

FINANCE ACCOUNTS
Audited Financial Statements of the Exchequer
For the Financial Year
1st January 2006
to
31st December 2006

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
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Contents

<i>Foreword</i>		5
AUDIT REPORT		6
EXCHEQUER ACCOUNT		8
PART 1	FINANCIAL STATEMENTS OF EXCHEQUER RECEIPTS AND ISSUES AND GUARANTEED LIABILITIES	
CURRENT :	Tax Revenue	11
	Non-Tax Revenue	12
	Issues for Current Voted Expenditure	15
	Payments charged to Central Fund in respect of Salaries, Allowances, Pensions etc.	17
	Payments to the European Union Budget	24
	Other Non-Voted Current Expenditure	25
CAPITAL :	Issues for Capital Voted Expenditure	26
	Loan Transactions	28
	Share Capital acquired in State-sponsored Bodies	29
	Investments in International Bodies under International Agreements	31
	Investments - Shares of Sundry Undertakings	32
	Receipts from the European Union	33
	Payments to the European Union	34
	Other Capital Receipts	35
	Other Capital Payments	38
OTHER :	Guaranteed Liabilities	39
	Notes to the above Statements	41

Contents (contd.)

PART 2	FINANCIAL STATEMENTS OF THE NATIONAL DEBT	
	Accounting Policies	49
	Service of Debt Statement	50
	National Debt Statement	51
	National Debt Cash Flow Statement	54
	Statement of Movement in National Debt	57
	Notes to the Financial Statements	58

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, Notes and the Financial Accounts of the National Debt including the Accounting Policies.

David Doyle
Secretary General
Department of Finance
June 2007

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 2006, and
 - (ii) the capital investment of the Central Fund at 31 December 2006 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
30 August 2007

EXCHEQUER ACCOUNT

Account of Receipts and Payments for the year ended 31 December 2006

	Statement No.	Page	€000	2005 €000	€000	2006 €000
<i>Current Receipts:</i>						
Tax Revenue	1.1	11		39,253,973		45,538,904
Non-Tax Revenue	1.2	12		<u>595,166</u>		<u>606,039</u>
				<u>39,849,139</u>		<u>46,144,943</u>
<i>Current Payments:</i>						
Voted (Departmental expenditure voted annually by the Dáil)	1.3	15	29,600,886		32,915,380	
Non-Voted (non-discretionary expenditure charged directly on Central Fund)						
Sinking Fund (Note 1)	2.1(Note 1)	58	477,615		470,286	
Other Service of National Debt (Note 2)	2.1(Note 1)	58	1,759,920		1,909,297	
Payments to holders of political and Constitutional office etc.	1.4	17	41,294		44,614	
Payments to EU Budget	1.5	24	1,496,811		1,529,743	
Other non-voted Expenditure (Note 3)	1.6	25	119,695	<u>33,496,221</u>	207,242	<u>37,076,562</u>
<i>Surplus on Current Account</i>				<u>6,352,918</u>		<u>9,068,381</u>
<i>Capital Receipts:</i>						
Loans repaid	1.8	28	181,690		684,422	
EU Receipts	1.10	33	260,154		177,421	
Other Receipts	1.12	35	75,593	517,437	539,216	1,401,059

Account of Receipts and Payments for the year ended 31 December 2006 (contd.)

	Statement No.	Page	€000	2005 €000	€000	2006 €000
Capital Payments:						
Voted (Departmental expenditure voted annually by the Dáil)	1.7	26	5,866,602		6,475,790	
Non-Voted (expenditure charged directly under particular legislation):						
Loans issued	1.8	28	650,684		730,400	
Share Capital acquired in State Bodies	1.9 (A)	29	3,683		460	
Investment in International Bodies (Note 3)	1.9 (B)	31	4,132		18,948	
EU Payments	1.11	34	796		2,829	
Funding of Superannuation Liabilities	1.13	38	1,320,250		1,446,500	
Other Payments	1.13	38	1,177	7,847,324	508	8,675,435
Deficit on Capital Account				<u>(7,329,887)</u>		<u>(7,274,376)</u>
Exchequer Cash Balance				(976,969)		1,794,005
Sinking Fund (Note 1)	2.1	58		477,615		470,286
Exchequer Surplus/(Deficit)				<u>(499,354)</u>		<u>2,264,291</u>
Source and Application of Funds						
Net Debt (Borrowing)/Repayments and Other Balances	2.3	54	(620,183)		860,176	
Total Increase/(Decrease) in Exchequer Balances and Commercial Deposits	2.3	54	<u>120,829</u>	<u>(499,354)</u>	<u>1,404,115</u>	<u>2,264,291</u>

PART ONE

**FINANCIAL STATEMENTS OF EXCHEQUER RECEIPTS AND ISSUES
AND
GUARANTEED LIABILITIES**

FOR THE YEAR ENDED 31 DECEMBER 2006

STATEMENT 1.1

Current: Tax Revenue

	2005	2006
	€000	€000
Income Tax	11,266,298	12,389,939
Value Added Tax	12,089,070	13,447,991
Excise	5,232,669	5,588,897
Corporation Tax	5,491,687	6,683,247
Stamps	2,725,210	3,716,501
Customs	226,132	256,829
Training and Employment Levy	5,361	1,017
Capital Acquisitions Tax (Note 4)	248,912	352,696
Capital Gains Tax	1,959,659	3,099,933
Residential Property Tax	360	-36
Agricultural Levies	<u>8,615</u>	<u>1,890</u>
Total	<u><u>39,253,973</u></u>	<u><u>45,538,904</u></u>

STATEMENT 1.2

Current: Non-Tax Revenue

	2005 €000	2006 €000
Central Bank Surplus Income	103,021	109,181
National Lottery Surplus (Note 5)	210,500	200,000
Royalties from Marathon Petroleum Ireland Ltd	5,080	12,231
Central Bank - Accrued public moneys arising from the issue of coins	45,400	39,500
Interest received on loans :		
Aer Lingus Shannon Ltd. (formerly Aerlínte Éireann Teoranta)	254	227
Bord Iascaigh Mhara	49	27
Dept. of Agriculture & Food in its capacity as Intervention Agency FEOGA Guarantee	822	2,983
Dept. of Communications, Marine and Natural Resources FEOGA Guarantee	3	2
Local Loans Fund	<u>3,210</u>	<u>10,624</u>
	4,338	13,863
Share Dividends :		
Bord Gáis Éireann	10,093	9,079
Bord Na Mona	-	3,850
Vodafone Group	276	353
Electricity Supply Board	<u>73,543</u>	<u>68,770</u>
	83,912	82,052
Receipts collected by Government Departments and Offices : (Note 6)		
Agriculture and Food :		
Change management funds - Closure of a Suspense Account	-	1,199
Compensation from Kildare County Council re Kildare By-Pass	-	35
Transfer of Court costs	7	-
Proceeds of the cancellation of an Escrow Account	-	561
Refund of V.A.T. overcharged	-	1,377
Community, Rural and Gaeltacht Affairs :		
Receipt from the Dormant Accounts Fund in relation to Rural Social Scheme	6,602	-
Defence		
Re-imbursement by the U.N. of claims in respect of Defence Forces personnel who died or were injured while serving with UNIFIL	-	40
Education and Science :		
Legal Costs	1,470	-
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	-

