



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

Annual Report 2005

**Accounts of the Fund
31st December, 2005**



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

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS 2005**

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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 Seventeenth Annual General Meeting of the Solicitors' Mutual Defence Fund Limited will be held at The Law Society, Blackhall Place, Dublin 7, on Thursday, 28th September, 2006 at 12:30noon for the purpose:-

1. To receive, and if approved, adopt the Directors' Report and Accounts for the year ended 31st December, 2005 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. Laurence K. Shields
 - (b) Mr. Patrick J. Groarke
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: 10th August, 2006

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

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DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS AT 31 DECEMBER 2005

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.
International House
1 St. Katharine's Way
London E1W, 1AY
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

PricewaterhouseCoopers
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 1,291 firms, representing 3,500 solicitors. This was a decrease of 34 firms and an increase of 50 solicitors.

The distribution of the membership as at 31st December, 2005 was:-

Size of Firm	Number of Firms	Percentage of Total
1 Solicitor	548	42.44%
2 – 5 Solicitors	646	50.04%
6 – 10 Solicitors	75	5.81%
11 – 20 Solicitors	17	1.32%
21 + Solicitors	5	0.39%

CLAIMS AND RESERVES

The outcome for the year was satisfactory. The income and expenditure account shows investment income was €1,006,249 net of tax. Note 4 shows the underwriting result. The provision for future claims net of reinsurance recoveries has decreased marginally to €21.587m. The Board is satisfied that this level of provision is prudent.

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.

Our retained free reserves exceed €12m which is considered very satisfactory. However we are conscious that our investments can go down as well as up and that claims can of course increase.

STATUTE BARRED CLAIMS

Last year there was some improvement in the number of litigation claims (including 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.

Section 50 of the Personal Injuries Assessment Board Act, 2003 provides that the period of time beginning on the making of an application under section 11 in relation to a claim and ending 6 months from the date of the issue of an authorisation shall be disregarded for the purposes of reckoning any period of time under the provisions of the Statute of Limitations 1957 or the Statute of Limitations (Amendment) Act 1991.

Thus, for the purposes of the Statute of Limitations, the clock stops on the date a valid application under section 11 is deemed to be received by the Board and does not start ticking again until six months after the issue of the authorisation.

Your Fund also imposes at least a double excess on all statute barred claims.

Options on commercial property are causing expensive problems. Claims in respect of wills and estates are appearing.

The breakdown of claims is as follows:-

YEAR (12 months to)	31/12/2003		31/12/2004		31/12/2005	
	NO.	%	NO.	%	NO.	%
Criminal	1	1.04	-	-	-	-
Litigation	30	31.25	44	41.12	17	28.82
Commercial	1	1.04	1	0.93	-	-
Conveyancing/ Commercial	9	9.38	8	7.48	6	10.17
Conveyancing/ Domestic	34	35.41	38	35.51	30	50.85
Family Law	-	-	2	1.87	1	1.69
Probate	11	11.46	6	5.61	4	6.78
Taxation	-	-	-	-	-	-
Estate Agency	-	-	-	-	-	-
Financial Advice	-	-	-	-	-	-
Insurance Agency	-	-	-	-	-	-
Other	10	10.42	8	7.48	1	1.69
Total	96	100%	107	100%	59	100%

As can be seen, the total number of claims has continued to drop but some of the Court Judgments and settlements are costing over €1m when costs are added.

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.

As The Law Society, without consultation, increased the level of minimum statutory cover to €2.5m for 2006 this must have an effect on contribution levels in future years.

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 new 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, we report monthly to our reinsurers and also keep the Board, 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. There have been problems about loadings imposed on members with claims and the Board is negotiating with reinsurers, constantly seeking a more acceptable formula. All loadings are reviewed annually. It is our perception that the manner in which loadings are now assessed is more acceptable to members.

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 CPL will help minimize losses.

The Board is at present initiating a pilot Risk Management Survey in conjunction with a UK firm run by solicitors who provide such a service. We intend also to make available Risk and Practice Management advice in this jurisdiction.

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! Also as the base cover has increased by €1 million the cost of Top Up Cover should likewise have reduced.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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BOARD, STAFF AND SOLICITORS

I would like personally to thank Margaret Moran, Manager, Phil Cassidy, Claims Consultant who has now retired 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. We welcome Jim Graham as our new Claims Consultant and hope to have a long and successful relationship with him.

CONCLUSION

This continues to be a difficult business due to overall loss ratios and a very competitive market. With progressive and continuing actions taken by your Fund with the help of AIG, our reinsurers and our brokers, we are hopeful for the years to come.

MAURICE R. CURRAN
Chairman.

