

Notes to the Financial Statements for the year ending 31 December 2004

1 Group structure

The Irish League of Credit Unions (the "League") is the ultimate parent of the group. Details of subsidiaries are given in note 20. 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

	2004 €'000	2003 €'000
The analysis of income by geographical location is as follows:		
Republic of Ireland	53,026	51,436
Northern Ireland	7,907	8,102
	<u>60,933</u>	<u>59,538</u>

3 Operating surplus

	2004 €'000	2003 €'000
Operating surplus is stated after charging/(crediting):		
Depreciation	352	357
Auditors' remuneration	73	73
Directors' remuneration		
- for services as director	—	—
- for other services	—	—
Foreign exchange loss	22	641
Operating lease charges	—	—

4 Interest receivable and similar income

	2004 €'000	2003 €'000
Group:		
Interest receivable comprises:		
Interest on loans to credit unions	87	92
Investment income & similar income	<u>4,712</u>	<u>4,416</u>
	<u>4,799</u>	<u>4,508</u>

5 Staff costs and employee information

	2004	2003
	€'000	€'000
Wages and salaries	3,227	2,913
Social welfare costs	312	274
Other pension costs	395	254
	<u>3,934</u>	<u>3,441</u>
	2004	2003
	Number	Number
The average number of persons employed during the year was:		
Management	7	6
Administration	63	60
	<u>70</u>	<u>66</u>

6 Exceptional item

In the prior year, ILCUTECH Limited, a subsidiary of the League, was placed in voluntary liquidation. As a result of the decision to place ILCUTECH Limited in voluntary liquidation the group no longer controls ILCUTECH. Consequently, in the prior year there was a deemed disposal of ILCUTECH giving rise to an exceptional gain of €1.685m. This gain arose as the group was no longer required to include certain liabilities of ILCUTECH Limited in the group financial statements as a result of the deemed disposal.

7 Taxation on surplus on ordinary activities

	Group	
	2004 €'000	2003 €'000
Current tax:		
Corporation tax @ 12.5% (2003: 12.5%) on surplus for the year	82	83
Overprovision in respect of prior year	—	(5)
Current tax charge for year	82	78
Deferred tax @ 12.5% (2003: 12.5%)	30	—
	<u>112</u>	<u>78</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:		
	2004	2003
	€'000	€'000
Surplus on ordinary activities before taxation	<u>10,648</u>	<u>14,674</u>
Surplus on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2003: 12.5%)	1,331	1,834
Effects of:		
Disallowable expenses	2	2
Income not subject to tax	(1,221)	(1,772)
Unrealised (gains)/losses on investments	(30)	19
Over provision in respect of prior year	—	(5)
Current tax charge for the year	<u>82</u>	<u>78</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 2004.

8 Tangible Assets

Group	Premises	Office equipment	Motor vehicles	Total
	€'000	€'000	€'000	€'000
Cost or valuation				
At 1 January 2004	7,702	3,150	389	11,241
Additions	—	12	—	12
Disposals	—	—	(20)	(20)
At 31 December 2004	<u>7,702</u>	<u>3,162</u>	<u>369</u>	<u>11,233</u>
Accumulated depreciation				
At 1 January 2004	1,054	2,941	105	4,100
Charge for the year	154	123	75	352
Disposals	—	—	(17)	(17)
At 31 December 2004	<u>1,208</u>	<u>3,064</u>	<u>163</u>	<u>4,435</u>
Net book amount				
At 31 December 2004	<u>6,494</u>	<u>98</u>	<u>206</u>	<u>6,798</u>
At 31 December 2003	<u>6,648</u>	<u>209</u>	<u>284</u>	<u>7,141</u>

League	Premises	Office equipment	Motor vehicles	Total
	€'000	€'000	€'000	€'000
Cost or valuation				
At 1 January 2004	7,702	3,139	389	11,230
Additions	—	12	—	12
Disposals	—	—	(20)	(20)
At 31 December 2004	<u>7,702</u>	<u>3,151</u>	<u>369</u>	<u>11,222</u>
Accumulated depreciation				
At 1 January 2004	1,054	2,935	105	4,094
Charge for the year	154	120	75	349
Disposals	—	—	(17)	(17)
At 31 December 2004	<u>1,208</u>	<u>3,055</u>	<u>163</u>	<u>4,426</u>
Net book amount				
At 31 December 2004	<u>6,494</u>	<u>96</u>	<u>206</u>	<u>6,796</u>
At 31 December 2003	<u>6,648</u>	<u>204</u>	<u>284</u>	<u>7,136</u>

9 Financial Assets

	Group		League	
	2004 €'000	2003 €'000	2004 €'000	2003 €'000
Investments in subsidiary companies	—	—	22,293	19,389

A list of subsidiaries is given in note 20.

