

FINANCE ACCOUNTS

Audited Financial Statements of the Exchequer

For the Financial Year

1st January 2004

to

31st December 2004

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

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(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
29 June 2005

Report of the Comptroller and Auditor General

I have audited the Accounts on pages 7 to 42 in accordance with Section 4(2) of the Comptroller and Auditor General (Amendment) Act, 1993. I have obtained all the information and explanations I have required.

As the result of the my audit, it is my opinion that

- (a) the transactions recorded in the Accounts conform to the authorities that govern them
- (b) proper books of account and records have been kept
- (c) the Accounts properly reflect
 - (i) the payments into and out of the Central Fund and the surplus for the year ended 31 December 2004, and
 - (ii) the capital investment of the Central Fund at 31 December 2004 and the National Debt outstanding at that date.

John Purcell
Comptroller and Auditor General
22 August 2005

EXCHEQUER ACCOUNT

Account of Receipts and Payments for the year ended 31 December 2004

STATEMENT No.		2004	2003
		€ 000	€ 000
Current Receipts:			
Tax Revenue	1.1	35,580,822	32,102,931
Non-Tax Revenue	1.2	802,161	1,053,583
		36,382,983	33,156,514
Current Payments:			
Voted (Departmental expenditure voted annually by the Dáil)	1.3	27,179,456	25,451,867
Non-Voted (non-discretionary expenditure charged directly on Central Fund)			
Sinking Fund (a)	2.1(Note 1)	489,529	479,774
Other Service of National Debt (b)	2.1(Note 1)	1,713,899	1,547,048
Payments to holders of political and Constitutional office etc.	1.4	38,240	37,289
Payments to EU Budget	1.5	1,185,539	1,190,386
Other non-voted Expenditure	1.6	156,962	40,193
		30,763,625	28,746,557
Surplus on Current Account		5,619,358	4,409,957
Capital Receipts:			
Loans repaid	1.8	219,004	358,251
EU Receipts	1.10	344,619	368,508
Other Receipts	1.12	89,560	82,736
		653,183	809,495
Capital Payments:			
Voted (Departmental expenditure voted annually by the Dáil)	1.7	5,368,493	5,289,755
Non-Voted (expenditure charged directly under particular legislation)			
Loans issued	1.8	175,030	262,717
Share Capital acquired in State Bodies	1.9 (A)	3,462	15,442
Investment in International Bodies	1.9 (B)	4,324	844
EU Payments	1.11	-	4,926
Funding of Superannuation Liabilities	1.13	1,177,000	1,103,000
Other Payments	1.13	834	1,562
		6,729,143	6,678,246
Deficit on Capital Account		(6,075,960)	(5,868,751)
Exchequer Cash Balance		(456,602)	(1,458,794)
Sinking Fund (a)	2.1	489,529	479,774
Exchequer Surplus/(Deficit)		32,927	(979,020)
Source and Application of Funds			
Net Debt (Borrowing)/Repayments and Other Balances	2.3	(305,162)	(1,173,692)
Total Increase/(Decrease) in Exchequer Balances and Commercial Deposits	2.3	338,089	194,672
		32,927	(979,020)

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 2004 service of National Debt cost as previously reported in the end year 2004 Exchequer Statement has decreased by € 426,235 to reflect a reclassification of National Savings Schemes between interest and debt balances of € 347,610 for An Post and € 78,625 for Irish Life & Permanent plc.

PART ONE

STATEMENT 1.1

Current: Tax Revenue

	2004	2003
	€000	€000
Income Tax	10,650,541	9,161,767
Value Added Tax	10,693,291	9,720,544
Excise	4,927,554	4,572,137
Corporation Tax	5,331,596	5,161,370
Stamps	2,088,454	1,688,382
Customs	173,285	135,923
Training and Employment Levy	3,658	-
Capital Acquisitions Tax (a)	190,064	214,167
Capital Gains Tax	1,515,555	1,442,820
Residential Property Tax	382	404
Agricultural Levies	6,442	5,417
	<hr/>	<hr/>
Total	35,580,822	32,102,931

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

	2004 €000	2003 €000
Central Bank Surplus Income	321,726	583,719
National Lottery Surplus (a)	236,145	204,000
Royalties from Marathon Petroleum Ireland Ltd	4,900	5,071
Central Bank - Accrued public moneys arising from the issue of coins.	42,700	78,200
Interest received on loans :		
Aer Lingus Shannon Ltd. (formerly Aerlínte Éireann Teoranta)	254	381
Bord Iascaigh Mhara	88	135
Dept. of Agriculture & Food in its capacity as Intervention Agency		
FEOGA Guarantee	1,561	1,993
Dept. of Communications, Marine and Natural Resources		
FEOGA Guarantee	16	177
Local Loans Fund	7,700	9,200
	9,619	11,886
Share Dividends :		
Aer Rianta	6,074	7,245
Bord Gáis Éireann	9,679	9,796
Irish Aviation Authority	1,271	1,000
Vodafone Group	119	97
Electricity Supply Board	63,762	18,719
	80,905	36,857
Receipts collected by Government Departments and Offices : (b)		
Arts, Sport and Tourism :		
Fáilte Ireland Superannuation Scheme	80	-
Defence :		
Re-imbursement by the UN of claims in respect of Defence Forces		
personnel who died or were injured while serving with UNIFIL	-	46
Interest on Sale of Murphy Barracks, Ballincollig, County Cork.	-	11
Education and Science :		
Legal Costs	1,925	-
Enterprise, Trade and Employment:		
Receipt from Forfas in respect of lease income	-	211
Receipt from IDA Ireland in respect of surplus own resource income	1,334	1,000
Environment, Heritage and Local Government :		
Repayment of Pension re Heritage Staff	200	-
Foreign Affairs :		
Passport and Consular Fees	5,535	27,147
Justice, Equality and Law Reform :		
Exchequer Fines	4,885	5,028
Citizenship Certificates	448	613
Court Percentages	-	65
Motoring Fines	22,705	25,459
Land Registry and Registry of Deeds :		
Land Registration Fees	60,561	52,532
Registry of Deeds Fees	3,023	2,813
Ground Rent Fees	101	81

