



***Solicitors' Mutual Defence Fund
Limited***

Annual Report 2006

**Accounts of the Fund
31st December, 2006**



SOLICITORS' MUTUAL DEFENCE FUND LIMITED
(A company limited by guarantee and not having a share capital)

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS 2006**

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SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Solicitors' Mutual Defence Fund Limited will be held at The Law Society, Blackhall Place, Dublin 7, on Wednesday, 26th September, 2007 at 12:30p.m. for the purpose:-

1. To receive, and if approved, adopt the Directors' Report and Accounts for the year ended 31st December, 2006 and the Auditor's Report thereon.
2. To re-elect the following Directors who retire by rotation and being eligible offer themselves for re-election:-
 - (a) Mr. Michael P. Houlihan
 - (b) Ms. Elma Lynch
3. To authorise the Directors to fix the remuneration of the Auditor.

BY ORDER OF THE BOARD

LAURENCE K. SHIELDS
Secretary
25 Lr. Leeson Street
Dublin 2

Date: 27th August, 2007

Registered Office
25, Lr. Leeson Street
Dublin 2

Notes:

Any member of the Company entitled to attend and vote may appoint another person as his/her proxy to attend, speak and vote on his/her behalf. For this purpose a proxy form is enclosed with this notice. A proxy need not be a member of the Company.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS AT 31 DECEMBER 2006

Mr. M.R. Curran (Chairman)
Mr. T. D. Shaw (Vice Chairman)
Ms. G. Clarke
Mr. P. J. Groarke
Mr. M. P. Houlihan
Mr. L. K. Shields
Ms. E. Lynch
Mr. G. Griffin

SOLICITORS

O'Connor
8 Clare Street
Dublin 2

Ince & Co.
Knollys House
11 Byword Street
London EC 3R 5EN
England

SECRETARY AND REGISTERED OFFICE

Mr. L. K. Shields
25 Lower Leeson Street
Dublin 2

PRINCIPAL BANKERS

Bank of Ireland
2 College Green
Dublin 2

AUDITORS

Pricewaterhouse Coopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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CHAIRMAN'S REPORT

At the year end, there was a total membership of 1,345 firms, representing 3,589 solicitors. This was an increase of 54 firms and an increase of 143 solicitors.

The distribution of the membership as at 31st December, 2006 was:-

Size of Firm	Number of Firms	Percentage of Total
1 Solicitor	589	43.79%
2 – 5 Solicitors	660	49.07%
6 – 10 Solicitors	77	5.72%
11 – 20 Solicitors	14	1.04%
21 + Solicitors	5	0.38%

CLAIMS AND RESERVES

The outcome for the year was satisfactory. The income and expenditure account shows investment income was €1,452,559 net of tax. Note 4 shows the underwriting result. The surplus contribution income net of expenses €1,555,995 has been added to provision for future claims which increased by €9.675m to €73.244m. The Board is satisfied that this level of provision is prudent and most is recoverable from our Reinsurers (see Note 10).

All Stop Loss claims made in respect of the years prior to 2000 have now been settled satisfactorily, although there is some Excess of Loss or Top Up cover to be agreed in respect of some individual claims.

STATUTE BARRED CLAIMS

Last year there was some improvement in the number of litigation claims (but not as a percentage) as the table below shows. Statute barred claims continue to be reported at an unacceptable level.

If a claim is statute barred then what may be a doubtful claim, can become an absolute certainty – against the Solicitor. In almost every Statute Barred Claim there is no defence and your Fund is merely negotiating the amount of the settlement and costs. Some of these cases are very expensive to settle, as they involve not only personal injuries, but also considerable loss of earnings.

Every Solicitor should be capable of implementing either a manual or computerised system that warns at certain intervals including every month for the last six months prior to the Statute expiring – that proceedings must issue.

The Personal Injuries Assessment Board (PIAB) commenced operations on 1st June 2004. The limitation period for personal injuries actions has been reduced from 3 to 2 years. What effect this will have on the Fund's experience will take time to evaluate. Suffice to state, there is increased pressure on Solicitors to comply with the statutory limitation periods in all types of action. In personal injuries actions, the application to PIAB should be lodged as soon as is reasonably practicable. Proceedings cannot be issued until PIAB has issued an authorization. However, proceedings should be issued as soon as possible after the issue of the PIAB authorization. We sent you all a memorandum on 6th July, 2007 prepared by Patrick Groarke pointing out some further danger in this area.