During the year the League subscribed €2.9m in respect of the call on “B” ordinary shares of €1.27 each by ECCU Assurance Company Limited (“ECCU”), made in December 2003. This amount was paid by the General Fund.

ECCU gave notice of an additional call in December 2004 on “B” ordinary shares amounting to €3.5m. No amounts have been included in the financial statements in respect of this call.

10 Investments

	Group		League	
	2004 €'000	2003 €'000	2004 €'000	2003 €'000
Shares and other variable yield securities and units in unit trusts	38,514	37,239	32,683	32,130
Debt securities and other fixed income securities	45,726	34,211	12,429	7,628
Exchequer bills and notes	1,206	4,790	—	—
Deposits with credit institutions (unlisted)	46,551	44,841	43,345	38,915
	<u>131,997</u>	<u>121,081</u>	<u>88,457</u>	<u>78,673</u>

Listed and marketable securities comprise a market value of: Group €132m (2003: €121m); League €88.5m (2003: €79m).

11 Debtors

Amounts falling due within one year	Group		League	
	2004	2003	2004	2003
	€'000	€'000	€'000	€'000
Premiums due from Credit Unions	4,321	5,375	4,321	5,375
Amounts due from group undertakings	—	—	—	2,432
Other debtors and prepayments	5,255	3,310	2,436	2,287
	9,576	8,685	6,757	10,094
Amounts falling due after more than one year				
Loans due from credit unions	1,984	3,829	1,984	3,829
	<u>11,560</u>	<u>12,514</u>	<u>8,741</u>	<u>13,923</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 €5.3m at 31 December 2004 (31 December 2003: €5.6m). 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 was made in the general fund.

12 Creditors

Creditors - Amounts falling due within one year	Group		League	
	2004	2003	2004	2003
	€'000	€'000	€'000	€'000
Bank overdraft	259	46	109	32
Amounts due to group undertakings	—	—	4,538	4,478
Trade Creditors	4,118	4,460	3,011	3,703
Accruals	2,010	1,495	2,010	1,495
Amounts payable in respect of standardised computer system	2,649	2,649	2,649	2,649
Amounts due to credit unions (a)	33,253	34,227	26,474	25,351
Corporation tax payable	35	57	—	—
Deferred tax payable	30	—	—	—
VAT	14	20	14	20
PAYE/PRSI	89	99	89	99
	<u>42,457</u>	<u>43,053</u>	<u>38,894</u>	<u>37,827</u>

12 Creditors continued

Creditors - Amounts Falling due after one year Group League	Group		League	
	2004 €'000	2003 €'000	2004 €'000	2003 €'000
Amounts payable in respect of standardised computer system	<u>1,940</u>	<u>2,925</u>	<u>1,940</u>	<u>2,925</u>

(a) Amounts due to credit unions	Group		League	
	2004 €'000	2003 €'000	2004 €'000	2003 €'000
Claims experience refund	6,779	8,876	—	—
LP/LS premiums prepaid	21,275	20,567	21,275	20,567
DBI premiums prepaid	<u>5,199</u>	<u>4,784</u>	<u>5,199</u>	<u>4,784</u>
	<u>33,253</u>	<u>34,227</u>	<u>26,474</u>	<u>25,351</u>

13 Provision for liabilities and charges

Group				
Insurance claims outstanding	2004 Gross	2004 Reassurers' Share	2004 Net	2003 Net
	€'000	€'000	€'000	€'000
At 1 January	15,050	-	15,050	13,273
Increase in the year	<u>3,040</u>	<u>(308)</u>	<u>2,732</u>	<u>1,777</u>
At 31 December	<u>18,090</u>	<u>(308)</u>	<u>17,782</u>	<u>15,050</u>

The claims outstanding have been established based on an actuarial valuation of the insurance subsidiary's liabilities to policyholders at 31 December 2004.