Current: Non-Tax Revenue - continued

	2004 €000	2003 €000
Communications, Marine and Natural Resources :		
Refunds of Pollution Costs re. Irish Coast Guard.	5	23
Office of the Revenue Commissioners :		
Fee Stamps credited by the Revenue Commissioners	665	718
Transport :		
Excess Moneys re. Staff Secondment	201	-
Interest on Advances re. Commission for Aviation Regulation	96	-
Aviation Indemnity Charges.	1,845	-
	103,609	115,747
Other Receipts :		
Conscience money	44	73
Income from Irish Life policy placed by Dublin District Milk Board	14	16
Refund of salary from Chairman, Dublin Docklands Development Authority	12	15
State Property Act, 1954 (Sections 28 & 31)	45	39
Receipts from the European Investment Bank	992	1,209
EC Payment : Seminaire Homologues Group Meeting	26	-
Interest on Revenue accounts with the Central Bank	325	453
State witness expenses	11	8
Proceeds from Companies Liquidation Account	63	130
Forfeited moneys received pursuant to functions of the Criminal Assets Bureau	341	82
Criminal Justice Act, 1994 (Section 39)	9	412
Criminal Justice Act, 1994 (Section 62)	89	-
Houses of the Oireachtas Commission Act 2003 (c)	344	-
Receipts from Agency for Personal Service Overseas	239	45
Office of the Director of Telecommunications Regulation annual surplus	-	15,555
Receipts from Liquidation of Pigs and Bacon Commission	-	66
Gifted to the State	2	-
	2,556	18,103
Miscellaneous	1	-
PAYMENTS INTO EXCHEQUER		
	802,161	1,053,583

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) When the Houses of the Oireachtas and European Parliament was funded from a dedicated Vote its receipts were recorded as Appropriations-in-Aid on the Vote. The accounts of the Houses of the Oireachtas Commission are audited by the Comptroller and Auditor General under Section 14 (2) of the Houses of the Oireachtas Commission Act 2003. See Statement 1.6.

STATEMENT 1.3

Current: Issues for Current Voted Expenditure (a)

	2004 €000	2003 €000
Vote		
No. Service		
1 President's Establishment	2,032	1,955
2 Department of the Taoiseach	29,255	26,373
3 Office of the Attorney General	11,866	11,472
4 Central Statistics Office	32,961	33,870
5 Office of the Comptroller and Auditor General	5,486	6,543
6 Office of the Minister for Finance	74,430	80,299
7 Superannuation and Retired Allowances	197,217	175,198
8 Office of the Appeal Commissioners	374	326
9 Office of the Revenue Commissioners	314,427	291,075
10 Office of Public Works	215,576	163,697
11 State Laboratory	7,050	6,393
12 Secret Service	477	227
13 Chief State Solicitor's Office	26,663	29,569
14 Office of the Director of Public Prosecutions	28,867	26,106
15 Valuation Office	6,619	5,825
16 Public Appointments Service	9,634	10,638
17 Office of the Ombudsman	5,032	5,059
18 National Gallery	7,968	7,399
19 Office of the Minister for Justice, Equality and Law Reform	310,502	293,116
20 Garda Síochána	1,053,615	942,623
21 Prisons	291,325	304,196
22 Courts Service	49,809	46,368
23 Land Registry and Registry of Deeds	31,378	28,421
24 Charitable Donations and Bequests	305	317
25 Environment, Heritage and Local Government	681,920	692,578
26 Office of the Minister for Education and Science (b)	5,857,255	291,299
27 Community, Rural and Gaeltacht Affairs	202,241	164,538
28 Foreign Affairs	145,649	157,048
29 International Co-operation	398,310	369,113
30 Communications, Marine and Natural Resources	150,960	161,106
31 Agriculture and Food	699,622	777,288
32 Transport	405,868	374,983
33 Health and Children	8,084,760	7,440,540
34 Enterprise, Trade and Employment	736,193	748,006
35 Arts, Sport and Tourism	300,004	232,842
36 Defence	673,637	673,477
37 Army Pensions	149,250	139,137
38 Social and Family Affairs	5,980,752	5,607,649
39 Commission for Public Service Appointments	167	-
Houses of the Oireachtas and the European Parliament (c)	-	80,233
First-Level Education	-	1,737,959
Second-Level and Further Education	-	1,923,453
Third-Level and Further Education	-	1,309,991
An Chomhairle Ealaíon	-	42,385
Increases in Remuneration	-	31,177
Total Exchequer Payments towards Voted Expenditure	27,179,456	25,451,867

Notes:

- (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.
- (b) During 2003 Vote 27-First-Level Education, Vote 28-Second-Level Education and Vote 29-Third-Level and Further Education amalgamated with Vote 26-Office of the Minister for Education and Science.
- (c) The Houses of the Oireachtas and European Parliament was funded from a dedicated Vote (No 2) in 2003. In accordance with the Houses of the Oireachtas Commission Act 2003, these expenses are paid directly from the Central Fund from 1 January 2004.