Current: Non-Tax Revenue - Continued

	2005 €000	2006 €000
Enterprise, Trade and Employment:		
Receipt from IDA Ireland in respect of surplus own resource income	1,630	1,320
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	-
Receipt in respect of Patents On-line Project surplus	-	8
Receipt in respect of funding returned by Science Foundation Ireland in respect of monies drawn down at year end but unexpended	-	878
Environment, Heritage and Local Government :		
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	105
Finance		
Closure of a Suspense Account	-	6
Justice, Equality and Law Reform :		
Exchequer Fines	5,102	7,984
Citizenship Certificates	-	2,006
Motoring Fines	19,084	33,143
Land Registry and Registry of Deeds :		
Land Registration Fees	65,250	73,100
Registry of Deeds Fees	3,325	3,620
Ground Rent Fees	107	111
Communications, Marine and Natural Resources :		
Refunds of Pollution Costs re. Irish Coast Guard	-	94
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	647
Office of the Ombudsman		
Legal costs to Information Commissioner	=	12
	114,320	126,246

Current: Non-Tax Revenue - Continued

	2005 €000	2006 €000
Other Receipts:		
Conscience money	18	4
Income from Irish Life policy placed by Dublin District Milk Board	13	12
Public Appointments Service refund of monies advanced	97	10
Monies returned following the dissolution of the Commission on Electronic Voting	-	54
State Property Act, 1954 (Sections 28 & 31)	385	146
Receipts from the European Investment Bank	1,234	1,531
Surrender of the Houses of the Oireachtas Vote Account	-	366
Interest on Revenue accounts with the Central Bank	376	775
State witness expenses	1	15
Proceeds from Companies Liquidation Account	15	49
Forfeited moneys received pursuant to functions of the Criminal Assets Bureau	2,007	3,012
Criminal Justice Act, 1994 (Section 39)	218	102
Criminal Justice Act, 1994 (Section 62)	244	11
Houses of the Oireachtas Commission Act 2003	498	519
Realised gain from foreign exchange transaction	-	88
Commission for Communications Regulation Annual Surplus	20,091	16,253
Receipts from winding up of Salmon Research Agency's Pension Fund	161	19
Dividend from the liquidator of Irish Trust Bank	294	-
Education Fund - Receipt from Religious Congregations (part)	2,498	-
Refund of Pension Payments - Ordnance Survey Ireland	97	-
Unspent EU Presidency allocation	297	-
Gifted to the State	<u>51</u>	-
	<u>28,595</u>	<u>22,966</u>
PAYMENTS INTO EXCHEQUER	<u>595,166</u>	<u>606,039</u>

STATEMENT 1.3

Current: Issues for Current Voted Expenditure (Note 7)

	2005 €000	2006 €000
Vote		
No. Service		
1 President's Establishment	2,159	2,810
2 Department of the Taoiseach	29,824	33,984
3 Office of the Attorney General	12,727	14,255
4 Central Statistics Office	43,466	73,323
5 Office of the Comptroller and Auditor General	6,541	7,415
6 Office of the Minister for Finance	81,340	88,368
7 Superannuation and Retired Allowances	204,858	223,806
8 Office of the Appeal Commissioners	395	420
9 Office of the Revenue Commissioners	331,381	367,920
10 Office of Public Works	229,554	270,802
11 State Laboratory	12,310	8,552
12 Secret Service	260	408
13 Chief State Solicitor's Office	35,659	36,238
14 Office of the Director of Public Prosecutions	29,316	31,738
15 Valuation Office	8,196	8,090
16 Public Appointments Service	11,216	12,251
17 Commission for Public Service Appointments	739	825
18 Office of the Ombudsman	5,895	6,136
19 Office of the Minister for Justice, Equality and Law Reform	317,173	311,193
20 Garda Síochána	1,111,272	1,239,231
21 Prisons	315,667	308,408
22 Courts Service	46,109	53,526
23 Land Registry and Registry of Deeds	32,880	34,760
24 Charitable Donations and Bequests	336	364
25 Environment, Heritage and Local Government	732,090	801,777
26 Office of the Minister for Education and Science	6,311,004	6,996,492
27 Community, Rural and Gaeltacht Affairs	230,701	267,620
28 Foreign Affairs	160,116	168,470
29 International Co-operation	466,235	597,662
30 Communications, Marine and Natural Resources	159,083	123,004
31 Agriculture and Food	815,714	838,199
32 Transport	393,821	473,002

Current: Issues for Current Voted Expenditure contd. (Note 7)

		2005 €000	2006 €000
Vote			
No.	Service		
33	National Gallery	7,742	8,503
34	Enterprise, Trade and Employment	790,063	808,908
35	Arts, Sport and Tourism	319,861	358,275
36	Defence	704,124	733,704
37	Army Pensions	156,710	169,393
38	Social and Family Affairs	6,407,792	7,165,969
39	Health and Children	159,229	343,743
40	Health Service Executive	8,917,328	9,599,776
41	Office of the Minister for Children	=	<u>326,060</u>
Total Exchequer Payments towards Voted Expenditure		<u>29,600,886</u>	<u>32,915,380</u>

STATEMENT 1.4

Current: Payments charged to Central Fund in respect of Salaries, Allowances, Pensions etc. (Note 8)

	2005	2006
	€000	€000
Annuities, Pensions etc. for former Constitutional, Ministerial and Judicial Office-holders (see details at 1 below)	8,615	9,286
Salaries and Allowances (see details at 2 below)	13,365	14,112
Judicial Salaries (see details at 3 below)	<u>19,314</u>	<u>21,216</u>
Total	<u><u>41,294</u></u>	<u><u>44,614</u></u>

STATEMENT 1.4

Detailed Breakdown of Payments Charged to Central Fund in respect of Salaries, Allowances, Pensions etc.