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

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

	2004	2003
	€'000	€'000
Surplus before taxation	10,648	14,674
Non cash exceptional items	—	(1,685)
Depreciation	352	357
(Profit)/Loss on sale of fixed assets	(2)	6
Return on investments	(4,799)	(4,508)
Decrease/(Increase) in debtors	678	(1,543)
(Decrease)/Increase in creditors	(1,694)	1,008
Increase in underwriting liabilities	3,040	1,777
Exchange movements	129	1,921
Net Cash Inflow from operating Activities	<u>8,352</u>	<u>12,007</u>

14(b) Returns on investments and servicing of finance

	2004	2003
	€'000	€'000
Interest received	<u>3,935</u>	<u>3,894</u>

14(c) Taxation paid

	2004	2003
	€'000	€'000
Corporation tax paid	<u>(104)</u>	<u>(57)</u>

14(d) Capital expenditure

	2004	2003
	€'000	€'000
Disposal of fixed assets	5	62
Payment to acquire tangible fixed assets	<u>(12)</u>	<u>(290)</u>
	<u>(7)</u>	<u>(228)</u>

14(e) Acquisitions and Disposals

	2004 €'000	2003 €'000
Cash outflow on disposal of Subsidiary undertaking	—	(159)

14(f) Management of liquid resources

	2004 €'000	2003 €'000
Increase in Short Term Deposits	(2,995)	(3,848)
Net increase in marketable securities	(9,776)	(13,153)
	<u>(12,771)</u>	<u>(17,001)</u>

14(g) Analysis of changes in net funds

Analysis of changes in net funds	1 January 2004	Cash Flow	Arising on disposal of subsidiary undertaking	Exchange & Other Movements	31 December 2004
	€'000	€'000	€'000	€'000	€'000
Net cash:					
Cash at bank and in hand	1,136	(382)	—	—	754
Bank overdrafts	(46)	(213)	—	—	(259)
	<u>1,090</u>	<u>(595)</u>	<u>—</u>	<u>—</u>	<u>495</u>
Liquid resources:					
Marketable securities	121,081	9,776	—	1,140	131,997
Short Term Deposits	27,616	2,995	—	(129)	30,482
	<u>148,697</u>	<u>12,771</u>	<u>—</u>	<u>1,011</u>	<u>162,479</u>
Net funds	<u>149,787</u>	<u>12,176</u>	<u>—</u>	<u>1,011</u>	<u>162,974</u>

15 Statement of movement in total reserves

	Group		League	
	2004 €'000	2003 €'000	2004 €'000	2003 €'000
Opening reserves at 1 January	108,460	93,864	104,685	92,339
Surplus for the year	10,536	14,596	9,703	12,346
Closing reserves at 31 December	118,996	108,460	114,388	104,685

16 Guarantees, commitments and contingent liabilities

The SPS Fund gave guarantees, amounting to €3.2m, in respect of one credit union during the year ended 31 December 2004. The outstanding commitment in respect of this guarantee was €2.5m at 31 December 2004. No provision has been made in the financial statements as the League believes that the commitment will not be called.

The Board has approved a loan to a credit union of €5m as at 31 December 2004, which has not yet been drawn down.

17 Future capital expenditure not provided for

	2004	2003
	€'000	€'000
Contracted for	—	—
Authorised by directors but not contracted for	—	—
	—	—

18 Financial commitments

At 31 December the company had annual commitments under non-cancellable operating leases expiring as follows:	2004	2003
	€'000	€'000
Within one year	—	—
Within two to five years	—	—
After five years	—	—
	—	—

19 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.

An actuarial valuation of the fund is normally carried out every three years by the Scheme's independent, professionally qualified, actuary. The actuary recommends the rates of contribution payable by the entities participating in the scheme.

The last such actuarial valuation was carried out at 1 June 2002 using the Projected Unit Credit method. The principal actuarial assumption used in the valuation was that the investment return would be 2% higher than the annual salary increases. The market value of the scheme's assets at 1 June 2002 was €17.430m. The actuarial valuation disclosed a past service deficit of €6.113m at 1 June, 2002.