STATEMENT 1.4

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

	2004	2003
	€000	€000
Annuities, Pensions etc. for former Constitutional, Ministerial and Judicial Office-holders (a)	7,775	7,545
Salaries and Allowances (a)	13,550	13,860
Judicial Salaries (a)	16,915	15,884
Total	38,240	37,289

Note :

(a) A detailed breakdown of the 2004 payments under these headings is contained in Schedule 1. A similar breakdown of the 2003 payments is available in the corresponding Schedule in the 2003 Finance Accounts.

STATEMENT 1.5

Current: Payments to the European Union Budget

	2004	2003
	€000	€000
Customs Duties	123,563	100,452
Agricultural (including Sugar) Levies	4,865	4,072
VAT related payments (a)	181,656	291,351
GNI (Gross National Income) related payments (a)	875,455	794,511
Total	1,185,539	1,190,386

Note:

(a) 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. Refunds, where they occur, are received into the Exchequer as Non-tax Revenue. 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.

STATEMENT 1.6

Current: Other Non-Voted Expenditure

	2004	2003
	€000	€000
Houses of the Oireachtas Commission (a)	82,929	-
Returning Officers' Expenses under the Electoral Acts	39,582	22,910
Payments to International Development Association (b)	16,430	7,208
Election Postal charges	10,535	-
Payments to Marathon Petroleum Ireland Ltd (c)	6,244	8,496
Payments under Section 166 of the Finance Act, 2003	197	501
Bretton Woods Agreements (Amendment) Acts, 1957-1999	1,045	1,078
	156,962	40,193

Notes:

(a) The Houses of the Oireachtas and European Parliament was funded from a dedicated Vote (No 2) in 2003. In accordance with the Houses of the Oireachtas Commission Act 2003, these expenses are paid directly from the Central Fund from 1 January 2004. The accounts of the Houses of the Oireachtas Commission are audited by Comptroller and Auditor General under Section 14 (2) of the Houses of the Oireachtas Commission Act 2003. See Statement 1.2.

(b) 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.

(c) 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)

		2004	2003
		€000	€000
Vote No	Service		
1	President's Establishment	-	-
2	Department of the Taoiseach	-	-
3	Office of the Attorney General	-	-
4	Central Statistics Office	1,191	402
5	Office of the Comptroller and Auditor General	-	-
6	Office of the Minister for Finance	11,476	11,050
7	Superannuation and Retired Allowances	-	-
8	Office of the Appeal Commissioners	-	-
9	Office of the Revenue Commissioners	13,035	12,300
10	Office of Public Works	217,756	239,606
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	355	797
17	Office of the Ombudsman	-	-
18	National Gallery	1,191	758
19	Office of the Minister for Justice, Equality and Law Reform	25,542	25,156
20	Garda Síochána	15,192	19,131
21	Prisons	43,930	30,385
22	Courts Service	24,069	25,537
23	Land Registry and Registry of Deeds	1,897	3,198
24	Charitable Donations and Bequests	-	-
25	Environment, Heritage and Local Government	1,622,556	1,615,187
26	Office of the Minister for Education and Science	517,493	10,840
27	Community, Rural and Gaeltacht Affairs	84,238	92,955
28	Foreign Affairs	12,000	14,000
29	International Co-operation	515	3,786
30	Communications, Marine and Natural Resources	105,512	137,909
31	Agriculture and Food	89,000	52,499
32	Transport	1,567,962	1,655,242
33	Health and Children	508,500	514,000
34	Enterprise, Trade and Employment	331,733	277,048
35	Arts, Sport and Tourism	142,215	107,922
36	Defence	23,935	26,429
37	Army Pensions	-	-
38	Social and Family Affairs	7,200	4,272
39	Commission for Public Service Appointments	-	-
	Houses of the Oireachtas and the European Parliament (b)	-	-
	First-Level Education	-	183,504
	Second-Level and Further Education	-	158,342
	Third-Level and Further Education	-	65,500
	An Chomhairle Ealaíon	-	2,000
	Increases in Remuneration	-	-
Total Exchequer Payments towards Voted Expenditure		5,368,493	5,289,755

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.

(b) The Houses of the Oireachtas and European Parliament was funded from a dedicated Vote (No 2) in 2003. In accordance with the Houses of the Oireachtas Commission Act 2003, these expenses are paid directly from the Central Fund from 1 January 2004.

STATEMENT 1.8

Capital: Loan Transactions

Body/Fund	Outstanding at 31 December 2003	Loans issued 2004	Loans repaid 2004	Outstanding at 31 December 2004
	€000	€000	€000	€000
Aer Lingus Shannon Ltd (formerly Aerlínte Éireann Teoranta)	6,349	-	-	6,349
Bord Iascaigh Mhara	2,685	30	403	2,312
Bula Ltd (in receivership) (a)	1,214	-	-	-
Córas Iompar Éireann	12,511	-	-	12,511
Department of Agriculture and Food : - FEOGA (Guarantee)	205,000	175,000	205,000	175,000
Department of Communications, Marine and Natural Resources : - FEOGA (Guarantee)	2,570	-	2,570	-
Local Loans Fund	82,317	-	10,875	71,442
Nitrigin Éireann Teoranta	350	-	-	350
Shannon Free Airport Development Co Ltd (b)	10,816	-	156	-
Total	323,812	175,030	219,004	* 267,964

Notes: * This figure excludes amounts written off at (a) and (b) below.

