

Financial Statements

Irish League of Credit Unions

Financial Statements

Year ended 31 December 2003

CONTENTS

Page

DIRECTORS AND OTHER INFORMATION	68
DIRECTORS' REPORT	69
INDEPENDENT AUDITORS' REPORT	71
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	72
BALANCE SHEETS	73
CONSOLIDATED BALANCE SHEET	75
CONSOLIDATED CASH FLOW STATEMENT	76
ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES	77
NOTES TO THE FINANCIAL STATEMENTS	79

*Financial
Statement*



Directors and other information

Board of Directors at 31 December 2003

J O'Regan (President)
A O'Byrne (Vice-President)
C Dowling (Treasurer)
S Adair
M Bailey
K Geoghegan
M Griffin
A Lloyd
J McMahan
C O'Brien
J Johnstone
K Helferty
S Kilgannon

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
Custom House Dock
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 League") for the year ended 31 December 2003.

Directors' responsibilities statement for the financial statements

The directors are required to prepare, or cause to be prepared, financial statements for each financial year which give a true and fair view of the state of affairs of the League and the Group and of the surplus or deficit of the Group for that year. In the preparation of 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 League will continue in business.

The directors are responsible for keeping, or causing to be kept, proper accounting records which disclose with reasonable accuracy at any time the financial position of the League and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the League Rules. They are also responsible for safeguarding the assets of the League and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Books of account

The measures taken by the directors to secure compliance with the League'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 League is a trade and representative association for affiliated credit unions in Ireland, both North and South. The League also provides support services in insurance, financial, human resources, marketing and legal matters to member credit unions.

Results and reserves

The results for the year are set out on pages 72.

Movements in reserves are shown in note 16 to the financial statements.

Health and safety

The policy of the League is to ensure the health and safety of its employees by maintaining a safe place and system of work. This policy, which is set out in the safety statement required by the Safety, Health and Welfare at Work Act, 1989, was fulfilled during the year.



Directors' Report - continued

Directors

The names of the persons who were directors at any time during the year ended 31 December 2003 are set out below. Unless indicated otherwise they served as directors for the entire year.

J O'Regan	(President)
A O'Byrne	(Vice-President)
C Dowling	(Treasurer)
S Adair	
M Bailey	
K Geoghegan	
M Griffin	
A Lloyd	
J McMahan	
C O'Brien	
J Johnstone	(appointed 27 April 2003)
K Helferty	(appointed 27 April 2003)
S Kilgannon	(appointed 27 April 2003)
G Foley	(resigned 27 April 2003)
S Gilleece	(resigned 27 April 2003)
J Dawson	(resigned 27 April 2003)
M Gormley	(resigned 27 April 2003)
D Eastment	(resigned 27 April 2003)
T Weir	(resigned 27 April 2003)

Directors' interests

The directors and their families had no interests in the League or any other group company at 31 December 2003 or at 31 December 2002.

Auditors

The auditors, PricewaterhouseCoopers, were appointed in April 2003 for a two year term.

On behalf of the board

John O'Regan	President
Carmel Dowling	Hon. Treasurer

21 February 2004

Independent auditors' report

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

We have audited the financial statements on pages 72 to 93 and Schedule A on page 96.

Respective responsibilities of directors and auditors

The League's directors' responsibilities for the preparation of the annual report and financial statements, in accordance with accounting standards generally accepted in Ireland and the Rules of the League, are set out on page 69 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 auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for, and only for, the League'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 of the state of the League's and the Group's affairs and the results and cashflows of the group. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to whether proper books of account have been kept by the League.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the League'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.

In our opinion, the financial statements give a true and fair view of the state of the League's and the Group's affairs as at 31 December 2003 and of the results and cash flows of the Group for the year then ended and comply with the Rules of the League.

