

---

# Financial Statements

---

Irish League of Credit Unions  
Financial Statements  
Year ended 31 December 2004

## CONTENTS

Page

DIRECTORS AND OTHER INFORMATION	86
DIRECTORS' REPORT	87
INDEPENDENT AUDITORS' REPORT	89
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	90
BALANCE SHEETS	91
CONSOLIDATED BALANCE SHEET	93
CONSOLIDATED CASH FLOW STATEMENT	94
ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES	95
NOTES TO THE FINANCIAL STATEMENTS	97

**Board of Directors at 31 December 2004**

J O'Regan (President)  
 A O'Byrne (Vice-President)  
 C Dowling (Treasurer)  
 S Adair  
 M Bailey  
 K Geoghegan  
 M Griffin  
 A Lloyd  
 J McMahon  
 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 consolidated financial statements of the Irish League of Credit Unions ("The League") for the year ended 31 December 2004.

## **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.

The directors are responsible for the maintenance and integrity of the League's website. Accounting Standards and legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation and Accounting Standards in other jurisdictions.

## **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 page 90. The surplus for the year was €10.536m compared to €14.596m in 2003. The reduction in income from insurance operations for the year ended 31 December 2004 reflects the impact of a reduction in premium rates of 20% on Loan Protection and Life Savings business, partially offset by an increase in underlying volumes. Claims ratios have remained stable when allowance is taken for the 20% reduction in premium rates. Movements in reserves are shown in note 15 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**

The names of the persons who were directors at any time during the year ended 31 December 2004 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 McMahon	
C O'Brien	
J Johnstone	
K Helferty	
S Kilgannon	

**Directors' interests**

The directors and their families had no interests in the League or any other group company at 31 December 2004 or at 31 December 2003.

**Transactions involving directors**

There were no contracts of any significance in relation to the business of the League in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 December 2004.

**Auditors**

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

**On behalf of the board**

John O'Regan	President
Carmel Dowling	Hon. Treasurer
12th February 2005	

# Independent Auditors' Report

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

We have audited the financial statements on pages 90 to 108 and Schedule A on page 111.

### **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 87 in the Statement of Directors' Responsibilities for the financial statements.

Our responsibility, 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 as a body 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 League 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 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.

### **Opinion**

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 2004 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 League balance sheet is in agreement with the books of account.

**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**Wilton Place, Dublin 2. 12th February 2005**

<b>Consolidated Income and Expenditure Account Year ended 31 December 2004</b>	<b>Notes</b>	<b>2004 €'000</b>	<b>2003 €'000</b>
Income from all insurance operations		50,088	54,931
Affiliation fees and similar income		7,756	2,096
Other income		<u>3,089</u>	<u>2,511</u>
<b>Income</b>	2	60,933	59,538
Claims incurred		(43,928)	(40,905)
Administrative expenses		<u>(11,156)</u>	<u>(10,152)</u>
<b>Operating surplus</b>	3	5,849	8,481
Interest receivable and similar income	4	4,799	4,508
<b>Surplus on ordinary activities before exceptional item</b>		10,648	12,989
Exceptional item	6	<u>—</u>	<u>1,685</u>
<b>Surplus on ordinary activities before taxation</b>		10,648	14,674
Taxation on surplus on ordinary activities	7	<u>(112)</u>	<u>(78)</u>
<b>Surplus for the year</b>		10,536	14,596
<b>Surplus at beginning of year</b>		<u>108,460</u>	<u>93,864</u>
<b>Surplus at end of year</b>	15	<u>118,996</u>	<u>108,460</u>

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

<b>General Fund Balance Sheet 31 December 2004</b>	<b>Notes</b>	<b>2004 €'000</b>	<b>2003 €'000</b>
<b>Fixed assets</b>			
Tangible assets	8	6,796	7,136
Financial assets	9	<u>22,293</u>	<u>19,389</u>
		<u>29,089</u>	<u>26,525</u>
<b>Current assets</b>			
Investments	10	14,678	14,329
Debtors	11	6,579	7,657
Cash at bank and in hand		<u>26,188</u>	<u>24,523</u>
		<u>47,455</u>	<u>46,509</u>
Creditors - amounts falling due within one year	12	<u>(39,243)</u>	<u>(38,177)</u>
<b>Net current assets</b>		<u>8,202</u>	<u>8,332</u>
<b>Total assets less current liabilities</b>		<u>37,291</u>	<u>34,857</u>
Creditors - amounts falling due after more than one year	12	<u>(8,536)</u>	<u>(9,871)</u>
<b>Total net assets</b>		<u>28,755</u>	<u>24,986</u>
<b>Represented by</b>			
General Fund		<u>28,755</u>	<u>24,986</u>