(a) Advances totalling €1,214,246 to Bula Ltd together with the interest accrued thereon, amounting to €53,556,285.45 to end December 2004, were written off as irrecoverable.

(b) Section 136 of the 2002 Finance Act (as amended) provided for the writing off of the outstanding balance when the Minister for Finance was satisfied that a transfer of the services in respect of which the advances were made had taken place between SFADCo and Clare County Council. The transfer took place on the 6th September 2004. On the 13th September, the Minister for Finance commenced Section 136 of the Finance Act, 2002 (as amended), to write off the outstanding balance.

STATEMENT 1.9 (A)

Capital: Share Capital acquired in State-sponsored Bodies

Body	Shareholding	Shares	Shares	Shareholding	State's	Accounts
	31 December	acquired	disposed	31 December	Net Assets	period ending
	2003	2004	2004	2004		
	€000	€000	€000	€000	€000	
Dublin Airport Authority plc (a)	186,337	-	-	186,337	432,736	31-Dec-04
Shannon Airport Authority (b)	-	38	-	38	-	
Cork Airport Authority (b)	-	38	-	38	-	
Aer Lingus Group plc (c)	304,513	-	-	304,513	311,640	31-Dec-04
An Post (d)	68,239	-	-	68,239	175,323	31-Dec-04
Arramara Teoranta (e)	1,199	-	-	1,199	847	31-Dec-04
Bord na Móna plc (f)	78,663	-	-	78,663	173,245	28-Mar-04
Coillte Teoranta	795,060	-	-	795,060	1,160,959	31-Dec-04
Housing Finance Agency plc	39	-	-	39	34,917	31-Dec-04
Irish Aviation Authority	22,675	-	-	22,675	67,345	31-Dec-04
Irish National Stud Co Ltd (g)	12,669	-	-	12,669	12,061	31-Dec-04
Nitrigin Eireann Teoranta	126,974	-	-	126,974	(250)	31-Dec-04
Shannon Free Airport Development Co Ltd	183,522	-	-	183,522	167,936	31-Dec-04
Irish National Petroleum Corporation	0.003	-	-	0.003	107,477	31-Dec-04
National Building Agency Ltd	0.2	-	-	0.2	16,614	31-Dec-04
Drogheda Port Company (h)	7,051	-	-	7,051	13,360	31-Dec-04
Dublin Port Company (h)	13,090	-	-	13,090	222,234	31-Dec-04
Dun Laoghaire Harbour Company	14,540	-	-	14,540	33,411	31-Dec-04
Galway Harbour Company (h)	8,927	-	-	8,927	10,230	31-Dec-04
New Ross Port Company	4,652	-	-	4,652	5,052	31-Dec-04
Port of Cork Company (h)	18,106	1,039	-	19,145	105,156	31-Dec-04
Port of Waterford Company (i)	13,154	2,423	-	15,577	7,877	31-Dec-04
Shannon Foynes Port Company (j)	22,187	-	-	22,187	22,661	31-Dec-04
Dundalk Port Company (h)	224	-	-	224	2,920	31-Dec-04
Wicklow Port Company	0.004	-	-	0.004	2,428	31-Dec-04

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 a 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) According to Bord na Mona's Accounts, the Group Profit retained for the financial year is €15.715 million. The revaluation of investment property during the year amounted to €12.711 million and the exchange adjustments on foreign subsidies equals €0.132 million. When these figures are added/subtracted to/from the previous year's net assets, the overall position is net assets of €173.245 million.

(g) The value of shareholding as reported in 2003 changed as a result of the re-nominalisation of ordinary shares in the Company from €1.269738 to €1.27 following a special resolution of the Company on 25th June 2003.

(h) The figures above include the value of the following Exchequer investments in Port Companies for which valid share certificates have yet to issue:

<u>Year</u>	<u>Port Company</u>	<u>Amount</u>
2001	Drogheda	€1.664 m
2002/3	Galway	€0.21 m
2002/3	Dundalk	€0.224 m
2003	Dublin	€0.925 m
2004	Cork	€1.039 m
2004	Waterford	€0.668 m

(i) €2.423 million was advanced from the Exchequer in 2004 to the Port of Waterford Company in respect of the company's EIB loan repayments.

(j) The figures above for Shannon Foynes Port Company include an amount of €14.058 million which is the value of property transferred to the port company under Section 96 of the Harbours Act 1996 and in respect of which the company must issue shares to the Minister for Communications, Marine and Natural Resources. The port company is in the process of issuing a valid share certificate for this amount.

STATEMENT 1.9 (B)

Capital: Investments in International Bodies under International Agreements

Body	Shareholding at 31 December 2003(a) €000	Cost of shares acquired 2004(a) €000	Shareholding at 31 December 2004 €000
Payments under Bretton Woods Agreement Acts, 1957-1999	29,374	-	27,237
Payments under International Finance Corporation Act, 1958	1,021	-	947
European Bank for Reconstruction and Development (b)	13,023	844	13,867
European Investment Bank	46,640	-	46,640
International Common Fund for Commodities	313	205	500
Multilateral Investment Guarantee Agency	1,057	-	980
Council of Europe Development Bank (c)	-	3,275	3,275

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. Previous Finance Accounts stated shareholdings at exchange rates pertaining at the date of acquisition.

(b) No shares were acquired in 2004. The €844,000 represents the 2004 deferred payment for shares acquired in 1996.