1. Annuities, Pensions etc. for former Constitutional, Ministerial and Judicial Office-holders (Note 9)

1 (a) To whom payable

	€		€
Mrs. Rita Childers, widow of the late Erskine H. Childers	68,329		
Dr. Patrick J. Hillery, former President of Ireland	136,659		
Mrs. Mary Robinson, former President of Ireland	136,659		
		Total	341,647

1 (b) Pensions, Retirement Lump Sums and Death Gratuities relating to judicial services (Note 12):-

Total 4,664,941

1 (c) Pensions for former Ministers and other office holders (Note 10):-

To whom payable

	€		€
Bernard Allen	5,518	Liam Hyland	10,588
Lorcan Allen	10,451	Joe Jacob	13,642
David Andrews	56,162	Liam Kavanagh	36,003
Liam Aylward	6,812	Justin Keating	33,834
Sean Barrett	31,339	Enda Kenny	14,177
Peter Barry	58,416	Seamus Kirk	17,872

1 (c) Pensions for former Ministers and other office holders (contd.):-

To whom payable	€		€
Richard Barry	8,805	Patrick J. Lalor	48,928
Michael Begley	17,887	Terry Leyden	19,531
George Bermingham	16,189	Denis Lyons	17,872
Vincent Brady	19,028	Liam Mac Cosgair	74,620
Niamh Breathnach	33,543	Seán McCarthy	10,594
John Bruton	89,777	Charlie McGreevy	67,086
Richard Bruton	13,321	Jim McDaid	10,921
Raphael Burke	51,567	Charles McDonald	10,564
Richard Burke	31,195	P. L. Mc Donnell	108,030
Joan Burton	7,768	Liz McManus	5,518
David Byrne	40,914	Ray McSharry	36,920
Hugh Byrne	16,877	Gay Mitchell	5,518
Seán Calleary	21,688	Tom Moffat	16,877
Donal Carey	10,778	Robert Molloy	61,495
Donie Cassidy	3,265	Brian Mullooly	20,170
Edward Collins	16,755	John L. Murray	65,510
Gerard Collins	50,314	Ted Nealon	17,877
Paul Connaughton	16,189	Michael J. Noonan	40,184
Ger Connolly	22,961	Michael Noonan	28,808
Patrick Cooney	50,314	Fergus O' Brien	17,877
Liam T. Cosgrave	7,071	John O'Connell	24,509

1 (c) Pensions for former Ministers and other office holders (contd.):-

To whom payable

	€		€
Declan Costello	59,930	Liz O'Donnell	3,864
Donal Creed	15,369	Tom O' Donnell	33,834
Conor Cruise O' Brien	33,834	Martin O' Donoghue	28,031
Austin Currie	11,032	Jim O' Keeffe	17,877
Brendan Daly	41,381	Ned O'Keeffe	6,851
Michael D' Arcy	15,369	Michael O' Kennedy	66,694
Noel Davern	9,278	Michael O' Leary	17,087
Austin Deasy	33,498	Desmond O' Malley	50,314
Jimmy Deenihan	5,518	Mary O'Rourke	50,873
Barry Desmond	34,448	Brian O' Shea	7,763
Proinsias De Rossa	12,679	Toddy O' Sullivan	13,315
John F. Donnellan	16,189	Paddy O' Toole	36,606
Avril Doyle	6,694	Nora Owen	25,358
Alan Dukes	40,810	Patrick Power	24,173
Bernard Durkan	5,518	Ruairí Quinn	41,906
Jackie Fahy	16,516	Pat Rabbitte	5,533
Pádraig Faulkner	50,314	Albert Reynolds	98,151
Nuala Fennell	16,189	John Rogers	42,727
Garrett Fitzgerald	93,275	Eoin Ryan	5,304
Gene Fitzgerald	35,802	John Ryan	15,872

1 (c) Pensions for former Ministers and other office holders (contd.):-

To whom payable	€		€
Eithne Fitzgerald	15,530	Richie Ryan	33,834
Tom Fitzpatrick	40,129	Michael Smith	48,574
Thomas Fitzpatrick	9,832	Dick Spring	69,048
Chris Flood	15,838	Emmet Stagg	7,763
Pádraig Flynn	45,708	Peter Sutherland	47,243
Maire Geoghegan-Quinn	57,694	Mervyn Taylor	35,690
Eamonn Gilmore	5,514	Sean Treacy	67,086
Dermot Gleeson	45,688	Dan Wallace	9,558
Charles J Haughey	48,545	Joe Walsh	46,889
A. J. Hederman	58,318	Harry Whelehan	51,691
Jim Higgins	5,343	John Wilson	69,430
Michael D. Higgins	17,845	Pearse Wyse	9,832
Dr. Patrick J. Hillery	39,200	Michael Woods	8,372
Tras Honan	21,249		
Gemma Hussey	33,498		
Thomas Hussey	15,594		
		Total	3,676,740

**1 (d) Pensions for widows and children of former Ministers
and other office holders (Note 10):-**

Total 527,041

1 (e) Severance payments for former Ministers and other office holders (Notes 10 and 11):-

To whom payable	€	€
Liam Aylward	5,498	
Ivor Callely	31,754	
Jim McDauid	12,227	
		Total
		49,479
		Gross Total
		<u>9,259,848</u>

2. Salaries and Allowances (Note 9)

To whom payable

2 (a) President of Ireland

Mary McAleese		
Personal Remuneration	277,469	
Annual Allowance	317,434	
		Total
		594,903

2 (b) Allowances for Expenses to Leaders of Government and Opposition Parties

Fianna Fáil	2,704,171	
Fine Gael	2,115,053	
Labour	1,417,104	
Progressive Democrats	510,410	
Green Party	385,271	
Sinn Féin	321,053	
Socialist Party	<u>64,219</u>	
		Total
		7,517,281

2 (c) Allowances for Expenses to Independents	Total	€ 622,236
2 (d) Payments under Electoral Act 1997	Total	5,161,296
2 (e) Comptroller and Auditor General:		
John Purcell	Total	<u>218,824</u>
	Gross Total	<u>14,114,541</u>

3. Judicial Salaries (Note 9)

To whom payable

3 (a) Supreme Court

Chief Justice	261,000		
8 Judges	<u>1,690,513</u>	Total	1,951,513

3 (b) High Court

President	242,927		
32 Judges (1 Retirement)	<u>6,778,355</u>	Total	7,021,282

3 (c) Circuit Court

President (2)	442,483		
32 Judges (1 Retirement)	<u>4,834,719</u>	Total	5,277,202

3 (d) District Court

President	159,115		
54 Judges (2 Retirements)	<u>6,732,027</u>	Total	<u>6,891,142</u>

Gross Total **21,141,139**

STATEMENT 1.5

Current: Payments to the European Union Budget (*Note 13*)

	2005	2006
	€000	€000
Customs Duties	175,871	200,226
Agricultural Levies (including sugar levies)	6,419	2,049
VAT related payments (Note 14)	229,720	196,712
GNI (Gross National Income) related payments (Note 14)	<u>1,084,801</u>	<u>1,130,756</u>
Total	<u>1,496,811</u>	<u>1,529,743</u>