Your Fund has undertaken in recent years and continues to reimburse members for the costs of Stamp Duty incurred in issuing an initial Summons or Civil Bill at the appropriate time in any case where it is later found that proceedings should be discontinued. We would urge members to avail of this facility more often, as it reduces the number of Statute Barred claims. Your Fund also imposes a double excess on all such claims.

One of the most recurring errors we observe is, that members fail to issue proceedings whilst in “without prejudice”, negotiations with Insurance Companies. Unless the Insurance Company has written a clear and unqualified letter admitting liability and agreeing not to plead the State of Limitations, it is extremely unwise not to issue proceedings. In general, Insurance Companies have no compunction in pleading the Statute when the appropriate period has expired without negotiations having been concluded.

The breakdown of claims is as follows:-

YEAR (12 months to)	31/12/2004		31/12/2005		31/12/2006	
	NO.	%	NO.	%	NO.	%
Criminal	-	-	-	-	1	.99
Litigation	41	38.68	39	36.79	25	24.75
Commercial	2	1.89	-	-	1	.99
Conveyancing/ Commercial	8	7.55	11	10.38	9	8.92
Conveyancing/ Domestic	39	36.79	41	38.68	41	40.59
Family Law	2	1.89	1	0.94	-	-
Probate	6	5.65	5	4.72	12	11.88
Taxation	-	-	-	-	1	.99
Estate Agency	-	-	-	-	-	-
Financial Advice	-	-	-	-	-	-
Insurance Agency	-	-	-	-	1	.99
Other	8	7.55	9	8.49	10	9.90
Total	106	100%	106	100%	101	100%

Claims are in fact growing at an unacceptable level.

THE FUND'S CURRENT EXPOSURE TO CLAIMS

As I have informed you previously, since the beginning of 2000, your Fund is accepting liability for 10% of every claim up to a maximum of €1,269,738 (IR£1m) for 2000 and 2001 and for €1.3m for 2002, 2003 and 2004 and €1.5m for 2005 and €2.5m for 2006. The remaining 90% is placed by way of re-insurance in the London market where one of the leading Insurance Companies in the world AIG (U.K.) Limited, as Agents for New Hampshire Insurance Company, is our lead re-insurer.

We retain control and management of claims, subject to consultation with AIG on settlements over a specified limit.

AIG also give us their underwriting skills, where in consultation we agree the level of contribution for all members, and specifically for those who have had claims and cases not settled, but where there is a probability of a payment being made.

We continue to arrange Stop Loss insurance each year.

The Law Society, as I stated last year, increased the level of minimum statutory cover to €2.5m for 2006 and onwards. They have now introduced draconian new Regulations affecting all firms providing Indemnity Cover. The industry fought hard (particularly the Fund) to ameliorate the changes which will impact severely on the profession. In the Board's opinion contributions for next year must increase as a direct consequence of the increased level of cover, the new Regulations and the increased size of claims.

CLAIMS CONTROL

Once the Board has agreed to provide indemnity, it relies on the Panel Solicitors to manage each case.

To keep overheads at a minimum, the Panel Solicitors are in effect both the legal manager and the claims manager for the files they handle. The day to day problems are dealt with in consultation with me and/or fellow Executive Director, Laurence K. Shields, or Jim Graham our Claims Consultant. We handle all settlements and lodgments subject to the approval of the Board and of AIG for larger claims. It is the Board's policy to clear claims as rapidly as possible with a minimum of correspondence and cost.

During the year, reports are completed by the Panel Solicitors, which are used by the Board to monitor the claims and keep our Brokers, Underwriters and Actuaries fully informed.

UNDERWRITING

Obviously Professional Indemnity Cover is very long tail: claims are still in process that began in the early 1990's.

It cannot be stated too often, that the Fund's existence has undoubtedly kept the level of premium charged in the market at a level far below what it would otherwise have been.

LOADINGS AND EXCESSES

As you will be aware, we have instituted a policy of doubling of excesses in every case where there is a Statute Barred claim with no answer on liability, which we hope will encourage those members who have to pay, to improve their office management techniques to ensure that such claims do not happen again. Loadings are also applied to the level of contribution where a member has had a significant claim or claims in the previous several years. All loadings are reviewed annually.