(c) Ireland joined the Council of Europe Development Bank on 30 November 2004. The cost of membership is €13.1m to be paid in four equal annual payments of €3,275,000. This covers subscribed capital and a contribution to a share of the reserves of the bank. The initial payment of €3,274,750 was made on 23 December 2004.

STATEMENT 1.9 (C)

Capital: Investments - Shares of Sundry Undertakings

Body	Shareholding at 31 December 2003 €000	Disposal of Shares 2004 €000	Shareholding at 31 December 2004 €000
Bula Ltd (in receivership): (a)			
"A" £1 Shares (Fully Paid)	305	305	-
"D" £1 Shares (Fully Paid)	317	317	-
Fastnet Mussels Ltd	19	-	19
Kush Seafarms Ltd	19	-	19
Bantry Bay Seafoods Ltd (formerly Bantry Bay Mussels Ltd)	83	-	83

Notes:

(a) The State's shareholding in Bula Ltd (in receivership) was written down to zero as at 31 December, 2004 as there was clear evidence that it has no monetary value.

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

STATEMENT 1.10

Capital: Receipts from the European Union

	2004	2003
	€000	€000
European Regional Development Fund	318,737	220,519
Cohesion Fund	25,849	143,956
TransEuropean Network	-	4,000
Turkish Aid Protocol (a)	<u>33</u>	<u>33</u>
Total	344,619	368,508

Note:

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

STATEMENT 1.11

Capital: Payments to the European Union

	2004	2003
	€000	€000
Reimbursement of ERDF overpayments	<u>-</u>	<u>4,926</u>
Total	-	4,926

STATEMENT 1.12

Capital: Other Receipts

	2004 €000	2003 €000
Sale of State property	86,458	46,921
Sale of FAS Assets	20	37
Receipt from IDA Ireland in respect of excess income	-	3,000
Receipt from IDA Ireland in respect of surplus grant refund income	532	10,000
Receipt from the sale of Forfas shareholding in IDI Limited	-	25
Receipt from IDA Ireland arising from the sale of a telecommunications asset	226	13,708
Receipt for VAT received in relation to invoices paid on a telecommunications project	-	1,862
Receipt from Enterprise Ireland in respect of a previous drawdown not now due to take place in the short term	-	265
Receipt from SFADCo in respect of refund of grant monies	-	6,626
Receipt from Dept. of Environment, Heritage & Local Government in respect of a grant refund	-	45
Receipt from Dept of Environment, Heritage & Local Government in respect of Vol Housing Grants	-	88
Receipt from Dept of Environment, Heritage & Local Government in respect of a loan refund	-	125
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	-
Receipts under the following Acts:		
International Development Association Acts 1960-1997	19	23
Finance Acts, 1978 and 1990 (a)	56	11
Insurance Acts, 1953-1988	2,201	-
Total	<u>89,560</u>	<u>82,736</u>

Notes:

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

STATEMENT 1.13

Capital: Other Payments

	2004 €000	2003 €000
Funding of Superannuation Liabilities:		
National Pensions Reserve Fund	1,177,000	1,103,000
Payments under other Acts:		
Insurance Acts, 1953 - 1988	111	814
Finance Acts, 1978 and 1990 (a)	119	196
Securitisation (Proceeds of Certain Mortgages) Act, 1995	604	552
Total	<u>1,177,834</u>	<u>1,104,562</u>

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 2004, the Government had guaranteed the due payment of obligations in respect of liabilities of which the principal or capital value outstanding was € 3,133 million. The individual amounts represent capital raised and commitments entered into in accordance with relevant statutes.

		Amount Outstanding at 31 December 2004	Amount Outstanding at 31 December 2004
Nature of Liability	€000	Nature of Liability	€000
ACC Bank plc (a)	63,487	Insurance Acts, 1953-1988	332
Dublin Airport Authority	7,277	Irish Intervention Agency	148,826
Córas Iompair Éireann	126,200	National Building Agency Ltd	254
Cork Opera House Co Ltd	16	Securitisation (Proceeds of Certain Mortgages) Act, 1995	38,645
Electricity Supply Board	53,200	Port of Waterford Co	4,717
Housing Finance Agency plc	2,657,865	ACP-EEC Convention of Lomé (contracts of Guarantee between State and European Investment Bank) Act 1976.	7,274
Bank of Scotland (Ireland) Ltd (b)	25,206		
		Total	3,133,299

Note :

(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	59,845	
Dr. Patrick J. Hillery, former President of Ireland	119,691	
Mrs. Mary Robinson, former President of Ireland	119,691	299,227

