

**FINANCE ACCOUNTS**  
**Audited Financial Statements of the Exchequer**  
**For the Financial Year**  
**1st January 2005**  
**to**  
**31st December 2005**

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

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BAILE ÁTHA CLIATH  
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR  
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### Notes

(a) See also page 24

(b) See also page 15



## **Foreword**

1. The Department of Finance is required under statute to prepare and present to both Houses of the Oireachtas detailed annual accounts of the Central Fund. These accounts, known as the Finance Accounts, contain detailed analysis and classification of receipts and issues of the Central Fund as well as details relating to 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 & Financial Services Authority 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 Exchequer Account, Statements 1.1 to 1.14, Schedule 1 and the Financial Accounts of the National Debt including the Accounting Policies.

**THOMAS CONSIDINE**  
**Secretary General**  
**Department of Finance**  
**June 2006**



## **Finance Accounts**

### **Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas**

I have audited the Finance Accounts for the year ended 31 December 2005 under the Comptroller and Auditor General (Amendment) Act, 1993.

The Finance Accounts comprise the Exchequer Account, the Financial Statements of Exchequer Receipts and Issues and Guaranteed Liabilities and the Financial Statements of the National Debt.

### **Respective Responsibilities of the Minister for Finance and the Comptroller and Auditor General**

Under Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993 the Minister is responsible for causing the Finance Accounts to be kept in such form as he may specify.

My responsibility is to audit the Finance Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the transactions in the Finance Accounts conform to the authorities that govern them; and whether the Finance Accounts properly reflect the payments into and out of the Central Fund, the surplus or deficit for the year, and the capital investment of the Central Fund and the National Debt outstanding at the end of the year. I also report whether in my opinion proper books of account and records have been kept. In addition, I state whether I have obtained all the information and explanations necessary for the purpose of my audit.

### **Basis of Audit Opinion**

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the Finance Accounts in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Finance Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Finance Accounts.

## **Opinion**

- (a) the transactions recorded in the Finance Accounts conform to the authorities that govern them.
- (b) proper books of account and records have been kept.
- (c) the Finance Accounts properly reflect
  - (i) the payments into and out of the Central Fund and the deficit for the year ended 31 December 2005, and
  - (ii) the capital investment of the Central Fund at 31 December 2005 and the National Debt outstanding at that date.

I have obtained all the information and explanations that I consider necessary for the purpose of my audit.

**John Purcell**  
**Comptroller and Auditor General**  
**21 September 2006**



# EXCHEQUER ACCOUNT

## Account of Receipts and Payments for the year ended 31 December 2005

STATEMENT No.		2005	2004
		€ 000	€ 000
<b>Current Receipts:</b>			
Tax Revenue	1.1	39,253,973	35,580,822
Non-Tax Revenue	1.2	595,166	802,161
		<b>39,849,139</b>	<b>36,382,983</b>
<b>Current Payments:</b>			
Voted (Departmental expenditure voted annually by the Dáil)	1.3	29,600,886	27,179,456
Non-Voted (non-discretionary expenditure charged directly on Central Fund)			
Sinking Fund (a)	2.1(Note 1)	477,615	489,529
Other Service of National Debt (b)	2.1(Note 1)	1,759,920	1,713,899
Payments to holders of political and Constitutional office etc.	1.4	41,294	38,240
Payments to EU Budget	1.5	1,496,811	1,185,539
Other non-voted Expenditure	1.6	119,695	156,962
		<b>33,496,221</b>	<b>30,763,625</b>
<b>Surplus on Current Account</b>		<b>6,352,918</b>	<b>5,619,358</b>
<b>Capital Receipts:</b>			
Loans repaid	1.8	181,690	219,004
EU Receipts	1.10	260,154	344,619
Other Receipts	1.12	75,593	89,560
		<b>517,437</b>	<b>653,183</b>
<b>Capital Payments:</b>			
Voted (Departmental expenditure voted annually by the Dáil)	1.7	5,866,602	5,368,493
Non-Voted (expenditure charged directly under particular legislation)			
Loans issued	1.8	650,684	175,030
Share Capital acquired in State Bodies	1.9 (A)	3,683	3,462
Investment in International Bodies	1.9 (B)	4,132	4,324
EU Payments	1.11	796	-
Funding of Superannuation Liabilities	1.13	1,320,250	1,177,000
Other Payments	1.13	1,177	834
		<b>7,847,324</b>	<b>6,729,143</b>
<b>Deficit on Capital Account</b>		<b>(7,329,887)</b>	<b>(6,075,960)</b>
<b>Exchequer Cash Balance</b>		<b>(976,969)</b>	<b>(456,602)</b>
Sinking Fund (a)	2.1	477,615	489,529
<b>Exchequer Surplus/(Deficit)</b>		<b>(499,354)</b>	<b>32,927</b>
<b>Source and Application of Funds</b>			
Net Debt (Borrowing)/Repayments and Other Balances	2.3	(620,183)	(305,162)
Total Increase/(Decrease) in Exchequer Balances and Commercial Deposits	2.3	120,829	338,089
		<b>(499,354)</b>	<b>32,927</b>

### Notes:

(a) 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.

(b) The 2005 service of National Debt cost as previously reported in the end year 2005 Exchequer Statement has increased by € 98,145 to reflect a reclassification of National Savings Schemes between interest and debt balances of (€128,925) for An Post and € 30,780 for Irish Life & Permanent plc.



# **PART ONE**



## STATEMENT 1.1

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### Current: Tax Revenue

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	2005	2004
	€000	€000
Income Tax	11,266,298	10,650,541
Value Added Tax	12,089,070	10,693,291
Excise	5,232,669	4,927,554
Corporation Tax	5,491,687	5,331,596
Stamps	2,725,210	2,088,454
Customs	226,132	173,285
Training and Employment Levy	5,361	3,658
Capital Acquisitions Tax (a)	248,912	190,064
Capital Gains Tax	1,959,659	1,515,555
Residential Property Tax	360	382
Agricultural Levies	8,615	6,442
	<hr/>	<hr/>
Total	39,253,973	35,580,822

*Notes:*

- (a) *The figure for Capital Acquisitions Tax includes any residual amounts in respect of Estate Duty and Wealth Tax.*