10th August, 2006.

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 2005..

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 1983 and 1990 to 2005. 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 2005 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 (appointed 12 January 2005)
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

10th August, 2006.

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 11 to 19. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 14 and 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 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 1983 and 1990 to 2005. 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;
- whether the directors' report is consistent with the financial statements; and

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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2005 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 1983 and 1990 to 2005.

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

14th August, 2006.

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 DECEMBER 2005

	Notes	2005 €	2004 €
Net Contribution Income		<u>2,868,566</u>	<u>3,446,578</u>
Underwriting Result	4	-	-
Investment Income		<u>1,167,398</u>	<u>855,529</u>
Surplus before taxation	5	1,167,398	855,529
Taxation	6	<u>(161,149)</u>	<u>(152,106)</u>
Surplus retained	14	<u><u>1,006,249</u></u>	<u><u>703,423</u></u>

All of the above amounts relate to continuing activities of the company.

There is no difference between the surplus before taxation and the surplus retained for the year stated above and their historical cost equivalents.

STATEMENT OF RECOGNISED GAINS AND LOSSES YEAR ENDED 31 DECEMBER 2005

	Notes	2005 €	2004 €
Surplus for the year		1,006,249	703,423
Unrealised gain on financial assets	14	<u>1,070,448</u>	<u>1,616,210</u>
Total gain recognised since last Annual Report		<u><u>2,076,697</u></u>	<u><u>2,319,633</u></u>

On behalf of the board

MAURICE R CURRAN)
) DIRECTORS
LAURENCE K SHIELDS)

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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BALANCE SHEET 31 DECEMBER 2005

	Notes	2005 €	2004 €
FIXED ASSETS			
Tangible Fixed Assets	8	140,234	225,505
Financial Assets	9	<u>20,844,733</u>	<u>19,428,967</u>
		<u>20,984,967</u>	<u>19,654,472</u>
CURRENT ASSETS			
Debtors	10	2,040,003	1,379,915
Cash at Bank		<u>23,264,002</u>	<u>22,761,163</u>
		<u>25,304,005</u>	<u>24,141,078</u>
CREDITORS			
Amounts falling due within one year	11	(12,514,909)	(12,321,765)
DEBTORS (amounts receivable after one year)	10	<u>41,972,000</u>	<u>32,240,000</u>
NET CURRENT ASSETS		<u>54,761,096</u>	<u>44,059,313</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		75,746,063	63,713,785
PROVISION FOR LIABILITIES AND CHARGES			
Provision for claims	12	(63,569,176)	(53,880,841)
Deferred Taxation	13	<u>—</u>	<u>(36,252)</u>
		<u>(63,569,176)</u>	<u>(53,917,093)</u>
		<u>12,176,887</u>	<u>9,796,692</u>
RESERVES			
Retained Reserves	14	<u>12,176,887</u>	<u>9,796,692</u>
On behalf of the board			
	MAURICE R CURRAN)	
)	DIRECTORS
	LAURENCE K SHIELDS)	

SOLICITORS' MUTUAL DEFENCE FUND LIMITED

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CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2005

	Notes	2005 €	2004 €
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	1	(21,787)	7,559,166
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest and dividends		736,508	852,944
TAXATION		(167,396)	(232,293)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2	<u>(44,486)</u>	<u>(3,115,172)</u>
INCREASE IN CASH IN THE YEAR		<u>502,839</u>	<u>5,064,645</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash in the year	3	502,839	5,064,645
MOVEMENT IN NET FUNDS IN THE YEAR			
Net funds at beginning of the year		<u>22,761,163</u>	<u>17,696,518</u>
NET FUNDS AT END OF THE YEAR		<u>23,264,002</u>	<u>22,761,163</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 1983 and 1990 to 2005. 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 except that the provision for claims is now presented gross of estimated reinsurance recoveries which are themselves now presented as a separate asset on the face of the balance sheet. The directors have adopted this revised presentation, which has been effected by also adjusting the comparative financial amounts, as it better reflects the requirements of Financial Reporting Standard No. 5 "Reporting the substance of transactions" and mirrors established practice in the insurance industry.

The revised presentation has no effect on the company's reported surplus before or after taxation or on its retained reserves.