**Pensions, retirement lump sums and death gratuities
relating to judicial services :-** 3,823,340

Pensions for former Ministers and other office holders:-

To whom payable

Bernard Allen	4,764	Pádraig Faulkner	43,439
Lorcan Allen	9,023	Nuala Fennell	13,977
David Andrews	48,487	Garrett Fitzgerald	80,530
Sean Barrett	27,056	Gene Fitzgerald	30,909
Peter Barry	50,434	Eithne Fitzgerald	13,408
Richard Barry	8,170	Tom Fitzpatrick	43,439
Michael Begley	15,442	Thomas Fitzpatrick	8,565
George Bermingham	13,977	Chris Flood	13,673
Niamh Breathnach	28,959	Pádraig Flynn	39,462
Vincent Brady	16,428	Pat the Cope Gallagher	567
John Browne	4,242	Maire Geoghegan-Quinn	49,810
John Bruton	77,509	Dermot Gleeson	41,172
Richard Bruton	20,399	Charles J Haughey	85,898
Raphael Burke	44,520	A. J. Hederman	52,549
Richard Burke	26,932	Jim Higgins	7,240
Joan Burton	6,706	Michael D. Higgins	15,406
David Byrne	36,870	Dr. Patrick J. Hillery	33,844
Hugh Byrne	15,656	Tras Honan	18,345
Seán Calleary	18,724	Gemma Hussey	28,921
Donal Carey	9,305	Thomas Hussey	13,463
Donie Cassidy	2,046	Liam Hyland	6,632
Edward Collins	14,465	Joe Jacob	12,672
Gerard Collins	43,439	Liam Kavanagh	31,083
Paul Connaughton	13,977	Justin Keating	29,210
Ger Connolly	19,823	Enda Kenny	12,240
Patrick Cooney	43,439	Seamus Kirk	15,430
Declan Costello	54,001	Patrick J. Lalor	42,242
Donal Creed	13,269	Terry Leyden	16,862
Conor Cruise O' Brien	29,210	Denis Lyons	15,430
Austin Currie	9,524	Liam Mac Cosgair	64,424
Brendan Daly	35,726	Seán McCarthy	9,146
Michael D' Arcy	13,269	Charlie McCreevy	10,524
Noel Davern	5,398	Charles McDonald	9,121
Austin Deasy	28,921	P. L. Mc Donnell	93,268
Jimmy Deenihan	4,764	Liz McManus	4,764
Barry Desmond	29,741	Ray McSharry	31,874
Proinsias De Rossa	10,947	Gay Mitchell	4,764
Seán Doherty	16,590	Tom Moffat	15,656
John F. Donnellan	13,977	Robert Molloy	53,092
Avril Doyle	5,779	Brian Mullooly	14,097
Alan Dukes	35,234	John L. Murray	57,737
Bernard Durkan	4,764	Ted Nealon	15,434
Jackie Fahy	14,259	Michael J. Noonan	34,693

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 Noonan	24,872	Pat Rabbitte	4,777
Fergus O' Brien	15,434	Albert Reynolds	84,739
John O'Connell	21,159	Patrick J. Reynolds	1,333
Tom O' Donnell	29,210	John Rogers	38,500
Martin O' Donoghue	24,200	Eoin Ryan	3,432
Jim O' Keeffe	15,434	John Ryan	13,703
Ned O'Keeffe	5,915	Richie Ryan	29,210
Michael O' Kennedy	57,580	Michael Smith	10,703
Michael O' Leary	37,007	Dick Spring	59,612
Desmond O' Malley	43,439	Emmet Stagg	6,702
Mary O'Rourke	43,921	Peter Sutherland	42,300
Brian O' Shea	6,702	Mervyn Taylor	30,813
Toddy O' Sullivan	11,496	Sean Treacy	57,918
Paddy O' Toole	31,604	Dan Wallace	5,536
Nora Owen	21,893	Joe Walsh	10,332
Patrick Power	20,870	Harry Whelehan	46,577
Ruairi Quinn	36,180	John Wilson	59,942
		Pearse Wyse	8,565

Total 3,142,787

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

Total 452,515

Severance payments for former Ministers and other office holders:-

Liam Aylward	16,946	Liz O'Donnell	5,334
Donie Cassidy	1,492	Eoin Ryan	4,366
Liam Cosgrave	4,785	Dan Wallace	4,366
Noel Davern	4,366	Mary Wallace	5,174
Jim McDaid	8,063	Michael Woods	10,068
Brian Mullooly	3,515		

Total 68,475

Total 7,786,344

Notes:

The above total of the gross payments differs from the actual charge on the Central Fund in 2004, shown in Statement 1.4, because of the normal lag in the payover of tax deductions, and receipts / refunds received in 2004

"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

President of Ireland	€	€
Mary McAleese		
Personal Remuneration	239,703	
Annual Allowance	317,434	557,137
Allowances for Expenses to Leaders of Government and Opposition Parties		
Fianna Fáil	2,348,308	
Fine Gael	1,825,202	
Labour	1,222,907	
Progressive Democrats	440,463	
Green Party	332,475	
Sinn Féin	277,062	
Socialist Party	<u>55,413</u>	6,501,830
Allowances for Expenses to Independents		505,068
Payments to Political Parties under Electoral Act 1997		4,832,963
Payments under Electoral Act 1997		
Expenses of candidates for Dáil elections	24,395	
Expenses of candidates for European elections	<u>942,519</u>	966,914
Comptroller and Auditor General:		
John Purcell		<u>185,988</u>
Total		13,549,900

Note:

The total shown above for Salaries and Allowances differs from the figure in Statement 1.4 because of the normal lag in the payover of tax deductions.

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

Judiciary

To whom payable

€

€

Supreme Court

Chief Justice	219,285	
7 Judges (1 Appointment, 1 Retirement)	<u>1,405,673</u>	1,624,958

High Court

President	210,362	
31 Judges (1 resignation, 1 to SC, 1 to European Court, 5 appointments)	<u>5,443,054</u>	5,653,416

Circuit Court

President	191,648	
33 Judges (1 promotion, 5 appointments)	<u>3,999,352</u>	4,191,000

District Court

President	137,478	
52 Judges (1 retirement, 2 appointments)	<u>5,621,334</u>	<u>5,758,812</u>

Total		<u><u>17,228,186</u></u>
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Note :

The total shown above for Courts of Justice differs from the figure in Statement 1.4 by € 313,282. 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

Financial Statements of the National Debt of Ireland for the year ended
31 December 2004

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 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 2004.