## STATEMENT 1.2

### Current: Non-Tax Revenue

	2005 €000	2004 €000
<b>Central Bank Surplus Income</b>	<b>103,021</b>	321,726
<b>National Lottery Surplus (a)</b>	<b>210,500</b>	236,145
<b>Royalties from Marathon Petroleum Ireland Ltd</b>	<b>5,080</b>	4,900
<b>Central Bank - Accrued public moneys arising from the issue of coins.</b>	<b>45,400</b>	42,700
<b>Interest received on loans :</b>		
Aer Lingus Shannon Ltd. (formerly Aerlínte Éireann Teoranta)	254	254
Bord Iascaigh Mhara	49	88
Dept. of Agriculture & Food in its capacity as Intervention Agency FEOGA Guarantee	822	1,561
Dept. of Communications, Marine and Natural Resources FEOGA Guarantee	3	16
Local Loans Fund	3,210	7,700
	<b>4,338</b>	<b>9,619</b>
<b>Share Dividends :</b>		
Aer Rianta	-	6,074
Bord Gáis Éireann	10,093	9,679
Irish Aviation Authority	-	1,271
Vodafone Group	276	119
Electricity Supply Board	73,543	63,762
	<b>83,912</b>	<b>80,905</b>
<b>Receipts collected by Government Departments and Offices : (b)</b>		
Agriculture and Food :		
Transfer of Court costs	7	-
Arts, Sport and Tourism :		
Fáilte Ireland Superannuation Scheme	-	80
Community, Rural and Gaeltacht Affairs :		
Receipt from the Dormant Accounts Fund in relation to Rural Social Scheme	6,602	-
Education and Science :		
Legal Costs	1,470	1,925
Receipt re payment from Fianna Fail	3	-
Interest accrued on monies paid to CSSO for purchase of Woodstown Residential Centre from Rosminian Order (2002)	3	-
Enterprise, Trade and Employment :		
Receipt from IDA Ireland in respect of surplus own resource income	1,630	1,334
Receipt from FAS in respect of issued monies for the making of benchmarking payments which were not incurred prior to year end as formal sanction to make the payments had not yet been received from Department of Finance	9,000	-
Receipt from Enterprise Ireland in respect of surplus own resource income (grant refunds, sale of investments) arising in 2004	651	-
Receipt from FAS in respect of grant refunds income	106	-
Environment, Heritage and Local Government		
Repayment of Pension re Heritage Staff	-	200
Interest due on monies held by The Chief State Solicitor in relation to the acquisition of properties	50	-
Interest gained on current account uses for EFT payments with Allied Irish Bank	10	-
Foreign Affairs :		
Passport and Consular Fees	-	5,535
Justice, Equality and Law Reform :		
Exchequer Fines	5,102	4,885
Citizenship Certificates	-	448
Motoring Fines	19,084	22,705

# Current: Non-Tax Revenue - continued

	2005 €000	2004 €000
Land Registry and Registry of Deeds :		
Land Registration Fees	65,250	60,561
Registry of Deeds Fees	3,325	3,023
Ground Rent Fees	107	101
Communications, Marine and Natural Resources :		
Refunds of Pollution Costs re. Irish Coast Guard.	-	5
Settlement re Kowloon Bridge Case	1,135	-
Office of Public Works		
Recovery of Irregular Rents Payments	100	-
Office of the Revenue Commissioners :		
Fee Stamps credited by the Revenue Commissioners	685	665
Transport :		
Excess Moneys re. Staff Secondment	-	201
Interest on Advances re. Commission for Aviation Regulation	-	96
Aviation Indemnity Charges.	-	1,845
	<b>114,320</b>	<b>103,609</b>
<b>Other Receipts :</b>		
Conscience money	18	44
Income from Irish Life policy placed by Dublin District Milk Board	13	14
Public Appointments Service refund of monies advanced	97	-
Refund of salary from Chairman, Dublin Docklands Development Authority	-	12
State Property Act, 1954 (Sections 28 & 31)	385	45
Receipts from the European Investment Bank	1,234	992
EC Payment : Seminaire Homologues Group Meeting	-	26
Interest on Revenue accounts with the Central Bank	376	325
State witness expenses	1	11
Proceeds from Companies Liquidation Account	15	63
Forfeited moneys received pursuant to functions of the Criminal Assets Bureau	2,007	341
Criminal Justice Act, 1994 (Section 39)	218	9
Criminal Justice Act, 1994 (Section 62)	244	89
Houses of the Oireachtas Commission Act 2003	498	344
Receipts from Agency for Personal Service Overseas	-	239
Commission for Communications Regulation Annual Surplus	20,091	-
Receipts from winding up of Salmon Research Agency's Pension Fund	161	-
Dividend from the liquidator of Irish Trust Bank	294	-
Education Fund - Receipt from Religious Congregations (part) ( c )	2,498	-
Refund of Pension Payments - Ordnance Survey Ireland	97	-
Unspent EU Presidency allocation	297	-
Gifted to the State	51	2
	<b>28,595</b>	<b>2,556</b>
<b>Miscellaneous</b>	-	1
<b>PAYMENTS INTO EXCHEQUER</b>		
	<b><u>595,166</u></b>	<b><u>802,161</u></b>

## Notes:

(a) Details of expenditure allocations under the National Lottery are shown in the Estimates for Public Services.

(b) These are receipts which, with the agreement of the Dáil, are paid into the Exchequer Account of the Central Fund, rather than being voted towards offsetting Departmental expenditure as Appropriations-in-Aid.

(c) This figure represents the amount paid from the Education Vote for the purpose of providing education grants to residents and former residents of institutions, under a non-statutory scheme, pending the enactment of the necessary legislation, along with a small element of interest (€ 216.22).

## STATEMENT 1.3

### Current: Issues for Current Voted Expenditure (a)

		2005 €000	2004 €000
<b>Vote</b>			
<b>No.</b>	<b>Service</b>		
1	President's Establishment	2,159	2,032
2	Department of the Taoiseach	29,824	29,255
3	Office of the Attorney General	12,727	11,866
4	Central Statistics Office	43,466	32,961
5	Office of the Comptroller and Auditor General	6,541	5,486
6	Office of the Minister for Finance	81,340	74,430
7	Superannuation and Retired Allowances	204,858	197,217
8	Office of the Appeal Commissioners	395	374
9	Office of the Revenue Commissioners	331,381	314,427
10	Office of Public Works	229,554	215,576
11	State Laboratory	12,310	7,050
12	Secret Service	260	477
13	Chief State Solicitor's Office	35,659	26,663
14	Office of the Director of Public Prosecutions	29,316	28,867
15	Valuation Office	8,196	6,619
16	Public Appointments Service	11,216	9,634
17	Commission for Public Service Appointments	739	167
18	Office of the Ombudsman	5,895	5,032
19	Office of the Minister for Justice, Equality and Law Reform	317,173	310,502
20	Garda Síochána	1,111,272	1,053,615
21	Prisons	315,667	291,325
22	Courts Service	46,109	49,809
23	Land Registry and Registry of Deeds	32,880	31,378
24	Charitable Donations and Bequests	336	305
25	Environment, Heritage and Local Government	732,090	681,920
26	Office of the Minister for Education and Science	6,311,004	5,857,255
27	Community, Rural and Gaeltacht Affairs	230,701	202,241
28	Foreign Affairs	160,116	145,649
29	International Co-operation	466,235	398,310
30	Communications, Marine and Natural Resources	159,083	150,960
31	Agriculture and Food	815,714	699,622
32	Transport	393,821	405,868
33	National Gallery	7,742	7,968
34	Enterprise, Trade and Employment	790,063	736,193
35	Arts, Sport and Tourism	319,861	300,004
36	Defence	704,124	673,637
37	Army Pensions	156,710	149,250
38	Social and Family Affairs	6,407,792	5,980,752
39	Health and Children	159,229	8,084,760
40	Health Service Executive	8,917,328	-

<b>Total Exchequer Payments towards Voted Expenditure</b>	<b>29,600,886</b>	<b>27,179,456</b>
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*Note:*

(a) The figures shown are the amounts issued to fund current expenditure on each Vote. Details of voted and actual expenditure are contained in the Estimates for Public Expenditure and in the Appropriation Accounts, respectively.