RISK MANAGEMENT

Your Fund has produced from time to time, a bulletin dealing with some of the danger areas in Legal Practice arising from our analysis of claims received and reported cases. The Board cannot emphasise sufficiently, how essential it is for members to review all files at regular intervals. Principals should also closely monitor the giving of undertakings.

Many claims arise not from lack of knowledge of the law or failure to apply its principles correctly, but through failure to apply proper procedures, or some obvious established step in procedure is omitted.

This applies not only to Statute Barred claims, but also in areas such as Conveyancing, where for example, Certificates of Compliance with Planning Permissions are not obtained, or boundaries or Rights-of Way are not properly identified. There are signs of more claims in the probate area often related to tax. Members should ensure that they are fully conversant in the relevant law.

We hope that the new rules regarding CPD will help minimize losses.

The Board has initiated the SMDF Newsletter, which we hope the members find helpful.

TOP UP COVER

Whilst in accordance with the rules of the Law Society, minimum cover is for €2.5m each and every claim from 1st January, 2006, your Fund would encourage members to consider carrying Top Up Cover in excess of this figure where appropriate. There have been a number of long tail claims where members with the then limit of €317,434.52 (IR£250,000) cover (which includes Plaintiffs costs) have found themselves without sufficient cover, due to not having adequate Top Up Cover. For many firms, the limit of cover should be greater than €2.5m. Consult your Broker!

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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BOARD, STAFF AND SOLICITORS

I would like personally to thank Margaret Weber, (Manager), Jim Graham (Claims Consultant) and the other staff members for their excellent work during the year. Also I thank my fellow Board members and our Panel Solicitors for their efforts on your behalf.

MAURICE R. CURRAN
Chairman.

27th August, 2007.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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DIRECTORS' REPORT

The directors present herewith the audited financial statements for the year ended 31 December 2006.

Directors' responsibilities for financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable Irish law 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.

Irish company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the 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 company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company 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 Irish Companies Acts, 1963 to 2006. 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.

Books of account

The measures taken by the directors to secure compliance with the company'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 the company's registered office.

Principal activities

The company is engaged in the managing and administration of a Mutual Defence and Indemnity Fund in relation to civil liability claims affecting the professional character or professional interests of solicitors practising in the Republic of Ireland.

Results

The results for the year are set out in the income and expenditure account on page 11.

Dividend

In accordance with the Memorandum and Articles of Association of the company, the income and property of the company shall be applied solely towards the promotion of the objects of the company and no proportion shall be paid or transferred by dividend, bonus, or otherwise to members of the company.

Review of business and future developments

The progress of the company during the year under review was considered satisfactory, having regard to market conditions. Further comment is set out in the chairman's statement included in the annual report.

Directors

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

Mr M R Curran (Chairman)
Mr T D Shaw (Vice-Chairman)
Ms G Clarke
Mr G F Griffin
Mr P J Groarke
Mr M P Houlihan
Mr L K Shields
Ms E. Lynch

Auditors

The auditors, PricewaterhouseCoopers, will continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the board

MAURICE R CURRAN)
)
LAURENCE K SHIELDS) DIRECTORS

17th July, 2007.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

We have audited the financial statements on pages 16 to 19. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 14 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 8.

Our responsibility 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 company's members as a body in accordance with Section 193 of the Companies Act, 1990 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, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. 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 the company has kept proper books of account; and
- whether the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 company's affairs at 31 December 2006 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 8 and 9 is consistent with the financial statements.

PRICEWATERHOUSECOOPERS

CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS
Dublin

30th July, 2007.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

(A company limited by guarantee and not having a share capital)