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 2004**

		2004	2003
		Total Cost	Total Cost
	Notes	€'000	€'000
Interest paid			
Medium / Long Term Debt*	2	1,211,498	1,143,698
Short Term Debt**	3	116,212	192,626
National Savings Schemes	4, 9	392,504	441,439
Other Movements	5	16,104	37,119
Sinking Fund payments	6	489,529	479,774
Fees and Expenses	7	17,589	17,775
Expenses of NTMA		18,893	14,947
Interest received on deposits with Central Bank and other banks		(59,015)	(50,640)
Total Service Cost €	1	2,203,314	2,276,738

* 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 2004**

		2004	2003
	Notes	€million	€million
Medium / Long Term Debt *			
Irish Government Bonds listed on			
The Irish Stock Exchange	31,260	28,130	
Other Irish Government Public Bond Issues	37	191	
Private Placements	36	59	
European Investment Bank Loans	120	178	
Medium Term Notes	377	501	
Miscellaneous Debt	34	158	
	8	31,864	29,217
Short Term Debt **			
Commercial Paper	307	2,801	
Borrowings from Funds under			
the control of the Minister			
for Finance	15	3,220	2,987
		3,527	5,788
National Savings Schemes			
Savings Certificates	2,196	2,262	
Savings Bonds	1,429	1,207	
National Instalment Savings	385	405	
Savings Stamps	2	2	
Prize Bonds	506	454	
	9	4,518	4,330
		39,909	39,335
Less Liquid Assets	10	(2,063)	(1,725)
National Debt €	12	37,846	37,610

* 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 2004**

	2004		2003	
	€'000		€'000	
Movement in Exchequer balances:				
Opening Balance in Exchequer Account (note 10)	1,724,208		1,529,536	
Commercial Deposits	-		-	
Borrowing Activity (see below)	305,163		1,173,692	
	2,029,371		2,703,228	
Exchequer Surplus /(Deficit)	32,927		(979,020)	
Closing Balance in Exchequer Account (note 10)	2,062,298		1,724,208	
	Receipts	Payments	2004	2003
	€'000	€'000	Net	Net
			€'000	€'000
Borrowing Activity				
Irish Government Bonds listed on				
The Irish Stock Exchange	31,515,344	(28,640,311)	2,875,033	5,780,433
Other Irish Government Public Bond Issues	-	(153,626)	(153,626)	(625,400)
Private Placements	-	(23,004)	(23,004)	(563,560)
European Investment Bank Loans	-	(59,862)	(59,862)	(77,719)
Medium Term Notes	-	(111,508)	(111,508)	(192,848)
Miscellaneous Debt	473,801	(473,891)	(90)	(371,810)
Commercial Paper	104,530,160	(107,173,283)	(2,643,123)	(2,993,379)
Savings Certificates	422,604	(488,449)	(65,845)	(89,128)
Savings Bonds	505,060	(283,208)	221,852	163,143
National Instalment Savings	72,351	(92,319)	(19,968)	(22,127)
Prize Bonds	126,778	(74,554)	52,224	79,395
Borrowings from Ministerial Funds	78,567,034	(78,333,954)	233,080	86,692
Total Borrowing Activity	216,213,132	(215,907,969)	305,163	1,173,692
Commercial Deposit Activity	36,374,703	(36,374,703)	-	-
Total Activity				
	Receipts	Payments	2004	2003
	€'000	€'000	Net	Net
			€'000	€'000
Exchequer Account	248,432,243	(246,482,692)	1,949,551	2,531,763
Foreign Currency Clearing Accounts (Note 14)	4,635,658	(6,280,046)	(1,644,388)	(1,358,071)
	253,067,901	(252,762,738)	305,163	1,173,692

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 2004**

	2004	2003
	€'000	€'000
Opening National Debt	37,610,182	36,360,533
Increase / (Decrease) in National Debt (nominal)	235,987	1,249,649
Represented by:		
Exchequer (Surplus)/Deficit	(32,927)	979,020
Effect of Foreign Exchange Rate Movements	14,152	(6,859)
Bond Tranching: net reduction (excess) of proceeds over nominal liability	(962,866)	(66,942)
Bond Cancellations: net reduction (excess) of cancellation cost over nominal liability	1,217,747	94,558
Movement in CSRA current balance (Note 10)	(114)	249,916
Other nominal movements	(5)	(44)
	235,987	1,249,649
Closing National Debt €	37,846,169	37,610,182

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 2004 €'000
Notes					
Interest paid					
Medium / Long Term Debt	2	27,373	204,795	979,330	1,211,498
Short Term Debt	3	21,298	64,510	30,404	116,212
National Savings Schemes	4	-	(45,203)	437,707	392,504
Other Movements	5	(1,694,476)	1,678,321	32,259	16,104
Sinking Fund payments	6			489,529	489,529
Fees and Expenses	7	392	17,197	-	17,589
Expenses of NTMA		1,025	17,868	-	18,893
Interest received on deposits with Central Bank and other banks		-	-	(59,015)	(59,015)
		(1,644,388)	1,937,488	1,910,214	2,203,314
Inter Account movement		-	1,910,328	(1,910,328)	-
Net cash paid		(1,644,388)	3,847,816	(114)	2,203,314

The total charged on the Foreign Currency Clearing Account and on the Central Fund, €2,203,428,000 represents the charge on the Exchequer for the Service of National Debt, corresponding with these entries on the Exchequer Account (page 7) :