## STATEMENT 1.4

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

	2005	2004
	€000	€000
Annuities, Pensions etc. for former Constitutional, Ministerial and Judicial Office-holders (a)	8,615	7,775
Salaries and Allowances (a)	13,365	13,550
Judicial Salaries (a)	19,314	16,915
Total	41,294	38,240

Note :

(a) A detailed breakdown of the 2005 payments under these headings is contained in Schedule 1. A similar breakdown of the 2004 payments is available in the corresponding Schedule in the 2004 Finance Accounts.

## STATEMENT 1.5

### Current: Payments to the European Union Budget

	2005	2004
	€000	€000
Customs Duties	175,871	123,563
Agricultural Levies (including sugar levies)	6,419	4,865
VAT related payments	229,720	181,656
GNI (Gross National Income) related payments	1,084,801	875,455
Total	1,496,811	1,185,539

Notes:

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 and Amending Budgets.

Payments to the European Union Budget take in to 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 2005 the net effect of the agreements was to increase the Irish contribution to the EU Budget by €17.5m.

## STATEMENT 1.6

### Current: Other Non-Voted Expenditure

	2005	2004
	€000	€000
Houses of the Oireachtas Commission	95,329	82,929
Returning Officers' Expenses under the Electoral Acts	1,632	39,132
Payments to Commission on Electronic Voting	750	450
Payments to International Development Association (a)	18,270	16,430
Election Postal charges	654	10,535
Payments to Marathon Petroleum Ireland Ltd (b)	1,748	6,244
Payments under Section 166 of the Finance Act, 2003	17	197
Bretton Woods Agreements (Amendment) Acts, 1957-1999	1,045	1,045
Economic and Monetary Union Act, 1998 (Section 14)	250	-
	<b>119,695</b>	156,962

Notes:

(a) These are payments 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.

(b) Recoupment to Marathon Petroleum Ireland Ltd in respect of Preliminary Tax paid for previous year under the Finance Act 1992.

## STATEMENT 1.7

### Capital: Issues for Capital Voted Expenditure (a)

		2005 €000	2004 €000
Vote			
No	Service		
1	President's Establishment	-	-
2	Department of the Taoiseach	-	-
3	Office of the Attorney General	-	-
4	Central Statistics Office	942	1,191
5	Office of the Comptroller and Auditor General	-	-
6	Office of the Minister for Finance	9,747	11,476
7	Superannuation and Retired Allowances	-	-
8	Office of the Appeal Commissioners	-	-
9	Office of the Revenue Commissioners	13,293	13,035
10	Office of Public Works	164,440	217,756
11	State Laboratory	-	-
12	Secret Service	-	-
13	Chief State Solicitor's Office	-	-
14	Office of the Director of Public Prosecutions	-	-
15	Valuation Office	-	-
16	Public Appointments Service	960	355
17	Commission for Public Service Appointments	-	-
18	Office of the Ombudsman	-	-
19	Office of the Minister for Justice, Equality and Law Reform	34,065	25,542
20	Garda Síochána	29,393	15,192
21	Prisons	54,512	43,930
22	Courts Service	17,103	24,069
23	Land Registry and Registry of Deeds	4,130	1,897
24	Charitable Donations and Bequests	-	-
25	Environment, Heritage and Local Government	1,737,414	1,622,556
26	Office of the Minister for Education and Science	551,241	517,493
27	Community, Rural and Gaeltacht Affairs	110,514	84,238
28	Foreign Affairs	15,000	12,000
29	International Co-operation	1,014	515
30	Communications, Marine and Natural Resources	109,290	105,512
31	Agriculture and Food	94,297	89,000
32	Transport	1,749,921	1,567,962
33	National Gallery	611	1,191
34	Enterprise, Trade and Employment	400,893	331,733
35	Arts, Sport and Tourism	154,663	142,215
36	Defence	26,300	23,935
37	Army Pensions	-	-
38	Social and Family Affairs	11,040	7,200
39	Health and Children	11,767	508,500
40	Health Service Executive	564,052	-
<b>Total Exchequer Payments towards Voted Expenditure</b>		<b>5,866,602</b>	<b>5,368,493</b>

Note:

- (a) The figures shown are the amounts issued to fund capital expenditure on each Vote. Details of voted and actual expenditure are contained in the Estimates for Public Expenditure and in the Appropriation Accounts, respectively.

## STATEMENT 1.8

### Capital: Loan Transactions

Body/Fund	Outstanding at 31 December 2004	Loans issued 2005	Loans repaid 2005	Outstanding at 31 December 2005
	€000	€000	€000	€000
Aer Lingus Shannon Ltd (formerly Aerlínte Éireann Teoranta)	6,349	-	-	<b>6,349</b>
Bord Iascaigh Mhara	2,312	-	297	<b>2,015</b>
Córas Iompar Éireann	12,511	-	-	<b>12,511</b>
Department of Agriculture and Food : - FEOGA (Guarantee)	175,000	650,000	175,000	<b>650,000</b>
Department of Communications, Marine and Natural Resources : - FEOGA (Guarantee)	-	684	649	<b>35</b>
Local Loans Fund	71,442	-	5,394	<b>66,048</b>
Nitrigín Éireann Teoranta	350	-	350	-
<b>Total</b>	<b>267,964</b>	<b>650,684</b>	<b>181,690</b>	<b>736,958</b>