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 League. The financial statements are in agreement with the books of account.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Wilton Place, Dublin 2

21 February 2004

Consolidated Income and Expenditure Account

Year ended 31 December 2003

	Notes	2003 €'000	2002 €'000
Income from all insurance operations		54,931	52,665
Affiliation fee income		2,096	2,122
Other income		2,511	1,555
Income	2	59,538	56,342
Claims incurred		(40,905)	(39,380)
Administrative expenses		(10,152)	(10,362)
Operating surplus	3	8,481	6,600
Interest receivable and similar income	4	4,508	6,132
Interest payable and similar charges	5	—	—
Surplus on ordinary activities before exceptional item		12,989	12,732
Exceptional item	7	1,685	—
Surplus on ordinary activities before taxation		14,674	12,732
Taxation on surplus on ordinary activities	8	(78)	(224)
Surplus for the year		14,596	12,508
Surplus at beginning of year		93,864	81,356
Surplus at end of year	16	108,460	93,864

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

John O'Regan President
Carmel Dowling Hon. Treasurer

General Fund

Balance Sheet 31 December 2003

	Notes	2003 €'000	2002 €'000
Fixed assets			
Tangible assets	9	7,136	7,272
Financial assets	10	19,389	17,889
		<u>26,525</u>	<u>25,161</u>
Current assets			
Investments	11	14,329	10,912
Debtors	12	7,657	6,464
Cash at bank and in hand		24,523	24,541
		<u>46,509</u>	<u>41,917</u>
Creditors - amounts falling due within one year	13	<u>(38,177)</u>	<u>(37,096)</u>
Net current assets		<u>8,332</u>	<u>4,821</u>
Total assets less current liabilities		<u>34,857</u>	<u>29,982</u>
Creditors - amounts falling due after more than one year	13	<u>(9,871)</u>	<u>(11,204)</u>
Total net assets		<u>24,986</u>	<u>18,778</u>
Represented by			
General Fund		<u>24,986</u>	<u>18,778</u>
On behalf of the board			
John O'Regan	President		
Carmel Dowling	Hon. Treasurer		



Savings Protection Scheme Fund

Balance Sheet 31 December 2003

	Notes	2003 €'000	2002 €'000
Current assets			
Investments	11	64,344	58,556
Debtors	12	13,557	13,516
Cash at bank and on hand		1,798	1,489
		<u>79,699</u>	<u>73,561</u>
Creditors - amounts falling due within one year	13	—	—
Total net assets		<u>79,699</u>	<u>73,561</u>
Represented by			
Savings Protection Scheme Fund		<u>79,699</u>	<u>73,561</u>

On behalf of the board

John O'Regan President
Carmel Dowling Hon. Treasurer

Financial

Consolidated Balance Sheet
31 December 2003

	Notes	2003 €'000	2002 €'000
Fixed assets			
Tangible assets	9	7,141	7,276
		<u>7,141</u>	<u>7,276</u>
Current assets			
Investments	11	121,081	107,266
Debtors	12	12,514	11,019
Cash at bank and in hand		28,752	28,615
		<u>162,347</u>	<u>146,900</u>
Creditors - amounts falling due within one year	13	(43,053)	(42,197)
Net current assets		<u>119,294</u>	<u>104,703</u>
Total assets less current liabilities		126,435	111,979
Creditors - amounts falling due after more than one year	13	(2,925)	(4,842)
Provision for liabilities and charges	14	(15,050)	(13,273)
Total net assets		<u>108,460</u>	<u>93,864</u>
Represented by			
Irish League of Credit Unions		104,685	92,339
Subsidiary undertakings		3,775	1,525
		<u>108,460</u>	<u>93,864</u>

On behalf of the board

John O'Regan President
Carmel Dowling Hon. Treasurer

**Consolidated Cashflow Statement
For the year ended 31 December 2003**

	Notes	2003	2002
		€'000	€'000
Cash inflow from operating activities	15 (a)	12,007	9,998
Return on investments and servicing of finance	15 (b)	3,894	5,614
Taxation paid	15 (c)	(57)	(243)
Capital expenditure	15 (d)	(228)	(175)
Acquisitions and Disposals	15 (e)	(159)	—
Cash inflow before management of liquid resources		15,457	15,194
Management of liquid resources	15 (f)	(17,001)	(13,619)
Financing	15 (g)	—	(41)
(Decrease)/Increase in cash for the year		(1,544)	1,534

