

FINANCE ACCOUNTS

Audited Financial Statements of the Exchequer

For the Financial Year 1st January 2010 to 31st December 2010

Presented to both Houses of the Oireachtas pursuant to Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993.

BAILE ÁTHA CLIATH
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR
Le ceannach díreach ón
OIFIG DHÍOLTA FOILSEACHÁN RIALTAIS
TEACH SUN ALLIANCE, SRÁID THEACH LAIGHEAN, BAILE ÁTHA CLIATH 2,
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51 FAICHE STIABHNA, BAILE ÁTHA CLIATH 2,
(Teil: 01 - 6476834/35/36/37: Fax: 01 - 6476843)
nó trí aon díoltóir leabhar.

DUBLIN
PUBLISHED BY THE STATIONERY OFFICE
To be purchased directly from the
GOVERNMENT PUBLICATIONS SALE OFFICE,
SUN ALLIANCE HOUSE, MOLESWORTH STREET, DUBLIN 2.
or by mail order from
GOVERNMENT PUBLICATIONS, POSTAL TRADE SECTION,
51 ST. STEPHEN'S GREEN, DUBLIN 2.
(Tel: 01 - 6476834/35/36/37; Fax: 01 - 6476843)
or through any bookseller.

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Catalogue Number F/005/0086

ISBN 978-1-4064-2605-2

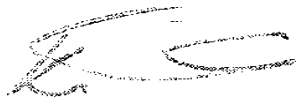
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Statement of Accounting Policies and Principles

1. The Finance Accounts, which are prepared under Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993, contain detailed analysis and classification of receipts and issues of the Central Fund, as well as details of the National Debt.
2. The maintenance of the Central Fund derives from the Constitutional requirement that "All revenues of the State from whatever source arising shall, subject to such exception as may be provided by law, form one fund, and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law".
3. The Central Fund Account is prepared on a receipts and payments basis and its euro banking transactions are effected through the Exchequer Account maintained at the Central Bank of Ireland and foreign currency clearing accounts managed by the National Treasury Management Agency.
4. The Statements relating to the National Debt and its servicing and cash flow have been provided by the National Treasury Management Agency and are presented in Part Two of these accounts.
5. Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993, provides for the transmission of the Finance Accounts to the Comptroller and Auditor General not later than 30 June in the year following that to which they relate. The Act provides that following audit, the Comptroller and Auditor General submits the Finance Accounts and a report thereon to the Minister for Finance not later than 31 August in that year. The Accounts are laid before Dáil Éireann not later than 30 September.
6. These Accounts comprise the Central Fund Account, Statements 1.1 to 1.11 and the Financial Accounts of the National Debt including the Accounting Policies.
7. The reporting period is the year ended 31 December 2010.



Kevin Cardiff
Secretary General
Department of Finance
June 2011



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Finance Accounts

I have audited the Finance Accounts for the year ended 31 December 2010 under the Comptroller and Auditor General (Amendment) Act 1993. The Accounts, which have been prepared under the accounting policies set out therein, comprise the Central Fund Account, the Financial Statements of Exchequer Receipts and Issues and Guaranteed Liabilities and the Financial Statements of the National Debt. The financial reporting framework that has been applied in their preparation is the format specified by the Minister for Finance in accordance with Section 4 of the Comptroller and Auditor General (Amendment) Act 1993.

Responsibilities of the Department of Finance

The Department of Finance is responsible for the preparation of the Accounts.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the Accounts and report on them in accordance with applicable law. My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Accounts, sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made in the preparation of the Accounts, and the overall presentation of the Accounts.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

Opinion on the Accounts

In my opinion, the Accounts properly reflect

- the payments into and out of the Central Fund and the deficit for the year ended 31 December 2010, and
- the capital investment of the Central Fund at 31 December 2010 and the National Debt outstanding at that date.

In my opinion, proper books of account have been kept by the Department of Finance. The Accounts are in agreement with the books of account.

Matters on which I Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- I find there are other material matters relating to the manner in which public business has been conducted.
- I have nothing to report in regard to those matters upon which reporting is by exception.


John Buckley
Comptroller and Auditor General

09 September 2011

Central Fund Account

Account of Receipts and Payments for year ended 31 December 2010

	Statement No.	Page	2009 €000	2010 €000
Current Receipts:				
Tax Revenue	1.1	11	33,043,173	31,752,669
Non-Tax Revenue ⁴	1.2	12	<u>837,117</u>	<u>2,687,448</u>
			33,880,290	34,440,117
Less Current Payments:				
Voted Issues	1.3	15	40,255,879	40,516,550
Non-Voted Issues				
Sinking Fund ¹	2.1 (Note1)	37	572,950	617,229
Other Service of National Debt ²	2.1 (Note1)	37	2,640,983	3,618,877
Transfer to Capital Services Redemption Account	2.4	42	18	599,999
Payments to holders of political and Constitutional office etc.	1.4	18	40,153	40,661
Payments to EU Budget	1.5	19	1,486,308	1,352,369
Other non-voted Expenditure	1.6	21	251,709	274,246
			<u>45,248,000</u>	<u>47,019,931</u>
Deficit on Current Account			<u>(11,367,710)</u>	<u>(12,579,814)</u>
Capital Receipts:				
Gaeltacht Loans Repaid		12		23
Other Loans Repaid	1.7	23	749,908	1,043,467
EU Receipts	1.9	30	79,139	67,590
Other Receipts ⁴	1.2	12	61,560	70,468
			890,619	1,181,548
Less Capital Payments:				
Voted (Issues for Departmental Capital Expenditure voted by the Dáil)	1.3	15	6,907,395	5,917,656
Non-Voted (expenditure charged directly under particular legislation)				
Loans Issued	1.7	23	790,000	1,317,702
Share Capital acquired in companies	1.8(A)	24	4,001,740	725,000
Investment in International Bodies	1.8(B)	29	1,907	293
EU Payments	1.5	19	61	467
Funding of Superannuation Liabilities	1.10	31	3,000,000	-
Other Payments	1.10	31	35,617	2,054
			<u>14,736,720</u>	<u>7,963,172</u>
Deficit on Capital Account			<u>(13,846,101)</u>	<u>(6,781,624)</u>
Exchequer Surplus/(Deficit)			(25,213,811)	(19,361,438) ²
Sinking Fund ¹			<u>572,950</u>	<u>617,229</u>
			<u>(24,640,861)</u>	<u>(18,744,209)</u>

Account of Receipts and Payments for year ended 31 December 2010 (contd.)

	Statement No.	Page		2009 €000	2010 €000
Source and Application of Funds					
Net Debt (Borrowing)/Repayment and Other Balances	2.3	40	(24,397,006)	(12,492,883)	
Total Increase/(Decrease) in Exchequer Balances and Commercial Deposits	2.3 (Note 11)	46	(243,855)	(6,251,326)	
Net Total¹				<u>(24,640,861)</u>	<u>(18,744,209)</u>

¹ The Sinking Fund provision is a transfer from the current account to the capital account to pay principal and interest due on the National Debt.

² The 2010 Service of National Debt cost as previously reported in the end year 2010 Exchequer Statement has decreased by €1,135,174 to reflect the normal post year end reclassification of National Savings Schemes between interest and debt balances of (€1,114,545) for An Post and (€9,813) for Irish Life and Permanent plc. There is also a reclassification of (€10,816) from Other Debt Management Expenses to NDFA Act.

³ Differs from Exchequer deficit per the NTMA Accounts for 2009 as the latter does not reflect movement of €18,000 in the Capital Services Redemption Account.

⁴ At the request of the relevant Departments, the breakdown between capital and current receipts for 2009 and 2010 has been changed from those published in the year end Exchequer Statement.