## STATEMENT 1.9 (A)

### Capital: Share Capital acquired in State-sponsored Bodies

	Shareholding 31 December 2004 €000	Shares acquired 2005 €000	Shares disposed 2005 €000	Shareholding 31 December 2005 €000	State's Net Assets €000	Accounts period ending
Body						
Dublin Airport Authority plc (a)	186,337	-	-	<b>186,337</b>	477,712	31-Dec-05
Shannon Airport Authority (b)	38	-	-	<b>38</b>	-	
Cork Airport Authority (b)	38	-	-	<b>38</b>	-	
Aer Lingus Group plc (c)	304,513	-	-	<b>304,513</b>	375,930	31-Dec-05
An Post (d)	68,239	-	-	<b>68,239</b>	(68,512)	31-Dec-05
Arramara Teoranta (e)	1,199	-	-	<b>1,199</b>	974	31-Dec-05
Bord na Móna plc	78,663	-	-	<b>78,663</b>	191,430	31-Mar-05
Coillte Teoranta	795,060	-	-	<b>795,060</b>	1,102,033	31-Dec-05
Housing Finance Agency plc	39	-	-	<b>39</b>	33,901	31-Dec-05
Irish Aviation Authority	22,675	-	-	<b>22,675</b>	(27,277)	31-Dec-05
Irish National Stud Co Ltd	12,669	1,100	-	<b>13,769</b>	8,878	31-Dec-05
Nitirigin Eireann Teoranta	126,974	-	-	<b>126,974</b>	40	31-Dec-05
Shannon Free Airport Development Co Ltd	183,522	-	-	<b>183,522</b>	130,894	31-Dec-05
Irish National Petroleum Corporation	0.003	-	-	<b>0.003</b>	128,942	31-Dec-05
National Building Agency Ltd	0.2	-	-	<b>0.2</b>	18,545	31-Dec-05
Drogheda Port Company (f)	7,051	269	-	<b>7,320</b>	14,131	31-Dec-05
Dublin Port Company (g)	13,090	1,374	-	<b>14,464</b>	66,191	31-Dec-05
Dun Laoghaire Harbour Company	14,540	-	-	<b>14,540</b>	31,583	31-Dec-05
Galway Harbour Company	8,927	-	-	<b>8,927</b>	9,385	31-Dec-05
New Ross Port Company (h)	4,652	20	-	<b>4,672</b>	4,949	31-Dec-05
Port of Cork Company	19,145	-	-	<b>19,145</b>	55,443	31-Dec-05
Port of Waterford Company (i)	15,577	903	-	<b>16,480</b>	13,568	31-Dec-05
Shannon Foynes Port Company	22,187	-	-	<b>22,187</b>	22,361	31-Dec-05
Dundalk Port Company (j)	224	864	-	<b>1,088</b>	2,674	31-Dec-05
Wicklow Port Company (k)	0.004	1,964	-	<b>1,964</b>	2,615	31-Dec-05

Notes:

(a) Under the State Airport Act, 2004, October 1st was designated as the day Aer Rianta's name changed to the Dublin Airport Authority plc.

(b) In accordance with Section 10(3) of the State Airport Act, 2004, 38,106 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 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. 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.

(c) The State has an 85.1% shareholding in this company.

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

(e) The net assets figure relates to the State's shareholding of 81.9% of this company.

(f) The figures above include the value of Exchequer investment in 2005 in the Drogheda Port Company. Share certificates in respect of this investment had not issued by 31st December 2005.

(g) The figures above include the value of Exchequer investment in 2005 in Dublin Port Company. Share certificates in respect of this investment had not issued by 31st December 2005.

(h) The figures above include the value of Exchequer investment in 2005 in the New Ross Port Company. Share certificates in respect of this investment had not issued by 31st December 2005.

(i) The figures above include the value of Exchequer investment in the Port of Waterford Company in respect of EIB loan repayments. Share certificates to the value of €0.449m issued in November 2005. Share certificates for the balance of €0.454m issued in May 2006.

(j) Shares were acquired in exchange for property, to the value of €864,161, under sections 19 and 96 of the Harbours Act 1996. Share Certificates in respect of this investment had not issued by 31st December 2005.

(k) Shares were acquired in exchange for property, to the value of €1,964,359, under sections 19 and 96 of the Harbours Act 1996. Share Certificates in respect of this investment had not issued by 31st December 2005.

## STATEMENT 1.9 (B)

### Capital: Investments in International Bodies under International Agreements

<b>Body</b>	Shareholding at 31 December 2004 (a) €000	Cost of Shares acquired 2005 (a) €000	Disposal of Shares 2005 €000	Shareholding at 31 December 2005 €000
Payments under Bretton Woods Agreement Acts, 1957-1999	27,237	-	-	31,448
Payments under International Finance Corporation Act, 1958	947	-	-	1,093
European Bank for Reconstruction and Development (b)	13,867	844	-	14,711
European Investment Bank	46,640	-	-	46,460
International Common Fund for Commodities	500	13	-	515
Multilateral Investment Guarantee Agency	980	-	-	1,131
Council of Europe Development Bank (c)	3,275	3,275	-	6,550

*Notes:*

(a) 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. The change in value relates only to exchange rate fluctuations.

(b) No shares were acquired in 2005. The €844,000 represents the 2005 deferred payment for shares acquired in 1996.

(c) The cost of membership is €13.1m, payable in four equal annual payments of €3,275,000. This covers subscribed capital and contribution to the reserves of the bank.

## STATEMENT 1.9 (C)

### Capital: Investments - Shares of Sundry Undertakings

<b>Body</b>	Shareholding at 31 December 2004 €000	Cost of Shares acquired 2005 €000	Disposal of Shares 2005 €000	Shareholding at 31 December 2005 €000
Fastnet Mussels Ltd	19	-	-	19
Kush Seafarms Ltd	19	-	-	19
Bantry Bay Mussels Limited (trading as Bantry Bay Seafoods Limited)	83	-	83	-
Silver King Seafoods	-	125	-	125

*Notes:*

The shareholding of the Minister for Finance in the National Theatre Society Ltd. is less than €1,270.

During 2005, the cumulative Redeemable Preference Shares which were held in Bantry Bay Mussels Limited were redeemed. The proceeds of the redemption together with monies available for investment from the Bantry Equity Fund were invested in Silver King Seafoods Limited.

## STATEMENT 1.10

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### Capital: Receipts from the European Union

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	2005	2004
	€000	€000
European Regional Development Fund	234,436	318,737
Cohesion Fund	15,634	25,849
TransEuropean Network	10,040	-
Turkish Aid Protocol (a)	33	33
EIB-EEA Financial Mechanism	11	-
Total	260,154	344,619

*Note:*

*(a) Ireland's share of repayments of EU loans to Turkey under the Association Agreement with that country.*

## STATEMENT 1.11

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### Capital: Payments to the European Union

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	2005	2004
	€000	€000
Reimbursement of Cohesion Fund overpayments	796	-
Total	796	-

