34.077m. The actuarial valuation disclosed a past service deficit of €13.633m at 1 March 2005. The actuarial review recommends an increase in the long term funding rate of 3.6% of the Pensionable Salary to eliminate the above deficiency over the future working lifetime of members. This would bring the long term funding rate to 20.3%. The cost of risk benefits is paid in addition to this rate.

The above rate is based on the long term funding objectives. As a separate requirement under section 56(1) of the Pensions Act 1990, the scheme actuary must carry out a separate valuation every three years and produce a funding certificate for submission to The Pensions Board within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date.

An actuarial funding certificate, certifying the Scheme did not meet the statutory minimum funding standard was submitted to the Pensions Board with an effective date of 1 September 2002. In addition, actuarial statements indicating the Scheme did not satisfy the funding standard have been included in the Trustees Annual Reports for the years ending 28 February 2004 and 28 February 2005.

Consequently, the Employer and Trustees were required to adopt and submit a funding proposal, in accordance with Section 49 of the Pensions Act 1990, to the Pensions Board. The objective of the funding proposals is to ensure the Scheme can satisfy the statutory funding standard by the time the next actuarial funding certificate is due.

The funding proposal is an agreement by the Principal Employer and the Trustees, on advice from the actuary, to take appropriate action, usually in the form of increased contributions. The Trustees applied to the Pensions Board for an extension of the date by which they must satisfy the funding standard to 1 September 2012. The funding proposal recommendation overrides the

Notes to the Financial Statements for the year ending 31 December 2006 – continued

Pensions - continued

long term funding rate produced in actuarial report. The rate recommended in the funding proposal is 23.7% of pensionable salary from 1 March 2006. The cost of risk benefits is paid in addition to this rate. The adequacy of this funding proposal will be monitored on an annual basis through the actuarial statement in the Trustee Annual Report. Depending on Scheme experience in the meantime, the funding proposal and contribution rate may need to be increased following any Trustee Annual Report.

On 23 March 2006, the Pensions Board accepted the funding proposal submitted by the Trustees as outlined above.

The Trustees Annual Report for the year ended 28 February 2006 was submitted to the Pensions Board on 28 November 2006 in accordance with the legislative requirements.

17 Subsidiary companies

Name	% Holding	Business	Registered Office
ECCU Assurance Company Limited	100%	Insurance	33-41 Lower Mount Street Dublin 2
ILCU Holdings Limited	100%	Corporate Trustee	33-41 Lower Mount Street Dublin 2
ILCU International Development Foundation Limited	Note 1	Development of International Credit Union Movement	33-41 Lower Mount Street Dublin 2
The ILCU Savings Protection Company Limited	Note 1	To take and hold security in respect of the Savings Protection Scheme	33-41 Lower Mount Street Dublin 2
ECCU Assurance Company (Services) (UK) Limited*	100%	Dormant	Harman House 1 George Street Uxbridge Middlesex England UB8 3JQ

* This company is a subsidiary of ECCU Assurance Company Limited.

Note 1: ILCU International Development Foundation Limited and the ILCU Savings Protection Scheme Company Limited are both companies limited by guarantee not having a share capital.

18 Approval of financial statements

The directors approved the financial statements on 10 February 2007.

Supplementary Information - General Fund

Income and Expenditure Account Year ended 31 December 2006	2006	2005
	€'000	€'000
Income		
Insurance retentions	5,579	6,306
Other income (Schedule B)	<u>6,437</u>	<u>5,421</u>
	12,016	11,727
Administrative expenses	<u>(9,827)</u>	<u>(8,799)</u>
Operating surplus	2,189	2,928
Interest receivable and similar income	1,445	1,435
Interest payable and similar charges	<u>(185)</u>	<u>(241)</u>
Surplus on ordinary activities before taxation	3,449	4,122
Taxation on surplus on ordinary activities	—	—
Surplus for the year	3,449	4,122
Surplus at beginning of year	<u>32,877</u>	<u>28,755</u>
Surplus at end of year	<u>36,326</u>	<u>32,877</u>

Income and operating surplus arose solely from continuing operations. There were no recognised gains or losses other than those dealt with in the income and expenditure account above and, therefore, no separate statement of total recognised gains and losses has been presented.

There is no difference between the net surplus retained and added to the General Fund for the year stated above and the historical cost equivalent.

Supplementary Information - Savings Protection Scheme Fund

Income and Expenditure Account Year ended 31 December 2006	2006	2005
	€'000	€'000
Contributions from Credit Unions	5,474	3,932
Administrative expenses (net)	(4,737)	31
Operating surplus	737	3,963
Interest receivable and similar income	2,852	2,408
Surplus on ordinary activities before taxation	3,589	6,371
Taxation on surplus on ordinary activities	—	—
Surplus for the year	3,589	6,371
Surplus at beginning of year	92,004	85,633
Surplus at end of year	95,593	92,004

Income and operating surplus arose solely from continuing operations. There were no recognised gains and losses other than those included in the surpluses above and, therefore, no separate statement of total recognised gains and losses has been presented.

There is no difference between the net surplus retained and added to the Fund for the year stated above and the historical cost equivalent.