PART ONE

FINANCIAL STATEMENTS OF CENTRAL FUND RECEIPTS AND ISSUES

AND GUARANTEED LIABILITIES

FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT 1.1

Current: Tax Revenue

	2009 €000	2010 €000
Income Tax	11,835,235	11,276,092
Value Added Tax	10,669,652	10,101,284
Excise Duty	4,702,552	4,677,969
Corporation Tax	3,900,306	3,923,637
Stamps	929,510	960,091
Customs	208,598	228,521
Training and Employment Levy	1,213	596
Capital Acquisitions Tax	254,258	237,769
Capital Gains Tax	541,849	346,711
Unallocated Tax Receipts ¹	=	(1)
Total	<u>33,043,173</u>	<u>31,752,669</u>

¹ This represented an excess transfer in 2010 which was adjusted in 2011.

STATEMENT 1.2**Non-Tax Revenue - Current and Capital**

	Current		Capital	
	2009	2010	2009	2010
	€000	€000	€000	€000
Central Bank	290,055	704,866	-	-
Revenue Commissioners Account Balances at Central Bank	423	234	-	-
National Lottery Surplus¹	275,000	250,000	-	-
Royalties	2,114	2,572	-	-
NTMA	3,734	130,891	53,000	36,147
Income from Credit Institutions⁵	-	1,333,346	-	-
Interest received on loans	8,521	9,518	-	-
Share Dividends	145,750	128,765	-	-
Receipts collected by Government Departments and Offices²:				
Agriculture, Fisheries and Food	5,654	33	-	-
Communications, Energy and Natural Resources	-	33,664	-	17,700
Community, Equality and Gaeltacht Affairs	44	507	240	183
Defence	-	3,800	-	-
Education and Skills	-	302	111	330
Enterprise, Trade and Innovation ³	1,884	2,191	6,495	10,090

STATEMENT 1.2**Non-Tax Revenue - Current and Capital (contd.)**

	Current		Capital	
	2009	2010	2009	2010
	€000	€000	€000	€000
Receipts collected by Government Departments and Offices²: (contd.)				
Environment, Heritage and Local Government ³	1,467	41	1,381	102
Finance ³	2	10	-	-
Foreign Affairs	-	-	-	607
Health Service Executive	-	-	-	309
Justice and Law Reform	47,451	35,569	-	-
Property Registration Authority	41,512	30,298	-	-
Office of the Ombudsman	3	38	-	-
Office of Public Works	-	-	300	5,000
Office of the Revenue Commissioners	2,005	2,819	-	-
Social Protection	5	67	-	-
Tourism, Culture & Sport	3	344	33	-
Transport	-	35	-	-
Other Receipts:				
Monies received under various Acts	2,290	5,256	-	-
Voluntary salary and pension surrenders	1,118	1,023	-	-
Pension Levy ⁴	6,721	9,719	-	-

STATEMENT 1.2

Non-Tax Revenue - Current and Capital (contd.)

	Current		Capital	
	2009	2010	2009	2010
	€000	€000	€000	€000
Other Receipts: (Contd.)				
Receipts from European Investment Bank	1,183	905	-	-
Miscellaneous	<u>178</u>	<u>635</u>	<u>=</u>	<u>=</u>
Total	<u>837,117</u>	<u>2,687,448</u>	<u>61,560</u>	<u>70,468</u>

¹ Details of expenditure, which is part-funded by the National Lottery, are shown in the Estimates for Public Services.

² These are receipts that the Department of Finance directs must be credited directly to the Exchequer and cannot be retained by Departments for their own use.

³ At the request of the relevant Departments, the breakdown between capital and current receipts for 2009 and 2010 has been changed from those published in the relevant year end Exchequer Statement.

⁴ Pension levies received from Central Bank, National Treasury Management Agency, National Asset Management Agency and Houses of the Oireachtas. The figure also includes deductions from certain salaries paid from the Central Fund.

⁵ The Credit Institutions (Financial Support) Scheme was a key instrument of Government policy for stabilising the banking sector. The Scheme provided a State guarantee, for period 30th September 2008 to 29th September 2010 covering all deposits (retail, commercial, institutional and inter-bank), covered bonds, and debts (senior debt and dated subordinated debt (lower tier II) of seven , systematically important, Irish credit institutions. A CIFS Account was opened in the Central Bank to receive fees payable by the Covered Institutions under the terms of the Scheme. This Scheme has been replaced by the Eligible Liabilities Guarantee Scheme (ELG) which came into effect on 9th December 2009 with current end date of 31st December 2011. A separate ELG account was opened with Central Bank to receive fees from the participating Institutions under the terms of the ELG Scheme.

STATEMENT 1.3**Issues For Voted Expenditure - Current and Capital¹**

Vote No.	Service	Current		Capital	
		2009 €000	2010 €000	2009 €000	2010 €000
1	President's Establishment	2,940	2,562	-	-
2	Department of the Taoiseach	23,630	19,163	-	-
3	Office of the Attorney General	15,638	13,745	-	-
4	Central Statistics Office	48,017	51,085	-	-
5	Office of the Comptroller and Auditor General	6,091	4,392	-	-
6	Office of the Minister for Finance	63,831	61,649	932	277
7	Superannuation and Retired Allowances	315,014	364,006	-	-
8	Office of the Appeals Commissioner	441	419	-	-
9	Office of the Revenue Commissioners	383,871	324,095	7,140	5,288
10	Office of Public Works	272,780	246,653	193,142	158,112
11	State Laboratory	8,420	8,382	-	-
12	Secret Service	622	640	-	-
13	Chief State Solicitors Office	33,364	31,577	-	-
14	Office of the Director of Public Prosecutions	45,615	41,185	-	-
15	Valuation Office	9,527	6,872	-	-
16	Public Appointments Service	9,992	7,156	-	-

STATEMENT 1.3**Issues For Voted Expenditure - Current and Capital¹ (contd.)**

Vote No.	Service	Current		Capital	
		2009 €000	2010 €000	2009 €000	2010 €000
17	Commission for Public Service Appointments	952	595	-	-
18	Office of the Ombudsman	6,900	6,564	-	-
19	Office of the Minister for Justice and Law Reform	422,752	360,288	6,042	6,026
20	Garda Síochána	1,467,823	1,360,406	40,137	36,676
21	Prisons	321,054	298,272	37,683	18,100
22	Courts Service	46,120	55,077	27,258	43,022
23	Property Registration Authority	35,623	32,717	4,095	2,458
24	Charitable Donations and Bequests	367	349	-	-
25	Environment, Heritage and Local Government	843,128	612,076	1,805,777	1,463,817
26	Office of the Minister for Education and Skills	8,028,072	7,931,296	839,145	704,535
27	Community, Equality and Gaeltacht Affairs	329,820	316,626	111,389	83,573
28	Foreign Affairs	176,597	176,692	10,900	6,900
29	International Co-operation	564,267	522,169	1,042	1,200
30	Communications, Energy and Natural Resources	114,632	86,447	119,963	148,902
31	Agriculture, Fisheries and Food	1,015,466	814,279	546,524	483,378
32	Transport	527,816	537,423	1,985,082	1,759,743
33	National Gallery	8,584	8,008	2,000	574

STATEMENT 1.3**Issues For Voted Expenditure - Current and Capital¹ (contd.)**

Vote No.	Service	Current		Capital	
		2009 €000	2010 €000	2009 €000	2010 €000
34	Enterprise, Trade and Innovation	963,257	593,340	504,268	468,589
35	Tourism, Culture and Arts	387,359	334,011	133,491	120,859
36	Defence	744,204	682,854	17,929	11,409
37	Army Pensions	209,137	211,975	-	-
38	Social Protection	10,530,872	13,198,554	10,000	9,000
39	Health and Children	406,520	304,746	13,549	11,028
40	Health Service Executive	11,480,614	10,582,166	435,397	347,992
41	Office of the Minister for Children and Youth Affairs	384,150	306,039	54,510	26,198
Total Exchequer Issues - Voted Current & Capital Expenditure		<u>40,255,879</u>	<u>40,516,550</u>	<u>6,907,395</u>	<u>5,917,656</u>

¹ The figures shown are the amounts issued to fund current and capital expenditure on each Vote. Details of voted and actual expenditure are contained in the Appropriation Accounts.