**STATEMENT 1.12****Capital: Other Receipts**

	2005 €000	2004 €000
Sale of State property	48,365	86,458
Sale of FAS Assets	3	20
Receipt from IDA Ireland arising from VAT refund received from Revenue	880	-
Receipt from IDA Ireland in respect of a final dividend received from the liquidation of a communications company	53	-
Receipt from IDA Ireland in respect of surplus grant refund income	7,783	532
Receipt from IDA Ireland arising from the sale of a telecommunications asset	-	226
Receipt from Enterprise Ireland in respect of the closure of an Equity Fund	6,419	-
Receipt from Enterprise Ireland in respect of surplus own resources income	3,328	-
Receipt from Enterprise Ireland in respect of excess own resources income (grant refunds, sale of investments) arising in 2004 and 2005	1,921	-
Receipt from Dept of Environment, Heritage & Local Government in respect of refunds of outstanding loan balances, under the Voluntary Housing Capital Assistance Scheme	410	-
Receipt from Dept of Environment, Heritage & Local Government in respect of refund of monies expended on the Mullaghmore project at the Burren, Co. Clare	175	-
Receipt from Dept of Environment, Heritage & Local Government in respect of refund of monies held on deposit by CSSO pending purchase of Oweninny Bog, Co. Mayo	20	-
Receipt from Dept of Environment, Heritage & Local Government in respect of a refund of No. 3 The Beeches, Mallow, Co. Cork re Affordable Housing Scheme	25	-
Receipt from Dept of Environment, Heritage & Local Government in respect of redemption of a mortgage on 1 Lower O'Connell Avenue, Dublin 7	12	-
Receipt from Dept of Environment, Heritage & Local Government in respect of a refund of a loan on 27 McCurtain Street under the Voluntary Capital Assistance Scheme by Wexford County Council	-	48
Receipt from FAS in respect of issued monies for Capital expenditure which were not incurred prior to year end due to delays in verification process.	3,500	-
Receipt from Dept of Environment, Heritage & Local Government in respect of a grant paid under the Voluntary Housing Capital Assistance scheme to Wicklow County Council in respect of property at Ripley Hills, Killarney Road, Bray Co. Wicklow where the final cost of the project was less than expected.	44	-
Receipt from Dept of Environment, Heritage & Local Government in respect of a grant paid in respect of the provision of car parking facilities to Trim Town Council.	63	-
Reimbursement of funds payable under the Harbours Act, 1996.	17	-
Miscellaneous Capital Receipts	600	-
Receipts under the following Acts:		
International Development Association Acts 1960-1997	20	19
Finance Acts, 1978 and 1990 (a)	23	56
Insurance Acts, 1953-1988	1,932	2,201
<b>Total</b>	<b>75,593</b>	<b>89,560</b>

Note:

(a) Refunds of Guarantee payments from EIB in respect of Third World countries repaying on guaranteed loans.

**STATEMENT 1.13****Capital: Other Payments**

	2005 €000	2004 €000
Funding of Superannuation Liabilities:		
National Pensions Reserve Fund	1,320,250	1,177,000
Payments under other Acts:		
Insurance Acts, 1953 - 1988	34	111
Finance Acts, 1978 and 1990 (a)	95	119
Securitisation (Proceeds of Certain Mortgages) Act, 1995	1,048	604
<b>Total</b>	<b>1,321,427</b>	<b>1,177,834</b>

Note:

(a) Guarantee payments by Ireland to EIB in respect of Third World countries defaulting on guaranteed loans.



## STATEMENT 1.14

### Guaranteed Liabilities

At 31 December 2005, the Government had guaranteed the due payment of obligations in respect of liabilities of which the principal or capital value outstanding was € 3,330 million. The individual amounts represent capital raised and commitments entered into in accordance with relevant statutes.

		Amount Outstanding at 31 December 2005			Amount Outstanding at 31 December 2005
Nature of Liability		€000	Nature of Liability		€000
ACC Bank plc (a)		63,487	Insurance Acts, 1953-1988		384
Dublin Airport Authority		5,565	Irish Intervention Agency		110,800
Córas Iompair Éireann		122,707	National Building Agency Ltd		223
Cork Opera House Co Ltd		11	Securitisation (Proceeds of Certain Mortgages) Act, 1995		28,857
Electricity Supply Board		22,424	Port of Waterford Co		3,317
Housing Finance Agency plc		2,961,219	ACP-EEC Convention of Lomé (contracts of Guarantee between State and European Investment Bank) Act 1976.		7,661
Bank of Scotland (Ireland) Ltd (b)		3,650			
			Total		3,330,305

#### Notes:

(a) ACC Bank was sold to Rabobank of the Netherlands in February 2002. Section 6 of the ACC Bank Act 2001 provided that the State guarantees in place on the day of sale would continue in force until matured. The purchaser provided the Minister for Finance with a counter-indemnity for the outstanding guarantees. The Act also ensures that no new guarantees can be given.

(b) ICC Bank was sold to Bank of Scotland in February 2001. Section 5 of the ICC Bank Act, 2000 provided that the State guarantees in place on the day of sale would continue in force until matured. The purchaser provided the Minister for Finance with a counter-indemnity for the outstanding guarantees. The Act also ensures that no new guarantees can be given.

**SCHEDULE 1 : Further Breakdown of Payments charged to Central Fund in  
respect of Salaries, Allowances, Pensions etc.**

**Annuities, Pensions, etc.**

**To whom payable**

	€	€
Mrs. Rita Childers, widow of the late Erskine H. Childers	63,450	
Dr. Patrick J. Hillery, former President of Ireland	126,900	
Mrs. Mary Robinson, former President of Ireland	126,900	317,250

**Pensions, retirement lump sums and death gratuities  
relating to judicial services :-**

4,475,849

**Pensions for former Ministers and other office holders:-**

**To whom payable**

Bernard Allen	5,051	Pádraig Faulkner	46,055
Lorcan Allen	9,566	Nuala Fennell	14,818
David Andrews	51,407	Garrett Fitzgerald	85,379
Sean Barrett	28,686	Gene Fitzgerald	32,770
Peter Barry	53,471	Eithne Fitzgerald	14,216
Richard Barry	8,502	Tom Fitzpatrick	46,055
Michael Begley	16,373	Thomas Fitzpatrick	9,059
George Bermingham	14,818	Chris Flood	14,497
Niamh Breathnach	30,703	Pádraig Flynn	41,838
Vincent Brady	17,417	Maire Geoghegan-Quinn	52,809
John Bruton	82,177	Eamonn Gilmore	3,504
Richard Bruton	12,194	Dermot Gleeson	42,628
Raphael Burke	47,201	Charles J Haughey	91,071
Richard Burke	28,554	A. J. Hederman	54,413
Joan Burton	7,110	Jim Higgins	4,890
David Byrne	38,173	Michael D. Higgins	16,334
Hugh Byrne	15,448	Dr. Patrick J. Hillery	35,882
Seán Calleary	19,852	Tras Honan	19,449
Donal Carey	9,865	Gemma Hussey	30,662
Donie Cassidy	2,989	Thomas Hussey	14,274
Edward Collins	15,336	Liam Hyland	9,691
Gerard Collins	46,055	Joe Jacob	12,487
Paul Connaughton	14,818	Liam Kavanagh	32,955
Ger Connolly	21,017	Justin Keating	30,969
Patrick Cooney	46,055	Enda Kenny	12,977
Declan Costello	55,916	Seamus Kirk	16,359
Donal Creed	14,068	Patrick J. Lalor	44,786
Conor Cruise O' Brien	30,969	Terry Leyden	17,878
Austin Currie	10,090	Denis Lyons	16,359
Brendan Daly	37,877	Liam Mac Cosgair	68,303
Michael D' Arcy	14,068	Seán McCarthy	9,697
Noel Davern	8,493	Charlie McCreevy	61,406
Austin Deasy	30,662	Charles McDonald	9,670
Jimmy Deenihan	5,051	P. L. Mc Donnell	98,885
Barry Desmond	31,532	Liz McManus	5,051
Proinsias De Rossa	11,606	Ray McSharry	33,794
Seán Doherty	8,149	Gay Mitchell	5,051
John F. Donnellan	14,818	Tom Moffat	15,448
Avril Doyle	6,127	Robert Molloy	56,289
Alan Dukes	37,355	Brian Mullooly	18,462
Bernard Durkan	5,051	John L. Murray	61,123
Jackie Fahy	15,118	Ted Nealon	16,364