RECONCILIATION OF NET CASH FLOW TO INCREASE IN NET FUNDS

	Notes	2003	2002
		€'000	€'000
(Decrease)/Increase in cash for the year		(1,544)	1,534
Net cash outflow from increase in liquid resources	15 (f)	17,001	13,619
Finance leases disposed of with Subsidiary Undertakings	15 (h)	420	—
Capital element on finance leases	15 (g)	—	41
Changes in net funds resulting from cash flows		15,877	15,194
Exchange and other movements	15 (h)	(1,259)	(1,505)
Movement in net funds in the year		14,618	13,689
Net funds at start of year		135,169	121,480
Net funds at end of year	15 (h)	149,787	135,169

Accounting Policies and Estimation Techniques For the year ended 31 December 2003

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and the League 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 Irish League of Credit Unions and each of its subsidiaries ("the Group"). Intra group income is eliminated on consolidation.

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.

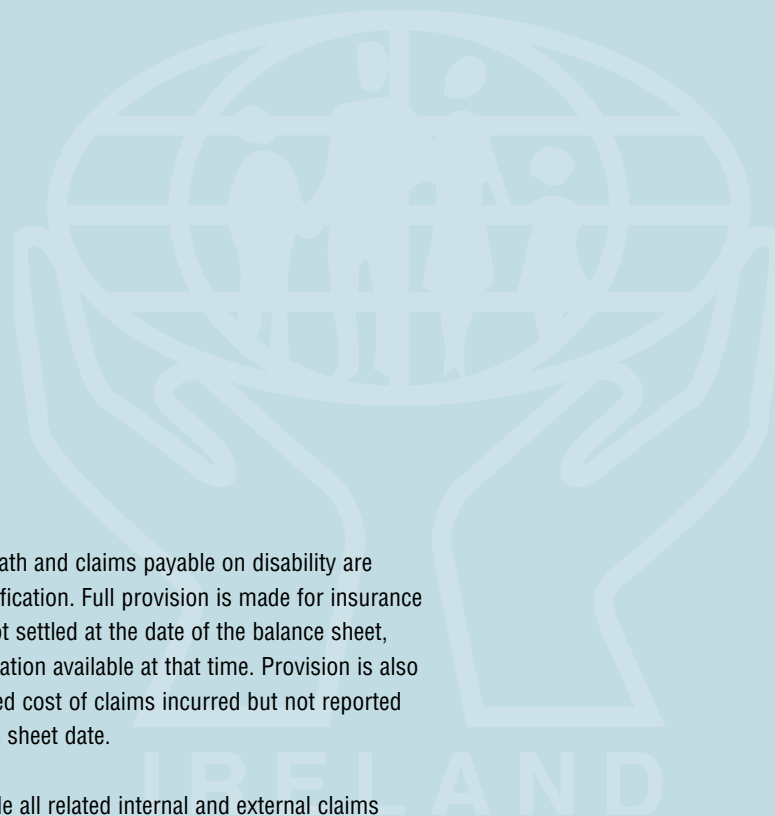
Claims payable include all related internal and external claims handling costs.

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

Investments

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.

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.



Accounting Policies and Estimation Techniques - continued

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 $\frac{1}{3}$ %
- ◆ 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.

Currency translation

Assets and liabilities expressed in foreign currency are translated into € at rates of exchange ruling at the balance sheet date. Differences arising on translation are included in the results for the period.

Central Investment Management

Credit union funds invested by the League under agency agreements are excluded from the balance sheet. Summary financial statements are set out in Schedule A on page 96. Amounts payable to the Irish League of Credit Unions 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.

Notes to the Financial Statements for the year ending 31 December 2003

1 Group structure

The Irish League of Credit Unions (the "League") is the ultimate parent company of the group. Details of subsidiaries are given in note 22. 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 League has taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Transactions'.