STATEMENT 1.4

Current: Payments charged to Central Fund in respect of Salaries, Allowances, Pensions etc.¹

	2009	2010
	€000	€000
Annuities, Pensions etc. of former Constitutional, Ministerial and Judicial Office-holders ²	11,301	11,991
Salaries and Allowances ³	855	859
Judicial Salaries ⁴	<u>27,997</u>	<u>27,811</u>
Total	<u>40,153</u>	<u>40,661</u>

¹ The breakdown of Central Fund charges in respect of salaries, allowances and pensions is available on the Department of Finance website.

² Payments under this heading were as follows:-

(a) Pensions to former Presidents of Ireland;

(b) Pensions, retirement lump sums and death gratuities relating to judicial services. Deductions from lump sum payments to Judges relating to Spouses' and Children's contributions were payable to the Superannuation and Retired Allowances Vote (Vote 7);

(c) Pensions to former Ministers, Parliamentary Secretaries, Ministers of State, Attorneys General, Ceann Comhairlaí, Leas-Ceann Comhairlaí, Cathaoirligh of the Seanad, Leas-Cathaoirligh of the Seanad and Comptrollers and Auditors General;

(d) Pensions to widows and children of former Presidents, members of the judiciary and to the office holders listed at (c) above;

(e) Severance payments to former office holders. Severance payments are payable to Ministers, Ministers of State and Attorneys General when they cease to hold office: the initial allowance is 75% of the former office holder's salary, declining to zero over a period of at most 2 years;

(f) Retirement lump sums and death gratuities relating to Ministers and to the other office holders listed at (c) above.

³ Salaries and Allowances relate to the personal remuneration and annual allowance of the President of Ireland and the remuneration of the Comptroller and Auditor General.

⁴ Judicial Salaries relate to the remuneration of Judges of the Supreme Court, High Court, Circuit Courts and District Courts.

STATEMENT 1.5

Payments to the European Union: Current and Capital

	Current		Capital	
	2009	2010	2009	2010
	€000	€000	€000	€000
To European Union Budget				
Customs Duties ^{1 & 2}	176,598	185,644	-	-
VAT related payments ³	163,005	193,781	-	-
GNI (Gross National Income) related payments ³	1,146,705	972,944	-	-
 Other Payments				
EC Comm Act 1972 - 1998 (BTL ERDF) ⁴	-	-	-	467
EC Comm Act 1972 (TENS) ⁵	=	=	61	=
Total	<u>1,486,308</u>	<u>1,352,369</u>	<u>61</u>	<u>467</u>

STATEMENT 1.5

Payments to the European Union: Current and Capital (contd.)

¹ Payments to the European Union Budget take into account agreements which Ireland has made under the Single European Authorisation System. This system allows a company to pay its customs duty in Member State A in respect of goods imported into Member State B. In 2010, the net effect of the Agreements was to increase Ireland's European Budget customs duties payments by over €71 million (€69 million in 2009).

² On 7th June 2007, the Council agreed changes to the system of the European Communities' Own Resources in accordance with the Financial Framework 2007-2013, agreed at the European Council December 2005. These changes came into effect in March 2009 and applied retroactively to 1st January 2007, following their ratification by all Member States. One of these changes saw the distinction between agricultural levies and custom duties removed. Agriculture levies amounting to €0.75 million were collected during 2009 before the new system came into effect. These have been included in the 2009 Customs Duties figures to reflect more accurately the current Own Resources system.

³ The VAT and GNI related payments are made on the basis of forecast estimates. Adjustments are made in subsequent years, as the estimates are revised, leading to a mixture of additional payments and/or refunds relating to several years. In addition to adjustments made in respect of previous years' contributions, a number of adjustments may be made to Member States' payments in the course of the budget year following the adoption of any Supplementary Amending Budgets.

⁴ Two ERDF repayments totalling €467,110.51 were made in January 2010. They related to the finalisation of two closure audits undertaken by D/G Regio on the 1994-99 programming period. The first was for €366,451.00 on foot of the Commission's audit of the Urban Community Initiative 1994 – 1999. The second was for €100,659.51 on foot of the Commission's audit of the Tourism Operational Programme Objective 1, 1994 – 1999.

⁵ The Trans-European Networks repayment of €60,719.60 in November 2009 followed a decommitment of grant assistance by the Commission arising from the smaller than originally expected eligible cost expenditure (underspend) on the N1 Dundalk to Newry Road project.

STATEMENT 1.6

Current: Other Non-Voted Expenditure

	2009	2010
	€000	€000
Houses of the Oireachtas Commission Acts, 2003	123,157	102,653
Annual Allowances to parliamentary leaders of qualifying parties ¹	8,165	8,042
Payments to qualified parties under Section 17 of Electoral Act, 1997	5,506	5,439
Payments to Independents under Section 1 of Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2001	306	305
Returning Officers' Expenses under the Electoral Acts	32,488	1,038
Election Expenses of candidates under the Electoral Acts	1,005	64
Election Postal Charges	15,020	231
Payments to International Development Association ²	18,000	18,000
Payments to PSE Kinsale Energy Ltd ³	4,743	6,330
Payments under National Development Finance Agency Act	3,957	3,906
Bretton Woods Agreements (Amendment) Acts, 1957 - 1999	100	100
Development Banks Act, 2005		
Asian Development Fund	9,240	9,240
Council of Europe Development Bank	22	19

STATEMENT 1.6

Current: Other Non-Voted Expenditure (contd.)

	2009	2010
	€000	€000
Sugar Levies ⁴	-	94
Central Bank Coin Issue	30,000	8,500
Suspense Account for Social Insurance Fund ⁵	-	<u>110,285</u>
Total	<u>251,709</u>	<u>274,246</u>

¹ Details of annual allowances to parliamentary leaders of qualifying parties under Section 1 of the Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2001 are available on the Department of Finance website.

² Payments were made under the International Development Association Act, 1960 towards the replenishment of the resources of the Association, which is the concessionary lending body of the World Bank Group.

³ Remittance to PSE Kinsale Energy Ltd of a proportion of tax and royalties paid to the State. Partial remittance is provided for under Article X of a 1959 Agreement between Marathon and the State covering the exploration and development of the Kinsale gas field and the Finance Act, 1992. PSE Kinsale Energy Ltd is a subsidiary of Petronas who acquired Marathon Petroleum Ireland Ltd in 2009.

⁴ The European Commission changed the method of calculating the levies from the 2002/2003 marketing years onwards by excluding sugar exports without refunds (i.e. processed products containing sugar). The Commission's changed methodology had over-estimated the losses resulting from surplus production and so the levies had been set too high. The amount of levies to be refunded to Greencore were calculated at €93,744.56. This refund is funded 75% by the EU and 25% by Member States.

⁵ The advance was required to deal with the possibility of Social Insurance Fund payments arising in December 2010 ahead of the receipt of PRSI revenue in December 2010 and the need for cash in the Social Insurance Fund system and with its agencies to fund payments on 4th January 2011.