STATEMENT 1.6

Current: Other Non-Voted Expenditure

	2005	2006
	€000	€000
Houses of the Oireachtas Commission Act, 2003	95,329	101,103
Returning Officers' Expenses under the Electoral Acts	1,632	1,075
Payments to Commission on Electronic Voting	750	500
Payments to International Development Association (Note 15)	18,270	97,173
Election Postal charges	654	-
Payments to Marathon Petroleum Ireland Ltd (Note 16)	1,748	5,836
Payments under Section 166 of the Finance Act, 2003	17	10
Bretton Woods Agreements (Amendment) Acts, 1957-1999	1,045	1,145
Economic and Monetary Union Act, 1998 (Section 14)	<u>250</u>	<u>400</u>
	<u>119,695</u>	<u>207,242</u>

STATEMENT 1.7**Capital: Issues for Capital Voted Expenditure (Note 17)**

Vote No	Service	2005	2006
		€000	€000
1	President's Establishment	-	-
2	Department of the Taoiseach	-	-
3	Office of the Attorney General	-	-
4	Central Statistics Office	942	1,530
5	Office of the Comptroller and Auditor General	-	-
6	Office of the Minister for Finance	9,747	9,038
7	Superannuation and Retired Allowances	-	-
8	Office of the Appeal Commissioners	-	-
9	Office of the Revenue Commissioners	13,293	10,400
10	Office of Public Works	164,440	290,272
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	-
17	Commission for Public Service Appointments	-	-
18	Office of the Ombudsman	-	-
19	Office of the Minister for Justice, Equality and Law Reform	34,065	4,988
20	Garda Síochána	29,393	45,901
21	Prisons	54,512	100,419
22	Courts Service	17,103	30,183
23	Land Registry and Registry of Deeds	4,130	3,555
24	Charitable Donations and Bequests	-	-
25	Environment, Heritage and Local Government	1,737,414	1,886,338
26	Office of the Minister for Education and Science	551,241	647,700
27	Community, Rural and Gaeltacht Affairs	110,514	135,425
28	Foreign Affairs	15,000	26,000
29	International Co-operation	1,014	672
30	Communications, Marine and Natural Resources	109,290	155,860
31	Agriculture and Food	94,297	110,432
32	Transport	1,749,921	1,878,774
33	National Gallery	611	1,260
34	Enterprise, Trade and Employment	400,893	440,880

Capital: Issues for Capital Voted Expenditure contd. (Note 17)

		2005	2006
		€000	€000
Vote	Service		
No			
35	Arts, Sport and Tourism	154,663	198,145
36	Defence	26,300	24,000
37	Army Pensions	-	-
38	Social and Family Affairs	11,040	16,400
39	Health and Children	11,767	17,171
40	Health Service Executive	564,052	419,141
41	Office of the Minister for Children	=	<u>21,306</u>
Total Exchequer Payments towards Voted Expenditure		<u>5,866,602</u>	<u>6,475,790</u>

STATEMENT 1.8

Capital: Loan Transactions

Body/Fund	Outstanding at 31 December 2005	Loans issued 2006	Loans repaid 2006	Outstanding at 31 December 2006
	€000	€000	€000	€000
Department of Agriculture and Food				
FEOGA (Guarantee)	650,000	730,000	650,000	730,000
Department of Communications, Marine and Natural Resources				
FEOGA (Guarantee)	35	400	289	146
Bord Iascaigh Mhara	2,015	-	216	1,799
Office of Public Works				
Local Loans Fund	66,048	-	27,568	38,480
Department of Transport				
Aer Lingus Shannon Ltd (Formerly Aerlínte Éireann Teoranta)	6,349	-	6,349	-
Córas Iompar Éireann	12,511	-	-	12,511
Total	<u>736,958</u>	<u>730,400</u>	<u>684,422</u>	<u>782,936</u>

STATEMENT 1.9 (A)

Capital: Share Capital acquired in State-sponsored Bodies

Department/Body	Shareholding 31 December 2005 €000	Shares acquired 2006 €000	Shares disposed 2006 €000	Shareholding 31 December 2006 €000	State's Net Assets €000	Accounts period ending
Agriculture and Food						
Coillte Teoranta	795,060	-	-	795,060	1,152,686	31-Dec-06
Irish National Stud Co Ltd	13,769		-	13,769	8,732	31-Dec-06
Communications, Marine and Natural Resources						
An Post (Note 20)	68,239	-	-	68,239	125,332	31-Dec-06
Bord na Móna plc	78,663	-	-	78,663	207,859	31-Mar-06
Irish National Petroleum Corporation	0.003		-	0.003	138,141	31-Dec-06
Community, Rural and Gaeltacht Affairs						
Arramara Teoranta (Note 21)	1,199	-	1,199	-	-	31-Dec-06
Enterprise, Trade and Employment						
Nítrigin Éireann Teoranta	126,974		-	126,974	53	31-Dec-06
Shannon Free Airport Development Co Ltd	183,522		-	183,522	131,128	31-Dec-06
Environment, Heritage and Local Government						
Housing Finance Agency plc	39	-	-	39	30,764	31-Dec-06
National Building Agency Ltd	0.2		-	0.2	19,794	31-Dec-06

Department/Body	Shareholding 31 December 2005 €000	Shares acquired 2006 €000	Shares disposed 2006 €000	Shareholding 31 December 2006 €000	State's Net Assets €000	Accounts period ending
Transport						
Dublin Airport Authority plc	186,337	-	-	186,337	629,940	31-Dec-06
Shannon Airport Authority (Note 18)	38	-	-	38	-	31-Dec-06
Cork Airport Authority (Note 18)	38	-	-	38	-	31-Dec-06
Aer Lingus Group plc (Note 19)	12,181	-	5,475	6,705	206,949	31-Dec-06
Irish Aviation Authority	22,675	-	-	22,675	20,573	31-Dec-06
Drogheda Port Company	7,320		-	7,320	14,462	31-Dec-06
Dublin Port Company	14,464	-	-	14,464	73,462	31-Dec-06
Dun Laoghaire Harbour Company	14,540	-	-	14,540	33,993	31-Dec-06
Galway Harbour Company	8,927	-	-	8,927	10,958	31-Dec-06
New Ross Port Company	4,672	-	-	4,672	5,410	31-Dec-06
Port of Cork Company	19,145	-	-	19,145	63,675	31-Dec-06
Port of Waterford Company (Note 22)	16,480	460	-	16,939	20,666	31-Dec-06
Shannon Foynes Port Company	22,187	-	-	22,187	19,403	31-Dec-06
Dundalk Port Company	1,088		-	1,088	3,466	31-Dec-06
Wicklow Port Company	1,964		-	1,964	2,732	31-Dec-06