2 Income

2003	2002
€'000	€'000

The analysis of income by geographical location is as follows:

Republic of Ireland	51,436	48,117
Northern Ireland	8,102	8,225
	<u>59,538</u>	<u>56,342</u>

3 Operating surplus

2003	2002
€'000	€'000

Operating surplus is stated after charging/(crediting):

Depreciation	357	392
Auditors' remuneration	73	29
Directors' remuneration		
- for services as director	—	—
- for other services	—	—
Foreign exchange loss	641	449
Operating lease charges	—	—

Notes to the Financial Statements - continued

4 Interest receivable and similar income	2003	2002
	€'000	€'000
Group:		
Interest receivable comprises:		
Interest on loans to credit unions	92	130
Investment income & similar income	4,416	6,002
	<u>4,508</u>	<u>6,132</u>
5 Interest payable and similar charges	2003	2002
	€'000	€'000
Group		
Interest payable on bank loans and overdrafts wholly repayable within 5 years	—	—
Finance leases	—	—
	<u>—</u>	<u>—</u>
6 Staff costs and employee information	2003	2002
	€'000	€'000
Wages and salaries	2,913	2,673
Social welfare costs	274	266
Other pension costs	254	302
	<u>3,441</u>	<u>3,241</u>
	2003	2002
	Number	Number
The average number of persons employed during the year was:		
Management	6	5
Administration	60	59
	<u>66</u>	<u>64</u>

Notes to the Financial Statements - continued

7 Exceptional item

During the year, ILCUTECH Limited, a subsidiary of the League, was placed in voluntary liquidation.

As a result of the decision during the year to place ILCUTECH Limited in voluntary liquidation the group no longer controls ILCUTECH. Consequently, there is a deemed disposal of ILCUTECH during the year giving rise to an exceptional gain of €1.685m.

This gain arises as the group are no longer required to include certain liabilities of ILCUTECH Limited in the group financial statements as a result of the deemed disposal.

8 Taxation on surplus on ordinary activities

	Group	
	2003	2002
	€'000	€'000
Current tax:		
Corporation tax @ 12.5% (2002: 16%) on surplus for the year	83	239
Overprovision in respect of prior year	(5)	(5)
Current tax charge for year	78	234
Deferred tax @ 12.5% (2002: 12.5%)	—	(10)
	<u>78</u>	<u>224</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:

	2003	2002
	€'000	€'000
Surplus on ordinary activities before taxation	<u>14,674</u>	<u>12,732</u>
Surplus on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2002: 16%)	1,834	2,037
Effects of:		
Disallowable expenses	2	3
Income not subject to tax	(1,772)	(1,980)
Unrealised losses on investments	19	179
Over provision in respect of prior year	(5)	(5)
Current tax charge for the year	<u>78</u>	<u>234</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 2003.

Notes to the Financial Statements - continued

9 Tangible assets	Premises	Office equipment	Motor vehicles	Total
Group	€'000	€'000	€'000	€'000
Cost or valuation				
At 1 January 2003	7,702	3,083	342	11,127
Additions	—	67	223	290
Disposals	—	—	(176)	(176)
At 31 December 2003	<u>7,702</u>	<u>3,150</u>	<u>389</u>	<u>11,241</u>
Accumulated depreciation				
At 1 January 2003	900	2,812	139	3,851
Charge for the year	154	129	74	357
Disposals	—	—	(108)	(108)
At 31 December 2003	<u>1,054</u>	<u>2,941</u>	<u>105</u>	<u>4,100</u>
Net book amount				
At 31 December 2003	<u>6,648</u>	<u>209</u>	<u>284</u>	<u>7,141</u>
At 31 December 2002	<u>6,802</u>	<u>271</u>	<u>203</u>	<u>7,276</u>