STATEMENT 1.7

Capital: Loan Transactions

Body/Fund	Outstanding at 31 December 2009 €000	Loans Issued 2010 €000	Loans Repaid 2010 €000	Outstanding at 31 December 2010 €000
Department of Agriculture, Fisheries and Food				
FEOGA Guarantee	790,000	673,000	790,000	673,000
Bord Iascaigh Mhara	-	-	-	-
Department of Finance				
EU Stability Support to Greece ¹	-	345,702	-	345,702
NAMA ²	-	299,000	250,000	49,000
Office of Public Works				
Local Loans Fund ³	3,628	-	3,467	161
Department of Transport				
Coras Iompair Eireann	12,511	=	=	12,511
Total	<u>806,139</u>	<u>1,317,702</u>	<u>1,043,467</u> ³	<u>1,080,374</u>

¹ Ireland's contribution to the bilateral loan facility for Greece which was put in place in May 2010. Ireland ceased to participate in the facility when the EU/IMF Programme of Financial Support for Ireland was put in place at the end of 2010.

² NAMA was established in December 2009. As an interim measure, while longer term funding programmes were being set up, the NAMA Board requested that the Minister for Finance provide €250m funding under Section 46(2) of the National Asset Management Agency Act 2009. The Minister approved that an initial minimum cash balance threshold or "liquidity buffer" of €250m should be held by NAMA given the continued transfer of assets and uncertainty surrounding the amount and timing of working capital demands. The funding was provided on a repayable basis at 6-month Euribor rate with interest accruing daily from the advance date to the date of repayment. The advance was issued on 27th May 2010 and repaid to the Exchequer, along with an interest payment of €1.06 million, by NAMA on 27th October 2010. The purchase and management of loans by NAMA was delegated to a separately created company, National Asset Management Agency Investment Ltd jointly owned by private investors (51%) and NAMA (49%). As NAMA was not in a position to fund this investment, the NAMA Board requested that funding under Section 46(2) be made available. This contribution was advanced to NAMA on 26 March 2010 on a repayable basis at 6-month Euribor. It was repaid to the Exchequer, along with an interest payment of € 473,488.71, by NAMA on 25th February 2011.

³ The aggregate loans repaid in 2010 excludes the sum of €23,000 repaid in respect of Gaeltacht Loans.

STATEMENT 1.8(A)**Capital: Share Capital acquired in Companies**

Department/Body	Shareholding at 31 December 2009	Shares acquired 2010	Shares disposed 2010	Shareholding at 31 December 2010	State's Net Assets at 31 December 2010
	€000	€000	€000	€000	€000
Agriculture, Fisheries and Food					
Coillte Teoranta	795,060	-	-	795,060	1,224,550
Irish National Stud Co. Ltd	13,769	-	-	13,769	10,622
Fastnet Mussels Ltd	19	-	-	19	-
Kush Seafarms Ltd	19	-	-	19	-
Communications, Energy and Natural Resources					
An Post ¹	68,239	-	-	68,239	(37,189)
Bord na Móna plc ²	78,664	-	-	78,664	214,572
EirGrid ³	38	-	-	38	66,289
Irish National Petroleum Corporation	0.003	-	-	0.003	10,417
National Oil Reserves Agency	0.001	-	-	0.001	390,492

STATEMENT 1.8(A)**Capital: Share Capital acquired in Companies (contd.)**

Department/Body	Shareholding at 31 December 2009	Shares acquired 2010	Shares disposed 2010	Shareholding at 31 December 2010	State's Net Assets at 31 December 2010
	€000	€000	€000	€000	€000
Enterprise, Trade and Employment					
Shannon Free Airport Development Co Ltd.	183,522	-	-	183,522	92,041
Environment, Heritage and Local Government					
Housing Finance Agency plc	39	-	-	39	55,667
National Building Agency Ltd	0.2	-	-	0.2	19,285
Finance					
Anglo Irish Bank Corporation Ltd. ⁴	4,123,000	-	-	4,123,000	3,535,000
Irish Nationwide Building Society ⁵	-	100,000	-	100,000	(18,300)
Educational Building Society ⁶	-	625,000	-	625,000	610,000
Transport					
Dublin Airport Authority plc	186,337	-	-	186,337	1,024,363
Shannon Airport Authority ⁷	38	-	-	38	-
Cork Airport Authority ⁷	38	-	-	38	-

STATEMENT 1.8(A)**Capital: Share Capital acquired in Companies (contd.)**

Department/Body	Shareholding at 31 December 2009	Shares acquired 2010	Shares disposed 2010	Shareholding at 31 December 2010	State's Net Assets at 31 December 2010
	€000	€000	€000	€000	€000
Transport (contd.)					
Aer Lingus Group plc ⁸	6,705	-	-	6,705	201,485
Irish Aviation Authority	22,675	-	-	22,675	49,763
Drogheda Port ⁹	8,237	-	-	8,237	16,143
Dublin Port Company	14,464	-	-	14,464	245,340
Dun Laoghaire Harbour Company	14,540	-	-	14,540	47,260
Galway Harbour Company	8,927	-	-	8,927	12,332
New Ross Port Company	4,672	-	-	4,672	5,181
Port of Cork Company	19,699	-	-	19,699	69,138
Port of Waterford Company ¹⁰	18,676	-	-	18,676	28,923
Shannon Foynes Port Company	22,187	-	-	22,187	19,202
Dundalk Port Company	1,884	-	-	1,884	4,298

STATEMENT 1.8(A)

Capital: Share Capital acquired in Companies (contd.)

Department/Body	Shareholding at 31 December 2009 €000	Shares acquired 2010 €000	Shares disposed 2010 €000	Shareholding at 31 December 2010 €000	State's Net Assets at 31 December 2010 €000
Transport (contd.)					
Wicklow Port Company	1,964	= <u>725,000</u>	- <u>=</u>	1,964	2,487

¹ The State has a 20% shareholding in An Post National Lottery Company, a subsidiary of An Post.

² Taken from Financial Statements for year ended 31st March 2010.

³ Taken from Financial Statements for year ended 30th September, 2010.

⁴ Under Section 8 of Anglo Irish Bank Corporation Act 2009 all the shares in Anglo Irish Bank were transferred to the Minister for Finance on the 21st January 2009. In addition, under Section 6(9) of the Credit Institutions (Financial Support) Act 2008 the Minister for Finance purchased shares in Anglo Irish Bank Corporation Limited to the value of €4,000,000,000. On 22nd December 2009 the Bank's sole Shareholder, the Minister for Finance wrote to the Bank outlining his commitment, subject to EU State Aid approval, to ensure that the Bank had sufficient capital to continue to meet regulatory capital requirements at 31st December, 2009. On the 23rd December 2009 the Board of the Bank accepted the Shareholder's binding commitment. The Bank recognised a receivable from the Shareholder on 31st December, 2009 on the basis that it was virtually certain to occur and a corresponding credit to a capital reserve. Subsequently, on 31st March 2010, the Bank received a promissory note to the value of €8.3billion from the Shareholder in settlement of the receivable.

⁵ The State subscribed for special investment shares in Irish Nationwide Building Society on 31st March 2010. The terms and conditions of the shares provide, inter alia, that the State shall be entitled to the surplus assets of the Society (if any). The net liability position of the Society as at end December 2010 as set out above is taken from the Financial Statements for the year ended 31st December 2010. The reason for the net liability position is due to the accounting position adopted on the €5.3bn Promissory Note issued by the Minister to the Society (this Promissory Note was also issued in 2010 and is a significant element of the State's Capital support to INBS). The accounting position adopted on the Promissory Note does not impact the regulatory capital of the Society and the Society had sufficient capital to meet its regulatory capital requirements.