As a result, the funding rate for the pension scheme increased from 18.7% to 23.5% from 1 March 2004. There will be another actuarial valuation carried out in 2005.

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.

The scheme is currently being reviewed by a representative committee from the movement.

20 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 enhance 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 1QQ

* 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.

In May 2003 a resolution was passed placing ILCUTECH Limited into voluntary Liquidation.

21 Approval of financial statements

The directors approved the financial statements on 12th February 2005.

Income and Expenditure Account Year ended 31 December 2004

	2004 €'000	2003 €'000
Income		
Income from all insurance operations	6,515	11,913
Other income (Schedule B)	<u>6,000</u>	<u>1,896</u>
	12,515	13,809
Administrative expenses	<u>(10,002)</u>	<u>(8,570)</u>
Operating surplus	2,513	5,239
Interest receivable and similar income	1,482	1,211
Interest payable and similar charges	<u>(226)</u>	<u>(242)</u>
Surplus on ordinary activities before taxation	3,769	6,208
Taxation on surplus on ordinary activities	<u>—</u>	<u>—</u>
Surplus for the year	3,769	6,208
Surplus at beginning of year	<u>24,986</u>	<u>18,778</u>
Surplus at end of year	<u>28,755</u>	<u>24,986</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.

Income and Expenditure Account Year ended 31 December 2004

	2004 €'000	2003 €'000
Contributions from credit unions	3,939	—
Sum equal to affiliation fees	—	2,096
Insurance operational rebate	—	2,433
	3,939	4,529
Administrative expenses	(56)	(216)
Operating surplus	3,883	4,313
Interest receivable and similar income	2,051	1,825
Surplus on ordinary activities before taxation	5,934	6,138
Taxation on surplus on ordinary activities	—	—
Surplus for the year	5,934	6,138
Surplus at beginning of year	79,699	73,561
Surplus at end of year	<u>85,633</u>	<u>79,699</u>

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 2004

CENTRAL INVESTMENT MANAGEMENT

Balance Sheet 31 December 2004	2004 €'000	2003 €'000
Assets		
Marketable securities	1,939,878	1,529,270
Client bank balances:		
Bank deposit account	650	1,050
	1,940,528	1,530,320
Liabilities		
Credit Unions	1,940,528	1,530,320
	1,940,528	1,530,320

MOVEMENT IN BALANCES DUE TO CREDIT UNIONS

Year Ended 31 December 2004	2004 €'000	2003 €'000
Opening balances	1,530,320	1,190,218
Placed for Credit Unions during the year	527,231	434,006
Withdrawals during the year	(160,068)	(130,438)
Income added	43,045	36,534
Closing balances	1,940,528	1,530,320

Schedule B**Year Ended 31 December 2004**

General Fund Other Income	2004	2003
	€'000	€'000
Commission on stores sales (net)	59	34
Recovery of costs on CIM funds	1,579	1,141
Rental income and management fee	302	407
ATM income	—	68
Training income	241	246
Affiliation Fees	3,817	—
Profit on disposal of Fixed Assets	2	—
Total Income	<u>6,000</u>	<u>1,896</u>

Schedule C**Year Ended 31 December 2004**

General Fund Expenditure	2004	2003
	€'000	€'000
Meeting costs:		
Annual general meeting costs	174	177
Board costs	153	163
Other committee costs	12	8
Delegation expenses	17	12
Supervisory committee costs	30	28
New legislation	13	4
Insurance forum	14	11
	<u>413</u>	<u>403</u>
Management and field services expenses:		
Salaries, wages and staff costs	3,934	3,441
Travelling and subsistence expenses	306	225
Professional charges	2,182	1,101
Audit fees	73	73
Interest and bank charges	249	271
Depreciation on motor vehicles	74	74
Loss on sale of fixed assets	—	6
	<u>6,818</u>	<u>5,191</u>

Schedule C - continued
Year Ended 31 December 2004

Accommodation and office expenses:	2004	2003
Rent and rates	78	75
General insurance	140	117
Light and heat	71	68
Telephone	61	55
Postage	96	90
Printing stationary and office supplies	332	274
Cleaning and security	97	88
Repairs renewals and maintenance	220	209
Depreciation of equipment	121	128
Depreciation of premises	154	154
Software licences and support	25	23
ILCU Law Library	1	5
ATM Costs	3	90
	<u>1,399</u>	<u>1,376</u>