STATEMENT 1.9 (B)

Capital: Investments in International Bodies under International Agreements

	Shareholding at 31 December 2005 (Note 23)	Cost of Shares acquired 2006	Disposals of Shares 2006	Shareholding at 31 December 2006 (Note 23)
Body	€000	€000	€000	€000
Payments under Bretton Woods Agreement Acts, 1957-1999 [Note 24]	31,448	-	-	28,170
Payments under International Finance Corporation Act, 1958 [Note 24]	1,093	-	-	980
European Bank for Reconstruction and Development [Note 25]	14,711	405	-	15,116
European Investment Bank	46,640	-	-	46,640
International Common Fund for Commodities [Note 24]	543	-	-	519
Multilateral Investment Guarantee Agency [Note 24]	794	-	-	712
Council of Europe Development Bank [Note 26]	6,550	3,293	-	9,843
Development Banks Act, 2005				
Asian Development Bank [Note 27]	-	15,250	-	15,250
Totals	<u>101,779</u>	<u>18,948</u>		<u>117,230</u>

STATEMENT 1.9 (C)

Capital: Investments - Shares of Sundry Undertakings

	Shareholding at 31 December 2005	Cost of Shares acquired 2006	Disposal of Shares 2006	Shareholding at 31 December 2006
Body	€000	€000	€000	€000
Fastnet Mussels Ltd	19	-	-	19
Kush Seafarms Ltd	19	-	-	19
Silver King Seafoods	125	-	-	125

STATEMENT 1.10

Capital: Receipts from the European Union

	2005	2006
	€000	€000
European Regional Development Fund	234,436	133,010
Cohesion Fund	15,634	39,513
TransEuropean Network	10,040	4,860
Turkish Aid Protocol [Note 28]	33	33
EIB-EEA Financial Mechanism	<u>11</u>	<u>5</u>
Total	<u>260,154</u>	<u>177,421</u>

STATEMENT 1.11

Capital: Payments to the European Union

	2005	2006
	€000	€000
Reimbursement of Cohesion Fund overpayments	796	2,762
Reimbursement of ERDF overpayments	=	<u>67</u>
Total	<u>796</u>	<u>2,829</u>

STATEMENT 1.12

Capital: Other Receipts

	2005	2006
Body	€000	€000
Office of Public Works		
Sale of State property	48,365	231,312
Department of Enterprise, Trade and Employment		
Sale of FAS Assets	3	44
IDA Ireland in respect of a VAT refund received from Revenue	880	-
IDA Ireland in respect of a final dividend received from the liquidation of a communications company	53	-
IDA Ireland in respect of surplus grant refund income	7,783	-
IDA Ireland arising from the sale of a telecommunications project	-	88
Enterprise Ireland in respect of the closure of an Equity Fund	6,419	-
Enterprise Ireland in respect of surplus own resources income	3,328	-
Enterprise Ireland in respect of excess own resources income (grant refunds, sale of investments arising in 2004 and 2005)	1,921	254
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	-
IDA Ireland in respect of surplus own resource income (capital income)	-	5
CEB funding refund under the Small Business Operational Programme (SMOP)	-	60
Grant refund from SPS Ltd to Shannon Development	-	712
Science Foundation Ireland in respect of returned grant monies from NUI Galway, drawn down in 2005		170

Capital: Other Receipts (contd.)

	2005	2006
Body	€000	€000
Department Environment, Heritage and Local Government		
Refunds of outstanding loan balances under The Voluntary Housing Capital Assistance Scheme	410	-
Refund of monies expended on the Mullaghmore project at the Burren, Co. Clare	175	-
Refund of monies held on deposit by CSSO pending purchase of Oweninny Bog, Co. Mayo	20	-
Refund in respect of No. 3, The Beeches, Mallow, Co. Cork under The Affordable Housing Scheme	25	-
Redemption of a mortgage on 1 Lower O'Connell Avenue, Dublin 7	12	-
Refund of 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	-
Refund of grant paid in respect of the provision of car parking facilities to Trim Town Council	63	-
Refund of grant paid under The Voluntary Housing Capital Assistance Scheme to Wexford County Council in respect of property at Balintray, Courtown, Co. Wexford where the final cost of the project was less than expected	-	58
Refund of a grant paid under The Affordable Housing Scheme to Wicklow County Council where they were unable to secure eligible applicants for the purchase of apartments and townhouses	-	142
Revenue from the auction of allowances from The Emissions Trading Scheme administered by The Environment Protection Agency under the National Allocation Plan 2004	-	4,683
Proceeds from the sale of machines at the former Irish ISPAT site at Haulbowline, Co. Cork	-	2
Refund of grant paid under The Voluntary Housing Capital Scheme to Dunlaoghaire/Rathdown County Council in respect of property at Mount Anville, Lower Kilmacud Road, Dublin 4 as the loan has been fully discharged by the Sophie Barat Residence Limited Housing Association	-	412

Capital: Other Receipts (contd.)

	2005	2006
Body	€000	€000
Department of Communications, Marine and Natural Resources		
Reimbursement of funds payable under the Harbours Act, 1996	17	-
Proceeds from the sale of bonus shares from Vodafone	-	875
Department of Transport		
Proceeds from sale of Aer Lingus	-	240,914
Department of Education and Science		
Proceeds from the sale of school properties and sites.	-	1,796
Department of Health and Children		
HSE in respect of surplus Assets	-	56,297
Department of Finance		
Receipts under the following Acts:		
International Development Association Acts 1960-1997	20	17
Finance Acts, 1978 and 1990 [Note 29]	23	-
Insurance Acts, 1953-1988	1,932	1,375
Miscellaneous Capital Receipts	<u>600</u>	=
Total	<u>75,593</u>	<u>539,216</u>

STATEMENT 1.13

Capital: Other Payments

	2005	2,006
	€000	€000
Funding of Superannuation Liabilities:		
National Pensions Reserve Fund *	1,320,250	1,446,500
Payments under other Acts:		
Insurance Acts, 1953 - 1988	34	54
Finance Acts, 1978 and 1990 [Note 30]	95	89
Securitisation (Proceeds of Certain Mortgages) Act, 1995	<u>1,048</u>	<u>365</u>
	<u>1,177</u>	<u>508</u>
Total	<u>1,321,427</u>	<u>1,447,008</u>

* At 31st December 2005 the value of the National Pension Reserve Fund was €15.419 billion.

* At 31st December 2006 the value of the National Pension Reserve Fund was €18.9 billion.