⁶ The EBS issued 625 million perpetual special investment shares to the Minister for Finance between May and December 2010 for an aggregate subscription price of €625 million. The cost of issuance was €1.3 million.

STATEMENT 1.8(A)

Capital: Share Capital acquired in Companies (contd.)

⁷ In accordance with Section 10(3) of the State Airport Act, 2004, shares were issued to the Minister for Finance on the establishment of the Shannon and Cork Airport Authorities on 16 September, 2004. Under the Act, assets will not be transferred from the Dublin Airport Authority to the Shannon and Cork Airport Authorities until business plans have been approved by the Minister for Transport and the Minister for Finance. Accordingly, the State's net assets figure for the Dublin Airport Authority includes the assets of both Shannon and Cork Airport Authorities. Shannon and Cork Airport Authorities were established as part of the restructuring of the State's Airports.

Section 10 of the State Airports Act, 2004 provides that the initial share capital for Shannon and Cork Airport Authorities would be €38,106 each. Company law requires 25% of the initial issued share capital to be paid up at incorporation. This amounted to €9,527 for each Authority which was paid by the Department of Transport.

⁸ Aer Lingus was floated on the Irish and UK Stock Exchanges during 2006. The total equity in the Company at 31st December 2010 was €802,408,000 of which €26,702,000 was the total issued share capital. The nominal value of shares in the Company is €0.05 each. The State's percentage shareholding at 31st December 2010 was 25.11% which amounts to a shareholding of €6,704,872 (2009: €6,705,000) and a share of net assets amounting to €201,484, 649 (2009: €176,899,000).

⁹ The Called up Share Capital per the audited accounts of the Drogheda Port Company for 2009 was €8,194,935. However, this does not include Central Fund payments of €43,000 (i.e. €31,000 made in 2007 as part of the Exchequer's contribution to an Interreg IIA grant-in-aid project and €12,000 made in 2009) in respect of which share certificates had not issued by the end of December 2009. The State's Net Assets per these same audited accounts does not include the €43,000 issued from the Central Fund in 2007 and 2009.

¹⁰ The shareholding at 31st December 2009 differs from that on the Consolidated Balance Sheet of the Port of Waterford Company as of the same date due to the fact that the amount paid by the Department of Transport to the port company was €9,000 greater than what it received from the Exchequer.

STATEMENT 1.8(B)

Capital: Investments in International Bodies under International Agreements

	Shareholding at 31 December 2009 ¹	Cost of Shares Acquired in 2010	Disposal of Shares in 2010	Shareholding at 31 December 2010 ¹
	€000	€000	€000	€000
Payments under Bretton Woods Agreement Acts, 1957 - 1999 ²	25,753	-	-	27,765
Payments under International Finance Corporation Act, 1958 ²	895	-	-	965
European Bank for Reconstruction and Development ²	15,724	-	-	18,780
European Investment Bank ²	65,926	-	-	65,926
International Common Fund for Commodities ²	529	-	-	529
Multilateral Investment Guarantee Agency ²	650	-	-	700
European Financial Stability Facility ³	-	293	-	293
Council of Europe Development Bank ²	13,100	-	-	13,100
Development Banks Act, 2005				
Asian Development Bank	7,295	-	-	7,295
Totals	<u>129,872</u>	<u>293</u>	<u>=</u>	<u>135,353</u>

¹ All shareholding amounts represent the actual shareholdings at the relevant dates. Shareholdings denominated in US dollars are stated in Euro at the exchange rates prevailing at the relevant dates except in the case of the Asian Development Bank and the International Common Fund for Commodities where any repayment of the shares purchased in US would be made in Euro at the exchange rates prevailing at the time the shares were purchased.

² There were no new shares acquired in these institutions in 2010. Any changes in value relate to exchange rate fluctuations.

³ The European Financial Stability Facility (EFSF) was set up as an entity incorporated in Luxembourg to issue bonds to Member States which require assistance. The facility was set up in such a way as to have a top credit rating and thus be able to borrow on the markets at the best possible rates. Section 3 of the European Financial Stability Act, 2010 provides for the payment from the Central Fund of sums not exceeding €7.5 billion in aggregate for the purpose of enabling the State to fulfill its obligations under the EFSF Agreement between Eurozone Member States, including contributions to the capital and other costs of the EFSF and any other expenses incurred in relation to the Agreement. Ireland paid €293,000 towards its allocation of the EFSF's share capital and this is reflected in the above Statement. In November 2010 Ireland became a borrower from the EFSF as part of the EU-IMF Programme and under the terms of the Agreement stepped out of the Facility.

STATEMENT 1.9

Capital: Receipts from the European Union

	2009 €000	2010 €000
European Regional Development Fund	56,668	66,269
Cohesion Fund	10,700	-
Trans European Network	11,735	1,288
Turkish Aid Protocol ¹	33	33
EEA/EFTA Financial Mechanism	3	=
Total	<u>79,139</u>	<u>67,590</u>

¹Ireland's share of repayments by Turkey of EU loans under the Association Agreement with that country.

STATEMENT 1.10

Capital: Other Non-Voted Expenditure

	2009	2010
€000	€000	€000
Funding of Superannuation Liabilities¹		
National Pension Reserve Fund ²	3,000,000	-
Payments under other Acts:		
Insurance Acts, 1953 - 1988	35	5
Convention of Lomé Act 1976	62	17
Finance Acts, 1978 and 1990	-	-
Carbon Fund Act 2007	35,520	<u>35,617</u>
Total	<u>3,035,617</u>	<u>2,054</u>

¹ The 2009 estimated accrued liability for occupational pension schemes of public servants is of the order of €116 billion. This figure represents the present value of the expected future pension payments to current staff and to their spouses in respect of services to date along with the full liability for all future payments to current pensioners and to their spouses (see Report of Comptroller and Auditor General on the Accounts of the Public Services 2009.)

² The market value of the National Pensions Reserve Fund at 31st December 2010 was €22.7 billion (€22.3 billion at 31st December 2009). The change in value of the Fund reflects the return on the Fund's investment and the change in the value of those investments over 2010 (including investments in credit institutions made at the direction of the Minister for Finance), as well as €1.079 billion in assets transferred to the Fund during the year from the pension funds of universities and non-commercial semi-state bodies under the Financial Measures (Miscellaneous Provisions) Act 2009, which provides for the meeting of future pension liabilities on a pay-as-you-go basis by the relevant bodies.

STATEMENT 1.11

Guaranteed Liabilities

At 31st December 2010, the Government had guaranteed the due payment of obligations in respect of liabilities of which the principal or capital value outstanding was €117.566 billion. The individual amounts represent capital raised and commitments entered into in accordance with the relevant statutes.

Relevant Department and Nature of Liability	Amounts Outstanding at 31 December 2009 €000	Changes in Guaranteed Liabilities in 2010 €000	Amounts Outstanding at 31 December 2010 €000
Finance			
ACP-EEC Convention of Lomé (contracts of Guarantee between State and European Investment Bank) Act, 1976.	4,190	492	4,682
Credit Institutions (Financial Support) Act 2008 ¹ Eligible Liabilities Guarantee	-	113,000,000	113,000,000
Transport			
Córas Iompair Éireann	111,553	(94,303)	17,250
Enterprise, Trade and Employment			
Insurance Acts, 1953 - 1988	314	25	339

STATEMENT 1.11

Guaranteed Liabilities (contd.)