Sinking Fund	€489,529,000
Other Service of National Debt	€1,713,899,000

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Interest on Medium / Long Term Debt	Total Cost 2004 €'000	Total Cost 2003 €'000
Irish Government Bonds listed on The Irish Stock Exchange	1,167,267	979,457
Other Irish Government Public Bond Issues	13,272	58,176
Private Placements	2,898	43,497
European Investment Bank Loans	12,196	17,546
Medium Term Notes	22,945	33,187
Miscellaneous Debt	(7,080)	11,835
	<u>1,211,498</u>	<u>1,143,698</u>

3 Interest on Short Term Debt	Total Cost 2004 €'000	Total Cost 2003 €'000
Commercial Paper	63,768	144,772
Borrowings from Funds under the control of the Minister for Finance	52,444	47,854
	<u>116,212</u>	<u>192,626</u>

4 Interest on National Savings Schemes	Total Cost 2004 €'000	Total Cost 2003 €'000
Savings Certificates	392,888	359,126
Savings Bonds	46,174	57,568
National Instalments Savings	42,195	52,879
Prizes in respect of Prize Bonds	11,247	10,827
Small Savings Reserve (Note 9)	(100,000)	(38,961)
	<u>392,504</u>	<u>441,439</u>

Payments for Interest on National Savings Schemes in 2004 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 are as follows:

	€'000
Savings Certificates	(2,871)
Savings Bonds	336
National Instalments Savings	<u>846</u>
	<u>(1,689)</u>

NATIONAL DEBT OF IRELAND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2004 were as follows:

	2004
Capital Services Redemption Account (Note 13)	489,529
	<hr/>
	489,529
	<hr/>

7 Fees and Expenses

	Total Cost 2004 €'000	Total Cost 2003 €'000
Expenses of Irish Government Bonds	-	-
Expenses of Savings Certificates	4,006	3,916
Expenses of Prize Bonds	6,896	6,426
Expenses of Savings Bonds	2,298	2,077
Expenses of National Instalment Savings	2,502	2,581
Expenses of Savings Stamps	1,042	1,042
Expenses of Foreign Loans	845	1,733
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	17,589	17,775
	<hr/>	<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 2004 €millions	As at 31 December 2003 €millions
Debt due for repayment within 1 year	1,632	723
Debt due for repayment between 2 and 5 years	11,441	8,318
Debt due for repayment in more than 5 years	18,791	20,176
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	31,864	29,217
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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 €4.4 million (2003 : €4.8 million) being cash balances held by An Post, 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 €1,749 million (2003 : €2,008 million), being the estimate of the amount of accrued interest at 31 December 2004 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 2004 was 19.55 per cent of the interest accrued at the 31 December 2003 of €2,008m. The Minister decided that a net amount of €100m would be withdrawn from the fund in 2004.

	€ millions
Estimated accrued interest at 31 December 2004	1,749
Balance at 1 January 2004	(1,069)
Amount applied during 2004	100
Balance at 31 December 2004 (Note 15)	(969)
Estimated accrued interest not provided for at 31 December 2004	780

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 2004 €'000	Movements during 2004 €'000	Closing balance at 31 December 2004 €'000
Exchequer Account	1,724,208	338,090	2,062,298
Capital Services Redemption Account			
Current Balance (Note 13)	771	114	885
	1,724,979	338,204	2,063,183

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 2004		31 December 2003	
	Nominal €millions	Present Value €millions	Nominal €millions	Present Value €millions
Interest Rate Swaps	1,292	(38)	2,019	(36)
Currency Swaps & Foreign Exchange Contracts	896	(2)	3,832	(85)
	<u>2,188</u>	<u>(40)</u>	<u>5,851</u>	<u>(121)</u>
	<u><u>2,188</u></u>	<u><u>(40)</u></u>	<u><u>5,851</u></u>	<u><u>(121)</u></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.

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 2004 €millions	As at 31 December 2003 €millions
Euro *	37,848	37,624
Sterling	-	(2)
US Dollar	(2)	1
Swiss Franc	-	-
Japanese Yen	-	(3)
Hong Kong Dollar	-	-
Norwegian Krona	-	(10)
	<u>37,846</u>	<u>37,610</u>

* This figure is net of liquid assets as at 31 December 2004 €2,063m (31 December 2003 €1,725m)

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, and
- (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)

14 Foreign Currency Clearing Accounts		€'000
Balance at 1 January 2004		NIL
Deposit interest received		
Amounts received under Finance Act 1988 [S67 (8)]	8,515,672	
Amounts paid under Finance Act 1970 [S54 (7)]	<u>(6,821,196)</u>	1,694,476
Foreign Currency Borrowing receipts	4,635,658	
Foreign Currency Borrowing payments	<u>(6,280,046)</u>	(1,644,388)
Interest paid on Foreign Currency Borrowings (Note 1)		
- Medium/Long Term Debt	(27,373)	
- Short Term Debt	<u>(21,298)</u>	(48,671)
Expenses of Foreign Currency Borrowings (Note 1)		(392)
Expenses of NTMA		(1,025)
Balance at 31 December 2004		<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

	As at 31 December 2004 €millions	As at 31 December 2003 €millions
Post Office Savings Bank Fund	1,009	945
Small Savings Reserve Fund	969	1069
Ulysses Securitisation plc	306	273
Deposit Monies Investment Account	935	700
	<u>3,219</u>	<u>2,987</u>