STATEMENT 1.14

Guaranteed Liabilities

At 31 December 2006, the Government had guaranteed the due payment of obligations in respect of liabilities of which the principal or capital value outstanding was € 3,320 million. The individual amounts represent capital raised and commitments entered into in accordance with relevant statutes.

	Amount Outstanding at 31 December 2005	Changes in Guaranteed Liabilities in 2006	Amount Outstanding at 31 December 2006
Relevant Department and Nature of Liability	€000	€000	€000
Finance			
ACC Bank plc [Note 31]	63,487	-	63,487
Insurance Acts, 1953-1988	384	(40)	344
ACP-EEC Convention of Lomé (contracts of Guarantee between State and European Investment 'Bank) Act 1976.	7,661	(710)	6,951
Bank of Scotland (Ireland) Ltd [Note 32]	3,650	(3,650)	-

Relevant Department and Nature of Liability	Amount Outstanding at 31 December 2005 €000	Changes in Guaranteed Liabilities in 2006	Amount Outstanding at 31 December 2006 €000
Transport			
Dublin Airport Authority	5,565	(1,874)	3,691
Córas Iompair Éireann	122,707	(12,470)	110,237
Port of Waterford Co.	3,317	(3,317)	-
Arts, Sport and Tourism			
Cork Opera House Co Ltd	11	(5)	6
Enterprise, Trade and Employment			
Electricity Supply Board	22,424	(10,822)	11,602
Environment, Heritage and Local Government			
Housing Finance Agency plc	2,961,219	97,753	3,058,972
National Building Agency Ltd	223	(32)	191
Securitisation (Proceeds of Certain Mortgages) Act, 1995	28,857	(3,785)	25,072
Agriculture and Food			
Irish Intervention Agency	<u>110,800</u>	<u>(71,000)</u>	<u>39,800</u>
Total	<u><u>3,330,305</u></u>	<u><u>(9,952)</u></u>	<u><u>3,320,353</u></u>

NOTES TO PART ONE OF THE FINANCE ACCOUNTS

Note

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. [Exchequer Account]*
2. *The 2006 service of National Debt cost as previously reported in the end year 2006 Exchequer Statement has increased by € 346,544 to reflect a reclassification of National Savings Schemes between interest and debt balances of €296,787 for An Post and € 49,757 for Irish Life & Permanent plc. [Exchequer Account]*
3. *The breakdown between current and capital payments has been amended from that set out in the end year 2006 Exchequer Statement to reflect a reclassification of certain payments to the International Development Association as current expenditure. [Exchequer Account]*
4. *The figure for Capital Acquisitions Tax includes any residual amounts in respect of Estate Duty and Wealth Tax. [Statement 1.1]*
5. *Details of expenditure which is part-funded by the National Lottery are shown in the Estimates for Public Services. [Statement 1.2]*
6. *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. [Statement 1.2]*
7. *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 1.3]*
8. *A similar breakdown of the 2005 payments is available in Schedule 1 in the 2005 Finance Accounts. [Statement 1.4]*
9. *The Gross Total for payments differ from the actual charge on the Central Fund in 2006 shown in Statement 1.4 because of the normal lag in the payover of tax deductions, and receipts / refunds received in 2006. [Statement 1.4]*

NOTES TO PART ONE OF THE FINANCE ACCOUNTS (contd.)

Note

10. *"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. [Statement 1.4]*
11. *Severance payments are payable to Ministers, Ministers of State and Attorney 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. [Statement 1.4]*
12. *Deductions from Lump Sums to Judges relating to Spouses' and Children's contributions are payable to the Superannuation and Retired Allowances Vote. [Statement 1.4]*
13. *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 2006 the net effect of the agreements was to increase the Irish contribution to the EU Budget by €41.3m. [Statement 1.5]*
14. *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. [Statement 1.5]*
15. *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. [Statement 1.6]*
16. *Reoupment to Marathon Petroleum Ireland Ltd in respect of Preliminary Tax paid for previous year under the Finance Act 1992. [Statement 1.6]*

NOTES TO PART ONE OF THE FINANCE ACCOUNTS (contd.)

Note

17. *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 1.7]*
18. *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. [Statement 1.9A]*
19. *Aer Lingus was floated on the Irish and UK Stock Exchanges during 2006. In September 2006 the nominal value of the shares in Aer Lingus was reduced from €1.25 to €0.05. This reduction had the following effect on the nominal value of the shareholding [Statement 1.9A]:*
- Ministers Shareholding Pre IPO: 243,610,052 @ €1.25 = €304,512,565*
- After Nominal price reduction: 243,610,052 @ €0.05 = €12,180,503*
- Shares sold during IPO: 109,501,026 @ €0.05 = €5,475,051*
- Remaining Nominal Shareholding: 134,109,026 @ €0.05 = €6,705,451*
- The Net Assets figure is 25.352% of the total equity in Aer Lingus at 31st December 2006.*
20. *The State has a 20% shareholding in An Post National Lottery Company, a subsidiary of An Post. [Statement 1.9A]*
21. *The State's shareholding (81.9%) in Arramara Teoranta was sold for a nominal sum of €3.50 to Údarás na Gaeltachta with effect from 16th October 2006. [Statement 1.9A]*

NOTES TO PART ONE OF THE FINANCE ACCOUNTS (contd.)

Note

22. *The figures include the value of Exchequer investment in the Port of Waterford Company in respect of EIB loan repayments. Share Certificates to the value of €0.228m issued in September 2006. Share Certificates for the balance of €0.231m issued in February 2007. [Statement 1.9A]*

23. *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. [Statement 1.9(B)]*

24. *There were no new shares acquired in these institutions in 2006, the change in value relates to exchange rate fluctuations. [Statement 1.9(B)]*

The shareholding at 31st December 2005 in respect of the International Common Fund for Commodities has been revised due to confirmation of the exchange rate that applied.

The shareholding at 31st December 2005 in respect of the Multilateral Investment Guarantee Agency has been revised to exclude the value of an uncashed promissory note.

25. *No shares were acquired in 2006. The €405K represents the 2006 deferred payment for shares acquired in 1996. [Statement 1.9(B)]*

26. *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(B)]*

27. *Under the Development Banks Act, 2005 the State is required to make 4 annual payments for the share capital in the Asian Development Bank which it joined in July 2005. The 1st payment of*

€2.1m was made in 2006. A gain of €88k was realised on the foreign exchange transaction. This gain was returned to the Exchequer and is included in Statement 1.2 under Other Receipts.

[Statement 1.9(B)]

28. *Ireland's share of repayments of EU loans to Turkey under the Association Agreement with that country. [Statement 1.10]*

29. *Refunds of Guarantee payments from EIB in respect of Third World countries repaying on guaranteed loans. [Statement 1.12]*

NOTES TO PART ONE OF THE FINANCE ACCOUNTS (contd.)