Relevant Department and Nature of Liability	Amounts Outstanding at 31 December 2009	Changes in Guaranteed Liabilities in 2010	Amounts Outstanding at 31 December 2010
	€000	€000	€000
Environment, Heritage and Local Government			
Housing Finance Agency plc	4,886,713	(416,360)	4,470,353
National Building Agency Ltd	117	(16)	101
Securitisation (Proceeds of Certain Mortgages) Act, 1995	25,072	-	25,072
Agriculture, Fisheries and Food			
Irish Intervention Agency	84,826	(36,506)	48,320
	<u>5,112,785</u>	<u>112,453,332</u>	<u>117,566,117</u>

¹ The total liability under the Bank Guarantee Scheme at 31st December 2010 was €113 billion. Under Section 6 of the Credit Institutions (Financial Support) Act, 2008 all financial support arising under the Scheme is, as far as possible, recouped from the credit institutions to which support is provided. The Act does, however, provide (Section 4) that expenditure not met under Section 6 will be met from the Central Fund. Under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. 490 of 2009), a credit institution that avails of the guarantee is liable to pay a charge for the guarantee which is credited to the Central Fund (see Statement 1.2).

PART TWO

**FINANCIAL STATEMENTS OF THE NATIONAL DEBT OF IRELAND
FOR YEAR ENDED 31 DECEMBER 2010**

NATIONAL DEBT OF IRELAND

ACCOUNTING POLICIES

Background

The National Treasury Management Agency (NTMA) was established under the National Treasury Management Agency Act, 1990 to perform the borrowing and National Debt Management function on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

Pages 37 to 42 set out the financial statements of the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Basis of Accounting

The measurement base adopted is that of historical cost except where otherwise stated. Transactions are recognised using the cash basis of accounting.

The National Debt Statement is a statement of the total amounts of principal borrowed by Ireland not repaid at the end of the year, less liquid assets available for redemption of those liabilities at the same date. The Minister for Finance under various statutes also guarantees borrowings by State and other agencies. These guarantees are not included in these financial statements.

Reporting Period

The reporting period is for the year ended 31 December 2010.

Reporting Currency

The reporting currency is the EURO which is denoted by the symbol €.

Receipts and Payments

Receipts and payments relating to the National Debt through the Exchequer Account, Foreign Currency Clearing Accounts and the Capital Services Redemption Account (CSRA) are recorded at the time the money is received or payment made.

Liability Valuation

Debt balances are recorded at redeemable par value.

NATIONAL DEBT OF IRELAND

ACCOUNTING POLICIES (Contd.)

Derivatives

Swap agreements and other financial instruments are entered into for hedging purposes as part of the process of managing the National Debt. The results of those hedging activities linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities not linked with specific borrowing transactions are included in debt service costs at the time the funds are received or payment made. Where swaps are terminated or converted into other swap instruments the funds flow impact on debt service in accordance with the terms of the revised instrument.

Foreign Currencies

Receipts and payments in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the transaction. Liabilities and assets in foreign currencies are translated into Euro at the rates of exchange ruling at the year end dates.

STATEMENT 2.1 - NATIONAL DEBT OF IRELAND

Service of Debt Statement¹

Year ended 31 December 2010

	Notes ¹	2009 Total Cost €000	2010	Total Cost €000
Interest Paid				
Medium / Long Term Debt ²	2	1,985,747		3,193,472
Short Term Debt ³	3	615,760		197,136
National Savings Schemes	4, 10	250,219		199,315
Other Movements	5	2,670		4,304
Sinking Fund Payments	6	572,950		617,229
Fees and Expenses	7	68,606		84,627
Expenses of NTMA		37,345		42,546
Interest received on deposits with Central Bank and other banks		<u>(319,346)</u>		<u>(102,523)</u>
Total Service Cost		<u>3,213,951</u>		<u>4,236,106</u>

¹ The Notes on pages 43 to 50 form part of these financial statements.

² Medium / Long Term Debt is debt with an original maturity of more than one year.

³ Short Term Debt is debt with an original maturity of not more than one year.

STATEMENT 2.2 - NATIONAL DEBT OF IRELAND

National Debt Statement¹

31 December 2010

	Notes	2009 € million	2010 € million
Medium / Long Term Debt²			
Irish Government Bonds listed on the Irish Stock Exchange		70,858	90,102
Private Placements		217	602
Medium Term Notes		422	92
Miscellaneous Debt		<u>31</u>	<u>(21)</u>
	8	71,528	90,775
Short Term Debt³			
Commercial Paper	9	16,261	6,972
Borrowings from Funds under the control of the Minister for Finance	17	<u>1,783</u>	<u>1,524</u>
		18,044	8,496
National Savings Schemes			
Savings Certificates		3,104	3,957
National Solidarity Bonds		-	342
Savings Bonds		2,761	4,239
Instalment Savings		456	468
Savings Stamps		2	2

STATEMENT 2.2 - NATIONAL DEBT OF IRELAND

National Debt Statement¹ (contd.)

31 December 2010

	Notes	2009 € million	2010 € million
National Savings Schemes (contd.)			
Prize Bonds	10	<u>1,073</u> 7,396 96,968	<u>1,330</u> <u>10,338</u> 109,609
Less Liquid Assets	11	<u>(21,816)</u>	<u>(16,164)</u>
National Debt	14	<u>75,152</u>	<u>93,445</u>

¹ The Notes on pages 43 to 50 form part of these financial statements.

² Medium / Long Term Debt is debt with an original maturity of more than one year.

³ Short Term Debt is debt with an original maturity of not more than one year.

STATEMENT 2.3 - NATIONAL DEBT OF IRELAND

National Debt Cash Flow Statement¹

Year ended 31 December 2010

	Notes	2009 €000	2010 €000
Movement in Exchequer Balances:			
Opening Balance in Exchequer Account	11	21,269,014	21,025,141
Deposit Activity	18	-	(3,374,868)
Borrowing Activity (see page 41)		<u>24,397,006</u>	<u>12,492,883</u>
		45,666,020	30,143,156
Exchequer Surplus / (Deficit)		<u>(24,640,879)</u>	<u>(18,744,208)</u>
Closing Balance in Exchequer Account	11	<u><u>21,025,141</u></u>	<u><u>11,398,948</u></u>

STATEMENT 2.3 - NATIONAL DEBT OF IRELAND

National Debt Cash Flow Statement¹ (contd.)

Year ended 31 December 2010

	2009 Net	2010 Net	2010 Receipts ²	2010 Payments ²
Borrowing Activity				
Irish Government Bonds listed on the Irish Stock Exchange	28,896,998	19,102,292	30,706,008	(11,603,716)
Other Irish Government Public Bond Issues	-	(399,090)	-	(399,090)
Private Placements	212,682	379,185	379,185	-
EIB Loans	(34,092)	-	-	-
Miscellaneous Debt	(126)	16,613	399,090	(382,477)
Commercial Paper	(5,528,286)	(9,290,401)	86,236,918	(95,527,319)
Savings Certificates	570,192	853,883	1,359,741	(505,858)
Savings Bonds	808,133	1,478,480	2,133,107	(654,627)
National Solidarity Bond	-	341,837	348,717	(6,880)
National Instalment Savings	23,846	12,827	108,185	(95,358)
Prize Bonds	269,410	256,743	399,149	(142,406)
Borrowings from Ministerial Funds	(821,751)	(259,486)	50,544,316	(50,803,802)
Total Borrowing Activity	24,397,006	12,492,883	172,614,416	(160,121,533)
Deposit Activity	18	<u>(3,374,868)</u>	<u>319,180,746</u>	<u>(322,555,614)</u>
Total Activity		<u>9,118,015</u>	<u>491,795,162</u>	<u>(482,677,147)</u>
Exchequer Account	25,979,380	13,828,135	478,519,664	(464,691,529)
Foreign Currency Clearing Accounts	16	<u>(4,710,120)</u>	<u>13,275,498</u>	<u>(17,985,618)</u>
		<u>24,397,006</u>	<u>491,795,162</u>	<u>(482,677,147)</u>

¹ The Notes on pages 43 to 50 form part of these financial statements.