BALANCE SHEET 31 DECEMBER 2006

	Notes	2006 €	2005 €
FIXED ASSETS			
Tangible Fixed Assets	8	103,154	140,234
Financial Assets	9	<u>28,084,777</u>	<u>20,844,733</u>
		<u>28,187,931</u>	<u>20,984,967</u>
CURRENT ASSETS			
Debtors	10	2,438,239	2,040,003
Cash at Bank		<u>16,965,172</u>	<u>23,264,002</u>
		19,403,411	25,304,005
CREDITORS			
Amounts falling due within one year	11	(10,927,710)	(12,514,909)
DEBTORS (amounts receivable after one year)	10	<u>53,151,000</u>	<u>41,972,000</u>
NET CURRENT ASSETS		<u>61,626,701</u>	<u>54,761,096</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		89,814,632	75,746,063
PROVISION FOR LIABILITIES AND CHARGES			
Provision for claims	12	<u>(73,244,331)</u>	<u>(63,569,176)</u>
		<u>16,570,301</u>	<u>12,176,887</u>
RESERVES			
Retained Reserves	13	<u>16,570,301</u>	<u>12,176,887</u>

On behalf of the board

LAURENCE K SHIELDS)
MAURICE R CURRAN) DIRECTORS

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2006

	Notes	2006 €	2005 €
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	1	(3,287,543)	(21,787)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest and dividends		1,364,161	736,508
TAXATION		(297,871)	(167,396)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2	<u>(4,077,577)</u>	<u>(44,486)</u>
INCREASE IN CASH IN THE YEAR		<u>(6,298,830)</u>	<u>502,839</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash in the year	3	(6,298,830)	502,839
MOVEMENT IN NET FUNDS IN THE YEAR			
Net funds at beginning of the year		<u>23,264,002</u>	<u>22,761,163</u>
NET FUNDS AT END OF THE YEAR		<u>16,965,172</u>	<u>23,264,002</u>

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention. The currency used in these financial statements is the euro as denoted by the symbol “€”.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Accounting Standards generally accepted in Ireland and Irish statute comprising the Companies Acts 1963 to 2006. 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 financial statements have been prepared using accounting policies consistent with prior years

CONTRIBUTION INCOME

This consists of contribution income earned during the period.

CLAIMS OUTSTANDING

- (i) Outstanding claims comprise the estimated settlement cost, including defence costs, of all claims notified and made, but not settled at the balance sheet date, less re-insurance recoveries receivable.
- (ii) Gross contributions less claims paid and expenses are accumulated in a fund during the year of underwriting and second year (open years). The fund is carried forward in the balance sheet and adjusted, if necessary, so that the final balance sheet for each underwriting year is sufficient to meet the cost of all outstanding claims. In the third year, the underwriting result for the first year is released to the Income and Expenditure Account after allowing for all related outstanding claims.

INVESTMENTS

Investments are stated at market value. Unrealised gains or losses arising on the valuation of investments are dealt with in the Investment Revaluation Reserve (unrealised). On disposal of investments, a transfer is made to the Revenue Reserve (realised) from the Investment Revaluation Reserve (unrealised) in respect of gains and losses realised as a result of the disposal.

Investment income is accounted for on an accruals basis. Income comprises interest and dividends earned, together with realised gains and losses on disposal of investments.

DEFERRED TAXATION

Provision is made at current rates for deferred taxation as a result of timing differences in the accounting and taxation treatment of investment income.

FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Cost of fixed assets is their purchase cost together with any incidental expenses of acquisition.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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ACCOUNTING POLICIES

Depreciation is provided on a straight line basis at rates which are estimated to reduce the assets to their realisable values by the end of their expected useful lives which are set out below.

	EXPECTED USEFUL LIFE
Computer Equipment	5 years
Furniture and Fittings	5 years

PENSION ARRANGEMENTS

The company operates a defined contribution pension scheme for its employees. Payments are charged to the income and expenditure account in the period to which they relate.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

1.	RECONCILIATION OF UNDERWRITING RESULT TO OPERATING CASH FLOW	2006	2005
		€	€
	Underwriting result	-	-
	Depreciation charges	64,657	87,937
	Decrease / (increase) in debtors	(261,156)	(259,203)
	(Decrease) / increase in creditors	(1,587,199)	193,144
	(Decrease) in provision for claims (net of re-insurance)	(1,503,845)	(43,665)
		<u>(3,287,543)</u>	<u>(21,787)</u>
2.	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2006	2005
		€	€
	Net purchases of financial assets	(4,050,000)	(41,820)
	Purchase of tangible fixed assets	(27,577)	(2,666)
	Net Cash outflow	<u>(4,077,577)</u>	<u>(44,486)</u>
3.	ANALYSIS OF NET FUNDS	2005	Cash Flow
		€	€
	Cash at bank	<u>23,264,002</u>	<u>16,965,172</u>
4.	UNDERWRITING RESULT	2006	2005
		€	€
	NET CONTRIBUTION INCOME	2,594,109	2,868,566
	Less:		
	Legal fees	751	3,510
	Actuaries fees	44,353	52,952
	Depreciation	64,657	87,937
	Other Administration costs	928,353	802,707
	Provision for future claims	<u>1,555,995</u>	<u>1,921,460</u>
	Underwriting result	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS -Continued