**SCHEDULE 1 : Further Breakdown of Payments charged to Central Fund in  
respect of Salaries, Allowances, Pensions etc.**

**Annuities, Pensions, etc. - continued.**

**To whom payable**

Michael J. Noonan	36,782	Pat Rabbitte	5,065
Michael Noonan	26,369	Albert Reynolds	89,842
Fergus O' Brien	16,364	John Rogers	39,865
John O'Connell	22,434	Eoin Ryan	4,855
Tom O' Donnell	30,969	John Ryan	14,528
Martin O' Donoghue	25,658	Richie Ryan	30,969
Jim O' Keefe	16,364	Michael Smith	44,462
Ned O'Keefe	6,271	Dick Spring	63,203
Michael O' Kennedy	61,048	Emmet Stagg	7,106
Michael O' Leary	39,236	Peter Sutherland	44,079
Desmond O' Malley	46,055	Mervyn Taylor	32,668
Mary O'Rourke	46,566	Sean Treacy	61,406
Brian O' Shea	7,106	Dan Wallace	8,749
Toddy O' Sullivan	12,188	Joe Walsh	42,920
Paddy O' Toole	33,507	Harry Whelehan	48,229
Nora Owen	23,212	John Wilson	63,552
Patrick Power	22,127	Pearse Wyse	9,059
Ruairi Quinn	38,358		

Total 3,425,566

**Pensions for widows and children of former  
Ministers and other office holders:-**

Total 459,924

**Severance payments for former Ministers and other office holders:-**

Liam Aylward	21,289		
Jim McDaid	24,398		
		Total	45,687

Total 8,724,276

**Notes:**

*The above total of the gross payments differs from the actual charge on the Central Fund in 2005, shown in Statement 1.4, because of the normal lag in the payover of tax deductions, and receipts / refunds received in 2005*

*"Other office holders" relates to those who held office as : Parliamentary Secretary, Minister of State, Attorney General, Ceann Comhairle, Leas-Ceann Comhairle, Cathaoirleach of the Senate or Leas-Cathaoirleach of the Senate or Comptroller and Auditor General.*

*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 Ministerial salary, declining to zero over a period of at most 2 years*

*Deductions from lump sums to Judges relating to Spouses' and Children's contributions are payable to the Superannuation Vote.*

**SCHEDULE 1 : Further Breakdown of Payments charged to Central Fund in  
respect of Salaries, Allowances, Pensions etc.**

**Salaries and Allowances**

To whom payable

<b>President of Ireland</b>	<b>€</b>	<b>€</b>
Mary McAleese		
Personal Remuneration	254,262	
Annual Allowance	317,434	571,696
<b>Allowances for Expenses to Leaders of Government and Opposition Parties</b>		
Fianna Fáil	2,472,866	
Fine Gael	1,927,929	
Labour	1,296,765	
Progressive Democrats	467,066	
Green Party	352,555	
Sinn Féin	293,795	
Socialist Party	<u>58,759</u>	6,869,735
<b>Allowances for Expenses to Independents</b>		566,118
<b>Payments to Political Parties under Electoral Act 1997</b>		5,014,475
<b>Payments under Electoral Act 1997</b>		
Expenses of candidates for Dáil elections	69,836	
Expenses of candidates for European elections	<u>76,184</u>	146,020
<b>Comptroller and Auditor General:</b>		
John Purcell		197,181
<b>Total</b>		<u>13,365,225</u>

**SCHEDULE 1 : Further Breakdown of Payments charged to Central Fund in  
respect of Salaries, Allowances, Pensions etc.**

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**Judiciary**

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To whom payable

€

€

**Supreme Court**

Chief Justice	239,314	
8 Judges (1 Promotion)	<u>1,574,417</u>	1,813,731

**High Court**

President	222,777	
33 Judges (1 Retirement, 1 to SC, 1 Promotion)	<u>6,101,355</u>	6,324,132

**Circuit Court**

President (2)	321,278	
33 Judges (1 to HC, 1 Promotion)	<u>4,546,190</u>	4,867,468

**District Court**

President (2)	144,760	
56 Judges (2 Retirements, 4 Appointments, 1 Promotion)	<u>6,220,616</u>	<u>6,365,376</u>

<b>Total</b>		<u><u>19,370,707</u></u>
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*Note :*

*The total shown above for Courts of Justice differs from the figure in Statement 1.4 by € 56,990. This difference arises because of the normal lag in the payover of tax deductions and also because of advances made but not covered from the Central Fund.*

## **PART TWO**

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Financial Statements of the National Debt of Ireland for the year ended  
31 December 2005

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## NATIONAL DEBT OF IRELAND

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### ACCOUNTING POLICIES

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#### 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.

The financial statements set out on pages 32 to 42 are for 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 2005.

#### 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.

#### 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 and converted into other swap instruments the fund flows impact upon 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 STATEMENT****Year ended 31 December 2005**

		<b>2005</b>	<b>2004</b>
		<b>Total Cost</b>	<b>Total Cost</b>
	<b>Notes</b>	<b>€'000</b>	<b>€'000</b>
Interest paid			
Medium / Long Term Debt*	2	1,392,874	1,211,498
Short Term Debt**	3	98,134	116,212
National Savings Schemes	4, 9	279,902	392,504
Other Movements	5	23,159	16,104
Sinking Fund payments	6	477,615	489,529
Fees and Expenses	7	17,700	17,589
Expenses of NTMA		21,959	18,893
Interest received on deposits with Central Bank and other banks		(73,138)	(59,015)
<b>Total Service Cost €</b>	<b>1</b>	<b>2,238,205</b>	<b>2,203,314</b>

\* Medium / Long Term Debt is Debt with an original maturity of more than one year

\*\* Short Term Debt is Debt with an original maturity of not more than one year

The notes on pages 36 to 42 form part of these financial statements.