² Receipts and payments represent the gross value of borrowing activity, including rollover of debt.

STATEMENT 2.4 - NATIONAL DEBT OF IRELAND

Statement of Movement in National Debt ¹		Year ended 31 December 2010	
	Notes	2009 €'000	2010 €'000
Opening National Debt		50,398,188	75,151,797
Increase / (Decrease) in National Debt (nominal)		<u>24,753,609</u>	<u>18,292,863</u>
Represented by:			
Exchequer (Surplus)/Deficit		24,640,879	18,744,208
Effect of Foreign Exchange Rate Movements		10,944	821
Medium Long Term Loans; net reduction/(excess) of proceeds over nominal liability		4,318	5,815
Bond Tranching: net reduction (excess) of proceeds over nominal liability		97,235	139,720
Bond Cancellations: net reduction (excess) of cancellation cost over nominal liability		251	2,298
Movement in CSRA current balance	11	(18)	(599,999)
		<u>24,753,609</u>	<u>18,292,863</u>
Closing National Debt		75,151,797	93,444,660

¹ The Notes on pages 43 to 50 form part of these financial statements.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Total Service Cost

		Charged on Foreign Currency Clearing Accounts	Charged on Central Fund	Charged on CSRA	Total Service Cost 2010
	Notes	€'000	€'000	€'000	€'000
Interest paid					
Medium / Long Term Debt	2	4	1,422,209	1,771,259	3,193,472
Short Term Debt	3	16,397	153,255	27,484	197,136
National Savings Schemes	4, 10	-	78,578	120,737	199,315
Other Movements	5	(4,727,658)	5,260,529	(528,567)	4,304
Sinking Fund payments	6	-	-	617,229	617,229
Fees and Expenses	7	306	84,321	-	84,627
Expenses of NTMA		827	41,719	-	42,546
Interest received on deposits with Central Bank and other banks		=	=	(102,523)	(102,523)
		(4,710,124)	7,040,611	1,905,619	4,236,106
Inter Account movement		=	2,505,618	(2,505,618)	=
Net cash paid		<u>(4,710,124)</u>	<u>9,546,229</u>	<u>(599,999)</u>	<u>4,236,106</u>

Note 2 - Interest on Medium / Long Term Debt

	Total Cost 2009 €'000	Total Cost 2010 €'000
Irish Government Bonds listed on the Irish Stock Exchange	1,965,997	3,175,026
Private Placements	2,011	12,478
Medium Term Notes	17,131	19,218
Miscellaneous Debt	608	(13,250)
	<u>1,985,747</u>	<u>3,193,472</u>

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 3 - Interest on Short Term Debt

	Total Cost 2009 €'000	Total Cost 2010 €'000
Commercial Paper	593,366	87,462
Borrowings from Funds under the control of the Minister for Finance	<u>22,394</u>	<u>109,674</u>
	<u>615,760</u>	<u>197,136</u>

Note 4 - Interest on National Savings Schemes

	Total Cost 2009 €'000	Total Cost 2010 €'000
Savings Certificates	398,447	93,493
Savings Bonds	50,065	52,428
Installment Savings	16,531	18,963
Prizes in respect of Prize Bonds	27,831	34,431
Small Savings Reserve [Note 10]	<u>(242,655)</u>	=
	<u>250,219</u>	<u>199,315</u>

Payments for Interest on National Savings Schemes in 2010 include transfers to the Dormant Accounts Fund in respect of accumulated capitalised interest on certain accounts deemed dormant by An Post under the Dormant Account Act, 2001. The net interest amounts transferred in 2010 were as follows:

	2009 €'000	2010 €'000
Savings Certificates	(2,004)	(662)
Savings Bonds	(43)	(245)
Instalment Savings	<u>(92)</u>	<u>(4)</u>
	<u>(2,146)</u>	<u>(911)</u>

Note 5 - Other Movements

The NTMA, as part of its remit, engages in a range of debt management transactions including derivatives[See Note 13]. This figure reflects the net cashflows associated with these activities.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 6 - Sinking Fund Payments

Under the Finance Act 1950, Section 22, as amended, specified amounts were provided for the redemption of debt. The sums provided and applied in 2010 were as follows:

	2009	2010
	€'000	€'000
Capital Services Redemption Account [Note 15]	<u>572,950</u>	<u>617,229</u>

Note 7 - Fees and Expenses

	Total Cost	Total Cost
	2009	2010
	€'000	€'000
Expenses of:		
Government Bonds and Other Loans	38,381	51,232
Savings Certificates	7,947	8,730
National Solidarity Bonds	-	943
Prize Bonds	12,778	11,505
Savings Bonds	7,657	10,453
Instalment Savings	1,843	1,764
Savings Stamps	=	=
	<u>68,606</u>	<u>84,627</u>

Note 8 - Medium / Long Term Debt

The maturity profile of the Medium / Long Term Debt, taking into account the treasury management transactions entered into by the NTMA, is as follows:-

	As at 31 December 2009	As at 31 December 2010
	€ million	€ million
Debt due for repayment within 1 year	1,179	4,585
Debt due for repayment between 2 and 5 years	24,891	23,779
Debt due for repayment in more than 5 years	<u>45,458</u>	<u>62,411</u>
	<u>71,528</u>	<u>90,775</u>

Note 9 - Commercial Paper

The NTMA issues short-term commercial paper of maturities up to 1 year to raise short-term funds from the international money markets. The proceeds are used to fund the Exchequer deficit and as bridging finance in the replacement of longer term debt and for other liquidity management purposes. Borrowings may be in a range of currencies, but all non-euro borrowings are immediately swapped back into euro using foreign exchange contracts.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 10 - National Savings Schemes

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds and Prize Bonds are net of €14.3 million (2009 : €20.9 million) being cash balances held by An Post, Permanent TSB Bank and the Prize Bond Company. An Post and the Prize Bond Company act as the registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €368 million (2009 : €346 million), being the estimate of the amount of accrued interest at 31 December 2010 in respect of Savings Bonds, Savings Certificates and Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the Fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the Fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The gross interest cost of the savings schemes for 2010 was €199 million which represented 57.57% of the interest accrued at 31 December 2009 of €346 million. No resources were applied from the Fund towards meeting interest payments during 2010.

Estimated accrued interest at 31 December 2010		€ million
Balance of Small Savings Reserve Fund at 1 January 2010	NIL	368
Amount applied during 2010 [Note 4]	NIL	
Balance of Small Savings Reserve Fund at 31 December 2010		<u>NIL</u>
Estimated accrued interest not provided for at 31 December 2010		<u>368</u>

Any balance in the Fund is transferred to the Exchequer as part of the borrowings from funds under the control of the Minister for Finance.

Note 11 - Liquid Assets

	Opening balance at 1 January 2010	Movements during 2010	Closing balance at 31 December 2010
	€'000	€'000	€'000
Exchequer Account	21,025,141	(9,626,193)	11,398,948
Capital Services Redemption Account			
Current Balance [Note 15]	452	599,999	600,451
Deposits, Treasury Bills and short Term Notes	<u>790,000</u>	<u>3,374,868</u>	<u>4,164,868</u>
	<u>21,815,593</u>	<u>(5,651,326)</u>	<u>16,164,267</u>

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 12 - Risk Management

The NTMA's responsibility for both the issuance of new debt and the repayment of maturing debt, together with the management of the interest rate and currency profile of the total debt portfolio, makes the management of risk a central and critical element of the NTMA's business. The principal categories of risk arising from the NTMA's activities are liquidity, market, counterparty credit and operational risk. In all of these areas the NTMA has comprehensive policies and procedures to measure and control the risk involved.