5.	SURPLUS BEFORE TAXATION	2006	2005
		€	€
	The surplus is arrived at after charging the following:		
	Directors' Remuneration:		
	– For services as director	136,000	136,000
	– For management services	126,000	126,000
	Auditor's Remuneration	12,950	12,335
	Depreciation of Tangible Fixed Assets	64,657	87,937
	Investment income:		
	– Interest and dividends	1,452,559	1,167,398
		<u>1,452,559</u>	<u>1,167,398</u>
6.	TAXATION	2006	2005
		€	€
	Surplus before taxation	1,452,559	1,167,398
	Gross deposit interest	4,096	634
	Equity dividends - cash	(470,089)	(401,093)
	Fees	10,125	21,078
	DWT funds	-	(15,375)
	Realised gains	-	16,539
		<u>996,754</u>	<u>789,181</u>
	The charge comprises:		
	Corporation tax on interest income @ 25%	249,189	197,401
	Deferred taxation (credit)/charge	-	(36,252)
		<u>249,189</u>	<u>161,149</u>
7.	EMPLOYEES AND REMUNERATION		
	The average number of persons employed by the company during the year was 4 (2005: 4)		
	The staff costs are comprised of:		
		2006	2005
		€	€
	Salary costs	240,251	264,477
	Social welfare costs	20,339	17,684
	Pension costs	41,524	17,402
		<u>302,114</u>	<u>299,563</u>

NOTES TO THE FINANCIAL STATEMENTS - Continued

8.	FIXED ASSETS	Computer Equipment	Furniture & Fittings	Total
	The company's fixed assets are made up as follows:	€	€	€
	Cost			
	At 1 January 2006	673,031	123,121	796,152
	Additions	11,118	16,459	27,577
	At 31 December 2006	684,149	139,580	823,729
	Depreciation			
	At 1 January 2006	571,516	84,402	655,918
	Charge for year	48,809	15,848	64,657
	At 31 December 2006	620,325	100,250	720,575
	Net Book Value			
	At 31 December 2006	63,824	39,330	103,154
	At 31 December 2005	101,515	38,719	140,234
9.	FINANCIAL ASSETS	2006	2005	
	This represents investment in:	Market Value	Market Value	Cost
		€	€	€
	Fixed Interest Securities	12,015,200	8,274,000	8,400,000
	Irish Equities	15,998,419	12,463,997	6,479,169
	US Equities	71,158	106,736	123,133
		28,084,777	20,844,733	15,002,302
10.	DEBTORS		2006	2005
	Amounts receivable within one year:		€	€
	Reinsurance recoverable		1,707,000	1,444,000
	Interest receivable		664,297	575,899
	Other prepayments		18,094	19,940
	Taxation recoverable		48,848	164
			2,438,239	2,040,003
	Amounts receivable after more than one year:			
	Reinsurance recoverable		53,151,000	41,972,000
11.	CREDITORS		2006	2005
	Amounts falling due within one year:		€	€
	Deferred contribution income		10,031,569	11,800,582
	Other accruals		896,141	714,327
			10,927,710	12,514,909

NOTES TO THE FINANCIAL STATEMENTS - Continued

12. PROVISION FOR CLAIMS		2006	2005
		€	€
Outstanding Claims Provision		<u>73,244,331</u>	<u>63,569,176</u>

13. RESERVES		Revenue Reserve (realised) €	Investment Revaluation Reserve (unrealised) €	Total €
At 1 January 2006		6,334,456	5,842,431	12,176,887
Surplus for the year		1,203,370	-	1,203,370
Unrealised gain on Financial Assets		-	3,190,044	3,190,044
At 31 December 2006		<u>7,537,826</u>	<u>9,032,475</u>	<u>16,570,301</u>

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 17 July, 2007.

NOTES