Notes to the Financial Statements - continued

9 League	Premises	Office equipment	Motor vehicles	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2003	7,702	3,074	342	11,118
Additions	—	65	223	288
Disposals	—	—	(176)	(176)
At 31 December 2003	<u>7,702</u>	<u>3,139</u>	<u>389</u>	<u>11,230</u>
Accumulated depreciation				
At 1 January 2003	900	2,807	139	3,846
Charge for the year	154	128	74	356
Disposals	—	—	(108)	(108)
At 31 December 2003	<u>1,054</u>	<u>2,935</u>	<u>105</u>	<u>4,094</u>
Net book amount				
At 31 December 2003	<u>6,648</u>	<u>204</u>	<u>284</u>	<u>7,136</u>
At 31 December 2002	<u>6,802</u>	<u>267</u>	<u>203</u>	<u>7,272</u>

Notes to the Financial Statements - continued

10 Financial assets	Group		League	
	2003	2002	2003	2002
	€'000	€'000	€'000	€'000
Investments in subsidiary companies	—	—	19,389	17,889

A list of subsidiaries is given in note 22.

During the year the League subscribed €1.5m in respect of the call on “B” ordinary shares of €1.27 each by ECCU Assurance Company Limited (“ECCU”), made in December 2002. The initial call amount was reduced from €2.1m to €1.5m. This amount was paid by the General Fund.

ECCU gave notice of an additional call in December 2003 on “B” ordinary shares amounting to €2.9m. No amounts have been included in the financial statements in respect of this call.

11 Investments	Group		League	
	2003	2002	2003	2002
	€'000	€'000	€'000	€'000
Shares and other variable yield securities and units in unit trusts	37,239	29,080	32,130	25,832
Debt securities and other fixed income securities	34,211	34,519	7,628	5,777
Exchequer bills and notes	4,790	348	—	—
Deposits with credit institutions (unlisted)	44,841	43,319	38,915	37,859
	<u>121,081</u>	<u>107,266</u>	<u>78,673</u>	<u>69,468</u>

Listed and marketable securities comprise a market value of: Group €121m (2002: €107.3m); League €79m (2002: €69.5m).

Notes to the Financial Statements - continued

12 Debtors:	Group		League	
	2003	2002	2003	2002
Amounts falling due within one year	€'000	€'000	€'000	€'000
Premiums due from Credit Unions	5,375	5,039	5,375	5,039
Amounts due from group undertakings	—	—	2,432	2,240
Other debtors and prepayments	3,310	2,457	2,287	1,532
	<u>8,685</u>	<u>7,496</u>	<u>10,094</u>	<u>8,811</u>
Amounts falling due after more than one year				
Loans due from credit unions	3,829	3,523	3,829	3,523
	<u>12,514</u>	<u>11,019</u>	<u>13,923</u>	<u>12,334</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 €5.6m at 31 December 2003 (31 December 2002: €6m). 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 is held in the General Fund's financial statements.

Notes to the Financial Statements - continued

13 Creditors – amounts falling due within one year	Group		League	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
Bank overdraft	46	292	32	103
Amounts due to group undertakings	—	—	4,478	4,276
Trade Creditors	4,460	4,189	3,703	3,487
Accruals	1,495	1,819	1,495	1,819
Amounts payable in respect of standardised computer system	2,649	2,649	2,649	2,649
Amounts due to credit unions (a)	34,227	32,395	25,351	24,310
Corporation tax payable	57	214	—	—
VAT	20	137	20	20
PAYE/PRSI	99	82	99	82
Obligations under finance lease	—	420	—	—
	<u>43,053</u>	<u>42,197</u>	<u>37,827</u>	<u>36,746</u>

Creditors -amounts Falling due after one year	Group		League	
	€'000	€'000	€'000	€'000
Amounts payable in respect of standardised computer system	2,925	4,842	2,925	3,908

(a) Amounts due to credit unions	Group		League	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
Claims experience refund	8,876	8,085	—	—
LP/LS premiums prepaid	20,567	19,958	20,567	19,958
DBI premiums prepaid	4,784	3,881	4,784	3,881
Affiliation fees prepaid	—	471	—	471
	<u>34,227</u>	<u>32,395</u>	<u>25,351</u>	<u>24,310</u>