**STATEMENT 2.2****NATIONAL DEBT OF IRELAND****NATIONAL DEBT STATEMENT****31 December 2005**

		<b>2005</b>	<b>2004</b>
	<b>Notes</b>	<b>€million</b>	<b>€million</b>
<b>Medium / Long Term Debt *</b>			
Irish Government Bonds listed on The Irish Stock Exchange	31,311	31,260	
Other Irish Government Public Bond Issues	37	37	
Private Placements	-	36	
European Investment Bank Loans	118	120	
Medium Term Notes	496	377	
Miscellaneous Debt	(26)	34	
	8	31,936	31,864
<b>Short Term Debt **</b>			
Commercial Paper	115	307	
Borrowings from Funds under the control of the Minister for Finance	15 3,573	3,220	
		3,688	3,527
<b>National Savings Schemes</b>			
Savings Certificates	2,208	2,196	
Savings Bonds	1,585	1,429	
National Instalment Savings	385	385	
Savings Stamps	2	2	
Prize Bonds	561	506	
	9	4,741	4,518
		40,365	39,909
Less Liquid Assets	10	(2,183)	(2,063)
<b>National Debt €</b>	12	38,182	37,846

\* Medium / Long Term Debt is Debt with an original maturity of more than one year

\*\* Short Term Debt is Debt with an original maturity of not more than one year

The notes on pages 36 to 42 form part of these financial statements.

## STATEMENT 2.3

### NATIONAL DEBT OF IRELAND

#### NATIONAL DEBT CASH FLOW STATEMENT

Year ended 31 December 2005

	2005 €'000	2004 €'000
<b>Movement in Exchequer balances:</b>		
Opening Balance in Exchequer Account (note 10)	2,062,298	1,724,208
Commercial Deposits	0	0
Borrowing Activity (see below)	620,183	305,163
	<u>2,682,481</u>	<u>2,029,371</u>
Exchequer Surplus /(Deficit)	(499,354)	32,927
Closing Balance in Exchequer Account (note 10)	2,183,127	2,062,298

	Receipts €'000	Payments €'000	2005 Net €'000	2004 Net €'000
<b>Borrowing Activity</b>				
Irish Government Bonds listed on				
The Irish Stock Exchange	41,321,405	(41,108,387)	213,018	2,875,033
Other Irish Government Public Bond Issues	-	-	-	(153,626)
Private Placements	-	(35,835)	(35,835)	(23,004)
European Investment Bank Loans	-	(4,260)	(4,260)	(59,862)
Medium Term Notes	-	(307,062)	(307,062)	(111,508)
Miscellaneous Debt	725,248	(341,976)	383,272	(90)
Commercial Paper	139,526,360	(139,731,244)	(204,884)	(2,643,123)
Savings Certificates	751,422	(739,936)	11,486	(65,845)
Savings Bonds	518,399	(361,865)	156,534	221,852
National Instalment Savings	106,122	(106,207)	(85)	(19,968)
Prize Bonds	134,448	(79,400)	55,048	52,224
Borrowings from Ministerial Funds	102,161,453	(101,808,502)	352,951	233,080
	<u>285,244,857</u>	<u>(284,624,674)</u>	<u>620,183</u>	<u>305,163</u>
Total Borrowing Activity				
Commercial Deposit Activity	36,462,500	(36,462,500)	-	-
<b>Total Activity</b>	<b>321,707,357</b>	<b>(321,087,174)</b>	<b>(620,183)</b>	<b>(305,163)</b>

	Receipts €'000	Payments €'000	2005 Net €'000	2004 Net €'000
Exchequer Account	319,128,876	(318,250,898)	877,978	1,949,551
Foreign Currency Clearing Accounts (Note 14)	<u>2,578,481</u>	<u>(2,836,276)</u>	<u>(257,795)</u>	<u>(1,644,388)</u>
	321,707,357	(321,087,174)	620,183	305,163

The notes on pages 36 to 42 form part of these financial statements.

**STATEMENT 2.4****NATIONAL DEBT OF IRELAND****STATEMENT of MOVEMENT in NATIONAL DEBT****Year ended 31 December 2005**

	<b>2005</b>	<b>2004</b>
	<b>€'000</b>	<b>€'000</b>
Opening National Debt	37,846,169	37,610,182
Increase / (Decrease) in National Debt (nominal)	336,164	235,987
<b>Represented by:</b>		
Exchequer (Surplus)/Deficit	499,354	(32,927)
Effect of Foreign Exchange Rate Movements	(1,729)	14,152
Bond Tranching: net reduction (excess) of proceeds over nominal liability	(176,049)	(962,866)
Bond Cancellations: net reduction (excess) of cancellation cost over nominal liability	13,918	1,217,747
Movement in CSRA current balance (Note 10)	670	(114)
Other nominal movements	-	(5)
	336,164	235,987
<b>Closing National Debt €</b>	<b>38,182,333</b>	<b>37,846,169</b>

The notes on pages 36 to 42 form part of these financial statements.

## NATIONAL DEBT OF IRELAND

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Total Service Cost

		Charged on Foreign Currency Clearing Accounts €'000	Charged on Central Fund €'000	Charged on CSRA €'000	Total Service Cost 2005 €'000
Interest paid					
Medium / Long Term Debt	2	17,864	290,108	1,084,902	1,392,874
Short Term Debt	3	7,749	78,181	12,204	98,134
National Savings Schemes	4	-	(49,496)	329,398	279,902
Other Movements	5	(284,895)	274,160	33,894	23,159
Sinking Fund payments	6			477,615	477,615
Fees and Expenses	7	342	17,358		17,700
Expenses of NTMA		1,145	20,814	-	21,959
Interest received on deposits with Central Bank and other banks			-	(73,138)	(73,138)
		(257,795)	631,125	1,864,875	2,238,205
Inter Account movement		-	1,864,205	(1,864,205)	-
Net cash paid		(257,795)	2,495,330	670	2,238,205

The total charged on the Foreign Currency Clearing Account and on the Central Fund, €2,237,535,000 represents the charge on the Exchequer for the Service of National Debt, corresponding with these entries on the Exchequer Account (page 7) :

Sinking Fund	€477,615,000
Other Service of National Debt	€1,759,920,000

## NATIONAL DEBT OF IRELAND

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>2 Interest on Medium / Long Term Debt</b>	<b>Total Cost 2005 €'000</b>	<b>Total Cost 2004 €'000</b>
Irish Government Bonds listed on The Irish Stock Exchange	1,360,773	1,167,267
Other Irish Government Public Bond Issues	4,677	13,272
Private Placements	1,709	2,898
European Investment Bank Loans	9,143	12,196
Medium Term Notes	23,655	22,945
Miscellaneous Debt	(7,083)	(7,080)
	<u>1,392,874</u>	<u>1,211,498</u>

<b>3 Interest on Short Term Debt</b>	<b>Total Cost 2005 €'000</b>	<b>Total Cost 2004 €'000</b>
Commercial Paper	38,848	63,768
Borrowings from Funds under the control of the Minister for Finance	59,286	52,444
	<u>98,134</u>	<u>116,212</u>