Note

- 30 *Guarantee payments by Ireland to EIB in respect of Third World countries defaulting on guaranteed loans. [Statement 1.13]*
31. *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. [Statement 1.14]*
32. *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. [Statement 1.14]*

PART TWO

**FINANCIAL STATEMENTS OF THE NATIONAL DEBT OF IRELAND
FOR YEAR ENDED 31 DECEMBER 2006**

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.

The financial statements set out on pages 50 to 64 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 2006.

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 2006

		2005 Total Cost	2006 Total Cost
	Notes	€'000	€'000
Interest paid			
Medium / Long Term Debt*	2	1,392,874	1,351,331
Short Term Debt**	3	98,134	118,006
National Savings Schemes	4, 9	279,902	480,346
Other Movements	5	23,159	21,062
Sinking Fund payments	6	477,615	470,286
Fees and Expenses	7	17,700	19,289
Expenses of NTMA		21,959	29,828
Interest received on deposits with Central Bank and other banks		<u>(73,138)</u>	<u>(111,184)</u>
Total Service Cost €	1	<u>2,238,205</u>	<u>2,378,964</u>

* 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 58 to 64 form part of these financial statements.

STATEMENT 2.2

NATIONAL DEBT OF IRELAND

NATIONAL DEBT STATEMENT

31 December 2006

	Notes	2005 € million	2006 € million
Medium / Long Term Debt *			
Irish Government Bonds listed on The Irish Stock Exchange		31,311	31,189
Other Irish Government Public Bond Issues		37	38
Private Placements		-	-
European Investment Bank Loans		118	120
Medium Term Notes		496	443
Miscellaneous Debt		<u>(26)</u>	<u>26</u>
	8	31,936	31,816

NATIONAL DEBT STATEMENT (contd.)
31 December 2006

	Notes	2005 € million	2006 € million
Short Term Debt **			
Commercial Paper		115	118
Borrowings from Funds under the control of the Minister for Finance	15	<u>3,573</u>	<u>2,661</u>
		3,688	2,779
National Savings Schemes			
Savings Certificates		2,208	2,215
Savings Bonds		1,585	1,709
National Instalment Savings		385	394
Savings Stamps		2	2
Prize Bonds		<u>561</u>	<u>590</u>
	9	<u>4,741</u>	<u>4,910</u>
		40,365	39,505

NATIONAL DEBT STATEMENT (contd.)

31 December 2006

	Notes	2005 € million	2006 € million
Less Liquid Assets	10	<u>(2,183)</u>	<u>(3,588)</u>
National Debt €	12	<u>38,182</u>	<u>35,917</u>

* 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 58 to 64 form part of these financial statements.

STATEMENT 2.3

NATIONAL DEBT OF IRELAND

NATIONAL DEBT CASH FLOW STATEMENT

Year ended 31 December 2006

	Notes	2005 €'000	2006 €'000
Movement in Exchequer balances:			
Opening Balance in Exchequer Account	10	2,062,298	2,183,127
Commercial Deposits		-	-
Borrowing Activity (see below)		<u>620,183</u>	<u>(860,176)</u>
		2,682,481	1,322,951
Exchequer Surplus /(Deficit)		<u>(499,354)</u>	<u>2,264,291</u>
Closing Balance in Exchequer Account	10	<u>2,183,127</u>	<u>3,587,242</u>

	2005 Net €'000	2006 Net €'000	2006 Receipts €'000	2006 Payments €'000
Borrowing Activity				
Irish Government Bonds listed on The Irish Stock Exchange	213,018	(122,068)	25,326,031	(25,448,099)
Other Irish Government Public Bond Issues	-	-	-	-

	2005	2006	2006	2006
	Net	Net	Receipts	Payments
	€'000	€'000	€'000	€'000
Borrowing Activity (contd.)				
Private Placements	(35,835)	-	-	-
European Investment Bank Loans	(4,260)	-	-	-
Medium Term Notes	(307,062)	-	-	-
Miscellaneous Debt	383,272	(713)	-	(713)
Commercial Paper	(204,884)	6,227	120,836,608	(120,830,381)
Savings Certificates	11,486	6,863	462,011	(455,148)
Savings Bonds	156,534	124,101	671,847	(547,746)
National Instalment Savings	(85)	8,997	96,161	(87,164)
Prize Bonds	55,048	27,932	134,592	(106,660)
Borrowings from Ministerial Funds	<u>352,951</u>	<u>(911,515)</u>	<u>67,244,701</u>	<u>(68,156,216)</u>
Total Borrowing Activity	620,183	(860,176)	214,771,951	(215,632,127)
Commercial Deposit Activity	—	=	<u>19,875,200</u>	<u>(19,875,200)</u>
Total Activity	<u>620,183</u>	<u>(860,176)</u>	<u>234,647,151</u>	<u>(235,507,327)</u>

		2005	2006	2,006	2,006
		Net	Net	Receipts	Payments
		€'000	€'000	€'000	€'000
Exchequer Account		877,978	(863,186)	233,061,156	(233,924,342)
Foreign Currency Clearing Accounts	14	<u>(257,795)</u>	<u>3,010</u>	<u>1,585,995</u>	<u>(1,582,985)</u>
		<u>620,183</u>	<u>(860,176)</u>	<u>234,647,151</u>	<u>(235,507,327)</u>

The Notes on pages 58 to 64 form part of these financial statements.

STATEMENT 2.4

NATIONAL DEBT OF IRELAND

STATEMENT OF MOVEMENT IN NATIONAL DEBT Year ended 31 December 2006

	Notes	2005 €'000	2006 €'000
Opening National Debt		37,846,169	38,182,333
Increase / (Decrease) in National Debt (nominal)		<u>336,164</u>	<u>(2,264,766)</u>
Represented by:			
Exchequer (Surplus)/Deficit		499,354	(2,264,291)
Effect of Foreign Exchange Rate Movements		(1,729)	260
Bond Tranching: net reduction (excess) of proceeds over nominal liability		(176,049)	(40)
Bond Cancellations: net reduction (excess) of cancellation cost over nominal liability		13,918	(76)
Movement in CSRA current balance	10	670	(619)
Other nominal movements		=	=
		<u>336,164</u>	<u>(2,264,766)</u>
Closing National Debt €		38,182,333	35,917,567

The notes on pages 58 to 64 form part of these financial statements.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Total Service Cost