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	2005	2004	
		€	€	
	Underwriting result	-	-	
	Depreciation charges	87,937	83,615	
	Increase in debtors	(259,203)	586,372	
	Increase in creditors	193,144	5,613,934	
	Increase/(decrease) in provision for claims	(43,665)	(2,447,989)	
		<u>(21,787)</u>	<u>7,559,166</u>	
2.	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2005	2004	
		€	€	
	Net purchases of financial assets	(41,820)	(3,044,098)	
	Purchase of tangible fixed assets	(2,666)	(71,074)	
	Net Cash outflow	<u>(44,486)</u>	<u>(3,115,172)</u>	
3.	ANALYSIS OF NET FUNDS	2004	Cash Flow	2005
		€	€	€
	Cash at bank	<u>22,761,163</u>	<u>502,839</u>	<u>23,264,002</u>
4.	UNDERWRITING RESULT	2005	2004	
		€	€	
	NET CONTRIBUTION INCOME	2,868,566	3,446,578	
	Less:			
	Legal fees	3,510	1,555	
	Actuaries fees	52,952	56,598	
	Depreciation	87,937	83,615	
	Other Administration costs	802,707	774,069	
	Provision for future claims	<u>1,921,460</u>	<u>2,530,741</u>	
	Underwriting result	<u>-</u>	<u>-</u>	

NOTES TO THE FINANCIAL STATEMENTS -Continued

5. SURPLUS BEFORE TAXATION	2005 €	2004 €
The surplus is arrived at after charging the following:		
Directors' Remuneration:		
- For services as director	136,000	119,000
- For management services	126,000	126,000
Auditor's Remuneration	12,335	11,750
Depreciation of Tangible Fixed Assets	87,937	83,615
Investment income:		
- Interest and dividends	1,167,398	855,529

6. TAXATION	2005 €	2004 €
The charge comprises:		
Corporation tax on interest income @ 25%	197,401	151,460
Deferred taxation (credit)/charge	(36,252)	646
	161,149	152,106

7. EMPLOYEES AND REMUNERATION

The average number of persons employed by the company during the period was 4 (2004: 4)

The staff costs are comprised of:	2005 €	2004 €
Salary costs	264,477	247,457
Social welfare costs	17,684	18,473
Pension costs	17,402	23,463
	299,563	289,393

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 31 December 2004	673,031	120,455	793,486
	Additions	-	2,666	2,666
	At 31 December 2005	673,031	123,121	796,152
	Depreciation			
	At 31 December 2004	497,701	70,280	567,981
	Charge for period	73,815	14,122	87,937
	At 31 December 2005	571,516	84,402	655,918
	Net Book Value			
	At 31 December 2005	101,515	38,719	140,234
	At 31 December 2004	175,330	50,175	225,505
9. FINANCIAL ASSETS		2005	2004	
	This represents investment in:	Market Value	Market Value	Cost
		€	€	€
	Fixed Interest Securities	8,274,000	8,400,000	8,358,180
	Irish Equities	12,463,997	6,479,169	10,948,690
	US Equities	106,736	123,132	122,097
		20,844,733	15,002,301	19,428,967
		20,844,733	15,002,301	14,656,984
10. DEBTORS			2005	2004
	Amounts receivable within one year:		€	€
	Re-insurance recoverable		1,444,000	1,151,000
	Interest receivable		575,899	145,009
	Other prepayments		19,940	53,901
	Taxation recoverable		164	30,005
			2,040,003	1,379,915
			2,040,003	1,379,915
	Amounts receivable after more than one year:			
	Reinsurance recoverable		41,972,000	32,240,000
			41,972,000	32,240,000
11. CREDITORS			2005	2004
	Amounts falling due within one year:		€	€
	Deferred contribution income		11,800,582	11,834,379
	Other accruals		714,327	487,386
			12,514,909	12,321,765
			12,514,909	12,321,765

NOTES TO THE FINANCIAL STATEMENTS - Continued

12. PROVISION FOR CLAIMS	2005 €	2004 €
Outstanding Claims Provision	<u>63,569,176</u>	<u>53,880,841</u>

13. DEFERRED TAXATION	€
Balance at beginning of the year	36,252
Credit for the year	<u>(36,252)</u>
Balance at end of the year	<u>-</u>

All of the above amounts relate to timing differences on accrued interest. No provision has been made for taxation which would arise, amounting to €1,460,608 (2004: €1,192,996) if the other investments were disposed of at their market values, as it is the company's intention to continue to hold these investments for the foreseeable future.

14. RESERVES	Revenue Reserve (realised) €	Investment Revaluation Reserve (unrealised) €	Total €
At 31 December 2004	5,024,709	4,771,983	9,796,692
Surplus for the year	1,006,249	-	1,006,249
Realisation of Revaluation Reserve	303,498	(303,498)	-
Unrealised gain on Financial Assets	-	1,373,946	1,373,946
At 31 December 2005	<u>6,334,456</u>	<u>5,842,431</u>	<u>12,176,887</u>

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 10th August, 2006.

NOTES