**On behalf of the board**

John O'Regan            President  
Carmel Dowling        Hon. Treasurer

<b>Savings Protection Scheme Fund Balance Sheet 31 December 2004</b>	<b>Notes</b>	<b>2004 €'000</b>	<b>2003 €'000</b>
<b>Current assets</b>			
Investments	10	73,779	64,344
Debtors	11	9,108	13,557
Cash at bank and on hand		<u>2,747</u>	<u>1,798</u>
		85,634	79,699
Creditors - amounts falling due within one year	12	<u>1</u>	<u>—</u>
<b>Total net assets</b>		<u>85,633</u>	<u>79,699</u>
<b>Represented by</b>			
Savings Protection Scheme Fund		<u>85,633</u>	<u>79,699</u>

**On behalf of the board**

John O'Regan      President  
Carmel Dowling      Hon. Treasurer

<b>Consolidated Balance Sheet 31 December 2004</b>	<b>Notes</b>	<b>2004 €'000</b>	<b>2003 €'000</b>
<b>Fixed assets</b>			
Tangible assets	8	<u>6,798</u>	<u>7,141</u>
		<u>6,798</u>	<u>7,141</u>
<b>Current assets</b>			
Investments	10	131,997	121,081
Debtors	11	11,560	12,514
Cash at bank and in hand		<u>31,128</u>	<u>28,752</u>
		174,685	162,347
Creditors - amounts falling due within one year	12	<u>(42,457)</u>	<u>(43,053)</u>
<b>Net current assets</b>		<u>132,228</u>	<u>119,294</u>
<b>Total assets less current liabilities</b>		139,026	126,435
Creditors - amounts falling due after more than one year	12	(1,940)	(2,925)
Provision for liabilities and charges	13	<u>(18,090)</u>	<u>(15,050)</u>
<b>Total net assets</b>		<u>118,996</u>	<u>108,460</u>
<b>Represented by</b>			
Irish League of Credit Unions		114,388	104,685
Subsidiary undertakings		<u>4,608</u>	<u>3,775</u>
	15	<u>118,996</u>	<u>108,460</u>

**On behalf of the board**

John O'Regan      President  
Carmel Dowling      Hon. Treasurer

<b>Consolidated Cashflow Statement</b>			
<b>For the year ended 31 December 2004</b>			
	<b>Notes</b>	<b>2004</b>	<b>2003</b>
		€'000	€'000
Cash inflow from operating activities	14 (a)	8,352	12,007
Return on investments and servicing of finance	14 (b)	3,935	3,894
Taxation paid	14 (c)	(104)	(57)
Capital expenditure	14 (d)	(7)	(228)
Acquisitions and Disposals	14 (e)	—	(159)
<b>Cash inflow before management of liquid resources</b>		<u>12,176</u>	<u>15,457</u>
Management of liquid resources	14 (f)	(12,771)	(17,001)
<b>Decrease in cash for the year</b>		<u>(595)</u>	<u>(1,544)</u>

<b>RECONCILIATION OF NET CASH FLOW</b>			
<b>TO INCREASE IN NET FUNDS</b>			
	<b>Notes</b>	<b>2004</b>	<b>2003</b>
		€'000	€'000
Decrease in cash for the year		(595)	(1,544)
Net cash outflow from increase in liquid resources	14 (f)	12,771	17,001
Finance leases disposed of with Subsidiary Undertakings		—	420
Changes in net funds resulting from cash flows		12,176	15,877
Exchange and other movements	14 (g)	1,011	(1,259)
Movement in net funds in the year		13,187	14,618
<b>Net funds at start of year</b>		<u>149,787</u>	<u>135,169</u>
<b>Net funds at end of year</b>	14 (g)	<u>162,974</u>	<u>149,787</u>

### **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**

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.

**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.

**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 profit and loss account.

**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 111. 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.

**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.