Other expenses:	2004	2003
Exchange loss	94	258
Promotion	190	291
Training	282	356
International affairs	146	154
Donations	25	—
“Credit Union Review” – net cost	26	15
SPS review	10	32
	<u>773</u>	<u>1,106</u>
Discount on insurance prepayment scheme	<u>825</u>	<u>736</u>
Total expenditure	<u>10,228</u>	<u>8,812</u>

Schedule D
Year Ended 31 December 2004

ILCU INTERNATIONAL DEVELOPMENT FOUNDATION LIMITED COSTS BORNE BY THE GENERAL FUND	2004	2003
	€'000	€'000
Salaries, wages and staff costs	101	118
Board costs	5	1
Accommodation and office expenses	40	40
Phone	8	7
Printing and stationary	7	7
	<u>161</u>	<u>173</u>

Income and Expenditure Budgets for year ended 31 December 2005

2005 INCOME ESTIMATES	€'000	€'000
Affiliation Fees	3,800	
ECCU Retention	5,100	
Star Plan Retention	552	
HomeUnion Commission	150	
AutoUnion Commission	36	
RPI Commission	938	
Serious Illness Commission	60	
General Insurance Commission	6	
Starplan Travel	60	
Investment Income	1,297	
Commission on Supplies Sales	80	
Recovery of Costs on CIM Funds	650	
Rental Income & Management Fee	348	
Training Income	<u>384</u>	
TOTAL 2005 INCOME ESTIMATE		13,461
2005 EXPENDITURE ESTIMATES		
Meeting Costs:		
Annual Meetings	226	
Board Costs	158	
Other Committee Costs	13	
Delegation Expenses	24	
Supervisory Committee Costs	30	
New Legislation	12	
Taxation / Deregulation	10	
Special Insurance Forum	<u>22</u>	
		495

MANAGEMENT AND FIELD SERVICES EXPENSES	€'000	€'000
Salaries, Wages and Staff Costs	4,359	
Travel and Subsistence	350	
Professional Charges	901	
Audit Fees	73	
Interest and Bank Charges	248	
Depreciation of Motor Vehicles	75	
		6,006
ACCOMMODATION AND OFFICE EXPENSES		
Rent and Rates	84	
General Insurance	148	
Light and Heat	73	
Telephone	60	
Postage and Courier	93	
Printing	215	
Stationery and Office Supplies	117	
Cleaning and Security	103	
Office Maintenance and Repairs	87	
Hardware Maintenance	86	
Software Maintenance	89	
Depreciation of Fixtures and Fittings	42	
Depreciation of Computers	69	
Depreciation of Premises	154	
Software Licences and Support	72	
ILCU Law Library	10	
		1,502

Income and Expenditure Budgets for year ended 31 December 2005

OTHER EXPENSES	€'000	€'000
Promotion and Training	622	
World Council Dues	70	
International Affairs	99	
Donations	1	
SPS Review	50	
Workers Co-Operative Grants	15	
'Credit Union Review' - Net Cost	25	
Discount on Insurance Prepayment Scheme	893	
		<u>1,775</u>
TOTAL 2005 EXPENDITURE ESTIMATE		<u>9,778</u>
PROJECTED 2005 SURPLUS		<u>3,683</u>
CASH FLOW IMPLICATIONS		
Projected 2005 Surplus		3,683
Add: Depreciation		<u>340</u>
		4,023
Less: Projected Capital Expenditure 2005		<u>4,020</u>
PROJECTED CASHFLOW FOR YEAR 2005		<u>3</u>

CAPITAL BUDGET ESTIMATES FOR YEAR ENDED 31 DECEMBER 2005	€'000
FIXED ASSETS:	
Car purchases and replacement	70
Computer Hardware	<u>150</u>
	220
SPS LOAN:	
Capital Repayment - Premises Loan and ISIS Loan	300
ECCU SHARES:	
ECCU Assurance Co. Ltd.	
Call on share capital payable December 2005	<u>3,500</u>
TOTAL 2005 CAPITAL BUDGET ESTIMATES	<u>4,020</u>