	Notes	Charged on Foreign Currency Clearing Accounts €'000	Charged on Central Fund €'000	Charged on CSRA €'000	Total Service Cost 2006 €'000
Interest paid					
Medium / Long Term Debt	2	12,522	220,040	1,118,769	1,351,331
Short Term Debt	3	6,296	97,308	14,402	118,006
National Savings Schemes	4	-	165,086	315,260	480,346
Other Movements	5	(16,874)	7,501	30,435	21,062
Sinking Fund payments	6			470,286	470,286
Fees and Expenses	7	269	19,020		19,289
Expenses of NTMA		797	29,031	-	29,828
Interest received on deposits with Central Bank and other banks		= 3,010	= 537,986	(111,184) 1,837,968	(111,184) 2,378,964
Inter Account movement		=	1,838,587	(1,838,587)	-
Net cash paid		<u>3,010</u>	<u>2,376,573</u>	<u>(619)</u>	<u>2,378,964</u>

The total charged on the Foreign Currency Clearing Account and on the Central Fund, €2,379,583,000 represents the charge on the Exchequer for the Service of National Debt, corresponding with these entries on the Exchequer Account (page 8):

Sinking Fund	€470,286,000
Other Service of National Debt	€1,909,297,000

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2 - Interest on Medium / Long Term Debt	Total Cost 2005 €'000	Total Cost 2006 €'000
Irish Government Bonds listed on The Irish Stock Exchange	1,360,773	1,327,317
Other Irish Government Public Bond Issues	4,677	4,695
Private Placements	1,709	-
European Investment Bank Loans	9,143	8,916
Medium Term Notes	23,655	17,905
Miscellaneous Debt	<u>(7,083)</u>	<u>(7,502)</u>
	<u>1,392,874</u>	<u>1,351,331</u>

1392874

Note 3 - Interest on Short Term Debt	Total Cost 2005 €'000	Total Cost 2006 €'000
Commercial Paper	38,848	49,832
Borrowings from Funds under the control of the Minister for Finance	<u>59,286</u>	<u>68,174</u>
	<u>98,134</u>	<u>118,006</u>

Note 4 - Interest on National Savings Schemes	Total Cost 2005 €'000	Total Cost 2006 €'000
Savings Certificates	341,133	603,178
Savings Bonds	42,073	76,766
National Instalments Savings	29,030	29,358
Prizes in respect of Prize Bonds	12,673	13,862
Small Savings Reserve (Note 9)	<u>(145,007)</u>	<u>(242,818)</u>
	<u>279,902</u>	<u>480,346</u>

279,902

Payments for Interest on National Savings Schemes in 2006 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 interest amounts transferred in 2006 are as follows:

	€'000
Savings Certificates	13,952
Savings Bonds	(165)
National Instalments Savings	<u>(650)</u>
	<u>13,137</u>

These interest transfers include an interest reclaim of €98,000 in respect of 2006 which was not made by An Post until 2007. As the accounts are prepared on a cash basis this amount is not included in the payments for interest on National Savings Schemes for 2006.

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 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.

Note 6 - Sinking Fund Payments

Under Finance Act 1950 specified amounts were provided for the redemption of debt. The sums provided and applied in 2006 were as follows:

	2006 €'000
Capital Services Redemption Account (Note 13)	470,286
	470,286

Note 7 - Fees and Expenses

	Total Cost 2005 €'000	Total Cost 2006 €'000
Expenses of Irish Government Bonds	-	-
Expenses of Savings Certificates	3,749	4,187
Expenses of Prize Bonds	6,992	7,356
Expenses of Savings Bonds	2,534	3,219
Expenses of National Instalment Savings	2,326	2,582
Expenses of Savings Stamps	1,042	1,042
Expenses of Foreign Loans	<u>1,057</u>	<u>903</u>
	17,700	19,289

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 Agency, is as follows:-

	As at 31 December 2005 € millions	As at 31 December 2006 € millions
Debt due for repayment within 1 year	123	6,042
Debt due for repayment between 2 and 5 years	12,701	6,604
Debt due for repayment in more than 5 years	<u>19,112</u>	<u>19,170</u>
	31,936	31,816

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 9 - National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of €5.0 million (2005 : €7.4 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 €1,038 million (2005 : €1,549 million), being the estimate of the amount of accrued interest at 31 December 2006 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 2006 was 31.02% of the interest accrued at 31 December 2005 of €1,549m. The Minister decided that the net amount of €243m would be withdrawn from the fund in 2006.

	€ millions
Estimated accrued interest at 31 December 2006	1,038
Balance at 1 January 2006	(825)
Amount applied during 2006	243
Balance at 31 December 2006 (Note 15)	<u>(582)</u>
Estimated accrued interest not provided for at 31 December 2006	<u>456</u>

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.

Note 10 - Liquid Assets

	Opening balance at 1 January 2006 €'000	Movements during 2006 €'000	Closing balance at 31 December 2006 €'000
Exchequer Account	2,183,127	1,404,115	3,587,242
Capital Services Redemption Account			
Current Balance (Note 13)	215	619	834
	<u>2,183,342</u>	<u>1,404,734</u>	<u>3,588,076</u>

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 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 activity 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 costs 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 2006	
	Nominal	Present Value	Nominal	Present Value
	€ millions	€ millions	€ millions	€ millions
Interest Rate Swaps	1,103	(28)	1,104	(12)
Currency Swaps & Foreign Exchange Contracts	<u>711</u>	<u>44</u>	<u>672</u>	<u>(15)</u>
	<u>1,814</u>	<u>16</u>	<u>1,776</u>	<u>(27)</u>

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Note 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 :

	As at 31 December 2005 € millions	As at 31 December 2006 € millions
Euro *	38,182	35,917
US Dollar	-	-
	<u>38,182</u>	<u>35,917</u>

* This figure is net of liquid assets as at 31 December 2006 €3,588m (31 December 2005 €2,183m)

Note 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)

Note 14 - Foreign Currency Clearing Accounts €'000

Balance at 1 January 2006 -

Deposit interest received

Amounts received under Finance Act 1988 [S67 (8)] 2,138,517

Amounts paid under Finance Act 1970 [S54 (7)] (2,121,643) 16,874

Foreign Currency Borrowing receipts 1,585,995

Foreign Currency Borrowing payments (1,582,985) 3,010

Interest paid on Foreign Currency Borrowings (Note 1)

- Medium/Long Term Debt (12,522)

- Short Term Debt (6,296) (18,818)

Expenses of Foreign Currency Borrowings (Note 1) (269)

Expenses of NTMA (797)

Balance at 31 December 2006 Nil

Note 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

	As at 31 December 2005 € millions	As at 31 December 2006 € millions
Post Office Savings Bank Fund	1,335	1,160
Small Savings Reserve Fund	825	582
Ulysses Securitisation plc	339	127
Deposit Monies Investment Account	<u>1,074</u>	<u>792</u>
	<u>3,573</u>	<u>2,661</u>