<b>4 Interest on National Savings Schemes</b>	<b>Total Cost 2005 €'000</b>	<b>Total Cost 2004 €'000</b>
Savings Certificates	341,133	392,888
Savings Bonds	42,073	46,174
National Instalments Savings	29,030	42,195
Prizes in respect of Prize Bonds	12,673	11,247
Small Savings Reserve (Note 9)	(145,007)	(100,000)
	<u>279,902</u>	<u>392,504</u>

Payments for Interest on National Savings Schemes in 2005 include transfers to the Dormant Accounts Fund in respect of accumulated capitalised interest on certain accounts deemed dormant by An Post under the Dormant Accounts Act 2001. The net amounts transferred in 2005 are as follows:

	<b>€'000</b>
Savings Certificates	1305
Savings Bonds	711
National Instalments Savings	<u>61</u>
	<u>2077</u>

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## NATIONAL DEBT OF IRELAND

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 5 Other Movements

The NTMA, as part of its remit, engages in a range of debt management transactions including derivatives (See Note 11). This figure reflects the net cashflows associated with these activities.

#### 6 Sinking Fund Payments

Under Finance Act 1950 specified amounts were provided for the redemption of debt. The sums provided and applied in 2005 were as follows:

	2005
Capital Services Redemption Account (Note 13)	477,615
	<hr/> 477,615 <hr/>

#### 7 Fees and Expenses

	Total Cost 2005 €'000	Total Cost 2004 €'000
Expenses of Irish Government Bonds	-	-
Expenses of Savings Certificates	3,749	4,006
Expenses of Prize Bonds	6,992	6,896
Expenses of Savings Bonds	2,534	2,298
Expenses of National Instalment Savings	2,326	2,502
Expenses of Savings Stamps	1,042	1,042
Expenses of Foreign Loans	1,057	845
	<hr/> 17,700 <hr/>	<hr/> 17,589 <hr/>

#### 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 Agency, is as follows:-

	As at 31 December 2005 €millions	As at 31 December 2004 €millions
Debt due for repayment within 1 year	123	1,632
Debt due for repayment between 2 and 5 years	12,701	11,441
Debt due for repayment in more than 5 years	19,112	18,791
	<hr/> 31,936 <hr/>	<hr/> 31,864 <hr/>

## NATIONAL DEBT OF IRELAND

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of €7.4 million (2004 : €4.4 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 registrar for the respective schemes.

As these financial statements are prepared on a cash basis the liabilities do not include the sum of €1,549 million (2004 : €1,749 million), being the estimate of the amount of accrued interest at 31 December 2005 in respect of Savings Bonds, Savings Certificates and National 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 actual interest cost for 2005 was 16.01 per cent of the interest accrued at the 31 December 2004 of €1,749m. The Minister decided that a net amount of €145m would be withdrawn from the fund in 2005.

	€ millions
Estimated accrued interest at 31 December 2005	1,549
Balance at 1 January 2005	(970)
Amount applied during 2005	145
Balance at 31 December 2005 (Note 15)	(825)
Estimated accrued interest not provided for at 31 December 2005	724

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

#### 10 Liquid Assets

	Opening balance at 1 January 2005 €'000	Movements during 2005 €'000	Closing balance at 31 December 2005 €'000
Exchequer Account	2,062,298	120,829	2,183,127
Capital Services Redemption Account			
Current Balance (Note 13)	885	(670)	215
	2,063,183	120,159	2,183,342

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Derivatives

The Agency'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 Agency's business. The principal categories of risk arising from the Agency's activities are liquidity risk, market risk, counterparty credit risk and operational risk. In all of these areas the Agency has comprehensive policies and procedures to measure and control the risk involved.

A major requirement of the Agency is to ensure that future funding needs can readily be met at all times. Ultimately the protection of liquidity is the Agency's most critical task. Risks to the liquidity of the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The Agency manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time. This is reinforced by the Agency'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.

Market risk is the risk of a rise in debt service costs and in the total market value of the debt due to changes in market interest or exchange rates. The Agency has to have regard to both medium and short term objectives given its task of controlling not only near term fiscal debt service costs but also the present value of all future payments of principal and interest. Fixed interest rate borrowings are subject to a market valuation risk in the event of a decline in interest rates. While carrying less market valuation risk than fixed rate debt, floating rate borrowings carry a higher risk to the near term fiscal cost of servicing the debt. The balance between fixed and floating rate liabilities has to be managed for both the domestic and foreign currency portfolios. The exposure to interest rate and currency risk is controlled through limiting the currency and interest rate concentration of the portfolio. 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. The Agency seeks to achieve the best trade-off between cost and risk over time. As conditions in financial markets change the appropriate interest rate and currency profile of the portfolio is reassessed.

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.

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.

As part of its risk management strategy the Agency uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value of the instruments used and their present value.

	31 December 2005		31 December 2004	
	Nominal €millions	Present Value €millions	Nominal €millions	Present Value €millions
Interest Rate Swaps	1,103	(28)	1,292	(38)
Currency Swaps & Foreign Exchange Contracts	711	44	896	(2)
	<u>1,814</u>	<u>16</u>	<u>2,188</u>	<u>(40)</u>



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## NATIONAL DEBT OF IRELAND

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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The Present Value of an instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

#### 12 National Debt

The currency composition of the National Debt, taking into account the treasury management transactions entered into by the Agency, is as follows :

	<b>As at 31 December 2005 €millions</b>	<b>As at 31 December 2004 €millions</b>
Euro *	38,182	37,848
US Dollar	-	(2)
	<u>38,182</u>	<u>37,846</u>

\* This figure is net of liquid assets as at 31 December 2005 €2,183m (31 December 2004 €2,063m)

#### 13 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 (Continued)

<b>14 Foreign Currency Clearing Accounts</b>		<b>€'000</b>
Balance at 1 January 2005		NIL
Deposit interest received		
Amounts received under Finance Act 1988 [S67 (8)]	3,438,582	
Amounts paid under Finance Act 1970 [S54 (7)]	<u>(3,153,687)</u>	284,895
Foreign Currency Borrowing receipts	2,578,481	
Foreign Currency Borrowing payments	<u>(2,836,276)</u>	(257,795)
Interest paid on Foreign Currency Borrowings (Note 1)		
- Medium/Long Term Debt	(17,864)	
- Short Term Debt	<u>(7,749)</u>	(25,613)
Expenses of Foreign Currency Borrowings (Note 1)		(342)
Expenses of NTMA		(1,145)
Balance at 31 December 2005		<u>NIL</u>

### 15 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

	<b>As at 31 December 2005 €millions</b>	<b>As at 31 December 2004 €millions</b>
Post Office Savings Bank Fund	1,335	1,009
Small Savings Reserve Fund	825	969
Ulysses Securitisation plc	339	307
Deposit Monies Investment Account	1,074	935
	<u>3,573</u>	<u>3,220</u>