A major objective of the NTMA is to ensure that the Exchequer has sufficient cash to meet all obligations as they fall due. Ultimately the protection of liquidity is the NTMA's most critical task. Liquidity risks related to the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The NTMA manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time and matching the timing and volume of funding. This is reinforced by the NTMA's activities in continuing to develop a well informed and diversified international investor base, through maintaining its presence in all major capital markets and by extending the range of debt instruments which it issues.

On 28 November 2010, the Government agreed to a three year €85 billion financial support programme for Ireland by members of the EU and the IMF. The terms of the programme include loans of varying maturities up to twelve years with an average maturity of seven and a half years. The staggered maturities are important from a risk management perspective in order to avoid a situation whereby Ireland is faced with a "funding wall" on conclusion of the programme. The NTMA seeks to ensure that disbursements under the EU/IMF programme are scheduled in such a way as to provide adequate liquidity while minimising the cost of carry to the State.

Market risk is the risk that movements in market interest or exchange rates or other prices adversely impact on debt service costs or the total market value of the debt. The NTMA must have regard both to the short-term and long-term implications of its transactions given its task of controlling not only the immediate fiscal debt service costs but also the present value of all future payments of principal and interest.

The exposure to interest rate and currency risk is controlled by managing the interest rate and currency composition of the portfolio in accordance with Ministerial Guidelines. Specific quantitative limits are in place to control market risk; exposures against these limits are reported regularly both to portfolio managers and to senior management. As conditions in financial markets change, the appropriate interest rate and currency profile of the portfolio is reassessed. The NTMA seeks to achieve the best trade-off between cost and risk over time and has in place a hedging programme to manage interest rate and exchange rate risks and to protect the Exchequer from potential volatility in future years. More information on the use of derivatives is set out in Note 13 - Derivatives.

Counterparty credit risk exposures arise from derivatives, deposits and foreign exchange transactions. The level of credit risk is minimised by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or in economic and political events.

In order to mitigate the Exchequer exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, the NTMA may enter into credit support arrangements with the market participants with which it wishes to trade - this involves the posting of collateral to offset the market value of exposures. More information on the use of credit support arrangements is set out in Note 13 - Derivatives.

Comprehensive controls have been established to ensure that operational risks are managed in a prudent manner. These controls include the segregation of duties between dealing, processing, payments and reporting.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 13 - Derivatives

As part of its risk management strategy the NTMA uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value, and present value, of the instruments related to the National Debt outstanding at year end. The present value of each instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

	31 December 2009		31 December 2010	
	Nominal	Present Value	Nominal	Present Value
	€ million	€ million	€ million	€ million
Interest Rate Swaps	195	(11)	195	(9)
Currency Swaps & Foreign Exchange Contracts	<u>5,829</u>	<u>114</u>	<u>637</u>	<u>22</u>
	<u>6,024</u>	<u>103</u>	<u>832</u>	<u>13</u>

The NTMA provides treasury services to NAMA under Section 52 of the National Asset Management Agency Act, 2009. Accordingly it may enter into derivative transactions with NAMA or with any other person as an agent of NAMA. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of interest rate swaps transacted with NAMA outstanding at end 2010 was €15.8 billion (2009: NIL); the nominal value of currency swaps and foreign exchange rate contracts with NAMA outstanding at end 2010 was €10.3 billion (2009: NIL)

In order to mitigate the risks arising from derivative transactions, the NTMA enters into credit support arrangements with its market counterparties. The NTMA established a Credit Support Account in 2010 to facilitate these transactions.

Credit Support Annexes - Receipts and Payments

	Year Ended 31 December 2010 €000
Balance at 1 January 2010	NIL
Net margin transfers received from counterparties	11,000
Interest Received from Central Bank on cash balances	4
Interest paid to counterparties on cash collateral balances held	(4)
Balance at 31 December 2010 (Cash with Central Bank of Ireland)	<u>11,000</u>

The purpose of this account is to administer collateral balances arising under Credit Support Annexes (CSAs). A CSA is a legal document which may be attached to an ISDA Master Agreement to regulate credit support (in this case, cash collateral) for derivative transactions and it defines the circumstances under which counterparties are required to post collateral.

Under the CSAs, the posting of cash constitutes an outright transfer of ownership. However, the transfer is subject to an obligation to return equivalent collateral in line with changes in market values or under certain circumstances such as a Termination Event or an Event of Default. The provider of collateral is entitled to deposit interest on cash balances posted.

As at end 2010, the NTMA had not posted any cash collateral as this was not required under the terms of CSAs that were in place.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 14 - National Debt

The NTMA hedges the foreign currency risk of the National Debt through the use of forward foreign exchange contracts and currency swaps. The currency composition of the National Debt, taking into account these transactions is as follows :

Currency	As at 31 December 2010	As at 31 December 2009
	€ million	€ million
Debt Instruments		
Euro ¹	92,838	69,454
US\$	470	5,511
Pounds Sterling	23	158
Japanese Yen	92	75
Swiss Franc	20	12
Swedish Krona	17	39
	<u>93,460</u>	<u>75,249</u>
Foreign Currency & Swap Contract		
Euro	611	5,706
US\$	(474)	(5,518)
Pounds Sterling	(23)	(159)
Japanese Yen	(92)	(75)
Swiss Franc	(20)	(12)
Swedish Krona	(17)	(39)
	<u>(15)</u>	<u>(97)</u>
National Debt	93,445	75,152

¹This figure is net of liquid assets as at 31 December 2010 of €16.164 million (31 December 2009: €21,816 million).

Note 15 - Capital Services Redemption Account

This account is used to record :

- (a) payments of interest and principal out of an annual annuity designed to amortise borrowing for voted capital under Section 22(7) of the Finance Act, 1950;
- (b) certain receipts and payments arising out of debt servicing and debt management transactions authorised by Section 67(8) of the Finance Act, 1988 and Section 54(7) of the Finance Act, 1970.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 16 - Foreign Currency Clearing Accounts		€'000
Balance at 1 January 2010		NIL
Deposit interest received		
Amounts received under Finance Act 1988 [S67 (8)]	41,916,251	
Amounts paid under Finance Act 1970 [S54 (7)]	<u>(37,188,593)</u>	4,727,658
Foreign Currency Borrowing receipts	13,275,498	
Foreign Currency Borrowing payments	<u>(17,985,618)</u>	(4,710,120)
Interest paid on Foreign Currency Borrowings [Note 1]		
Medium/Long Term Debt	(4)	
Short Term Debt	<u>(16,397)</u>	(16,401)
Expenses of Foreign Currency Borrowings [Note 1]		(306)
Expenses of NTMA		(826)
Expenses of NDFA		(5)
Balance at 31 December 2010		<u>NIL</u>

Note 17 - Borrowings from Funds under the control of the Minister for Finance

These funds are short term borrowings of the Exchequer drawn down as a "ways and means" of funding Exchequer requirements from a number of funds under the control of the Minister for Finance.

	As at 31 December 2009	As at 31 December 2010
	€ million	€ million
Post Office Savings Bank Fund	1,208	1,208
Ulysses Securitisation plc	127	-
Deposit Monies Investment Account	<u>448</u>	<u>316</u>
	<u>1,783</u>	<u>1,524</u>

Note 18 - Deposits, Treasury Bills and Short Term Notes Activity

The NTMA places short-term deposits for maturities of up to 1 year for the purpose of liquidity management.