Schedule A
Year Ended 31 December 2006

CENTRAL INVESTMENT MANAGEMENT

Balance Sheet 31 December 2006	2006 €'000	2005 €'000
Assets		
Marketable securities	2,485,313	2,299,353
Client bank balances:		
Bank deposit account	900	1,060
	<u>2,486,213</u>	<u>2,300,413</u>
Liabilities		
Credit Unions	<u>2,486,213</u>	<u>2,300,413</u>
	<u>2,486,213</u>	<u>2,300,413</u>

MOVEMENT IN BALANCES DUE TO CREDIT UNIONS

Year Ended 31 December 2006	2006 €'000	2005 €'000
Opening balances	2,300,413	1,940,528
Placed for Credit Unions during the year	420,165	494,544
Withdrawals during the year	(301,418)	(196,352)
Income added	67,053	61,693
Closing balances	<u>2,486,213</u>	<u>2,300,413</u>

General Fund

Schedule B Year Ended 31 December 2006

General Fund Other Income	2006	2005
	€'000	€'000
Commission on stores sales (net)	49	13
Recovery of costs on CIM funds	936	817
Rental income and management fee	386	376
Training income	342	398
Affiliation fees	4,724	3,811
Profit on disposal of fixed assets	—	6
Total Income	<u>6,437</u>	<u>5,421</u>

Schedule C Year Ended 31 December 2006

General Fund Expenditure	2006	2005
	€'000	€'000
Meeting costs:		
Annual general meeting costs	229	197
Board costs	147	162
Other committee costs	10	7
Delegation expenses	28	17
Supervisory committee costs	44	26
New legislation	—	6
Insurance forum	19	18
	<u>477</u>	<u>433</u>
Management and field services expenses:		
Salaries, wages and staff costs	4,800	4,237
Travelling and subsistence expenses	323	334
Professional charges	958	780
Audit fees	85	80
Interest and bank charges	185	241
Depreciation on motor vehicles	74	71
	<u>6,425</u>	<u>5,743</u>

General Fund

Schedule C - continued Year Ended 31 December 2006

Accommodation and office expenses:	2006	2005
	€'000	€'000
Rent and rates	135	87
General insurance	114	99
Light and heat	97	88
Telephone	69	77
Postage	93	100
Printing stationary and office supplies	343	366
Cleaning and security	92	111
Repairs, renewals and maintenance	219	214
Depreciation of equipment	41	76
Depreciation of premises	154	154
Software licences and support	29	34
ILCU Law Library	1	3
ATM costs	—	(37)
	<u>1,387</u>	<u>1,372</u>

Other expenses:	2006	2005
	€'000	€'000
Exchange gain	(53)	(209)
Promotion	130	155
Training	398	331
International affairs	204	136
Donations	1	11
“Credit Union Review” – net cost	47	19
SPS review	63	54
Loss on disposal of Fixed Assets	27	—
	<u>817</u>	<u>497</u>
Discount on insurance prepayment scheme	<u>906</u>	<u>995</u>
Total expenditure	<u>10,012</u>	<u>9,040</u>

General Fund

Schedule D **Year Ended 31 December 2006**

ILCU International Development Foundation	2006	2005
Limited costs borne by the General Fund		
	€'000	€'000
Salaries, wages and staff costs	152	146
Board costs	10	7
Accommodation and office expenses	37	40
Phone	8	8
Printing and stationery	12	11
	<u>219</u>	<u>212</u>

INCOME & EXPENDITURE BUDGETS FOR YEAR ENDED 31 DECEMBER 2007

2007 Income Estimates	€'000	€'000
Affiliation fees	4,750	
ECCU commission	4,889	
Star Plan commission	702	
HomeUnion commission	70	
AutoUnion commission	16	
RPI commission	650	
Serious Illness commission	80	
General Insurance commission	12	
Starplan Travel commission	54	
Investment income	1,473	
Commission on supplies sales	90	
Commission on CIM Funds	700	
Rental income & management fee	376	
Training income	286	
TOTAL 2007 Income Estimate		14,148
2007 Expenditure Estimates		
Meeting Costs:		
Annual meetings	282	
Board costs	161	
Other committee costs	13	
Delegation expenses	24	
Supervisory committee costs	40	
New legislation	13	
Taxation / deregulation	10	
Special insurance forum	30	573

INCOME & EXPENDITURE BUDGETS FOR YEAR ENDED 31 DECEMBER 2007

Management and Field Services Expenses	€'000	€'000
Salaries, wages and staff costs	5,213	
Travel and subsistence	387	
Professional charges	817	
Audit fees	90	
Interest and bank charges	151	
Depreciation of motor vehicles	74	6,732
Accommodation and Office Expenses		
Rent and rates	108	
General insurance	129	
Light and heat	98	
Telephone	78	
Postage and courier	77	
Printing	219	
Stationery and office supplies	132	
Cleaning and security	121	
Office maintenance and repairs	134	
Hardware maintenance	80	
Software maintenance	72	
Depreciation of fixtures and fittings	1	
Depreciation of computers	36	
Depreciation of premises	154	
Software licences and support	60	
ILCU Law Library	5	1,504

INCOME & EXPENDITURE BUDGETS FOR YEAR ENDED 31 DECEMBER 2007

Other Expenses	€'000	€'000
Promotion and training	760	
World council dues	60	
International affairs	114	
Donations	1	
SPS review	44	
Workers co-operative grants	15	
'Credit Union review' - net cost	44	
Discount on insurance prepayment scheme	983	
		<u>2,021</u>
TOTAL 2007 Expenditure Estimate		<u>10,830</u>
Projected 2007 Surplus		<u>3,318</u>
Cash Flow Implications		
Projected 2007 surplus		3,318
Add: Depreciation		<u>265</u>
		3,583
Less: Projected capital expenditure 2007		<u>3,575</u>
Projected Cash Flow for Year 2007		<u>8</u>

CAPITAL BUDGET ESTIMATES FOR YEAR ENDED 31 DECEMBER 2007	€'000
Fixed Assets:	
Car purchases and replacement	75
Computer hardware	<u>100</u>
	175
SPS Loan:	
Capital repayment - premises loan and ISIS Loan	300
Insurance Capital	
ECCU Assurance Co. Ltd	
Call on share capital payable December 2007	<u>3,100</u>
TOTAL 2007 Capital Budget Estimates	<u>3,575</u>

