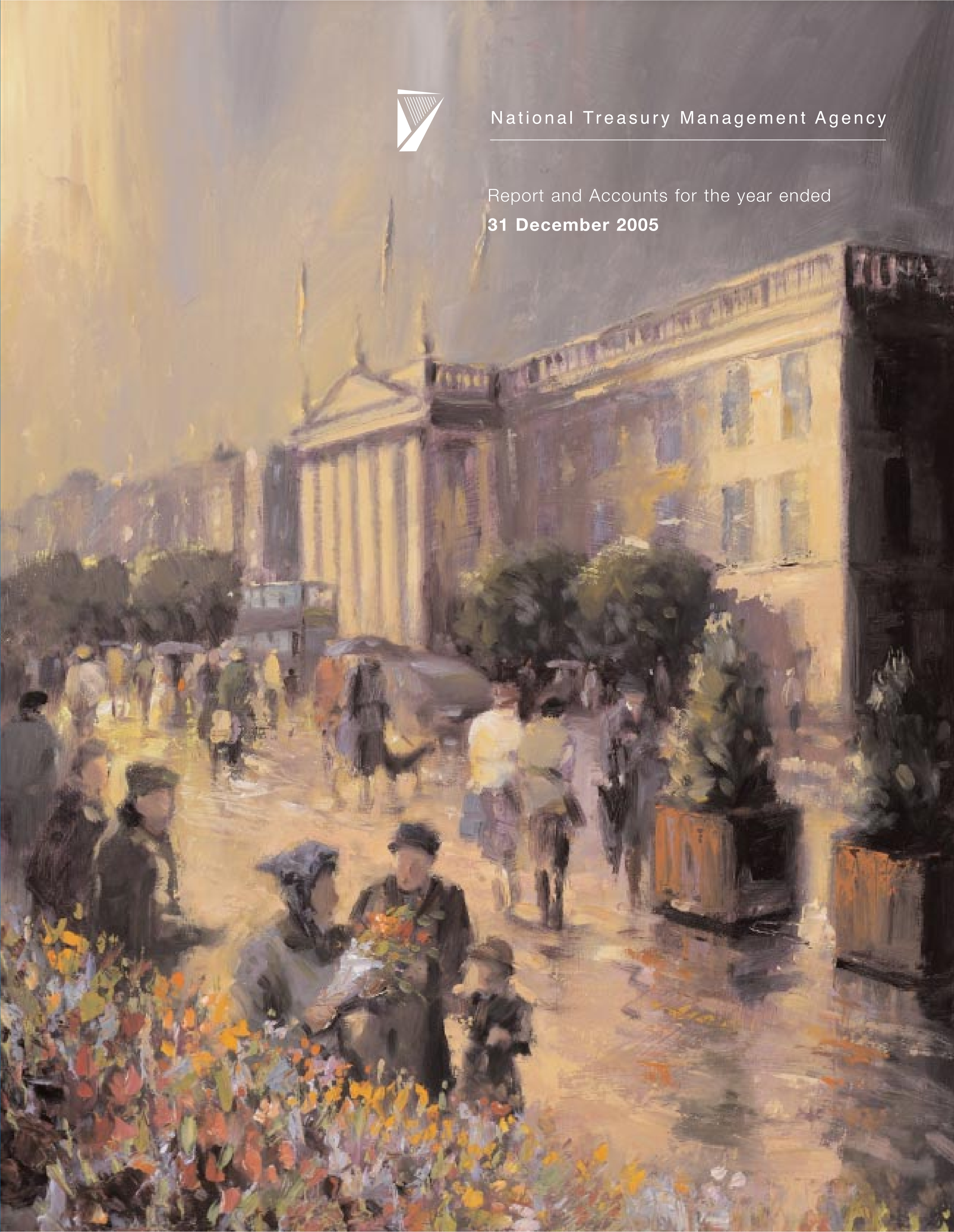
National Treasury Management Agency

Report and Accounts for the year ended

31 December 2005



National Treasury Management Agency

Report and Accounts for the year ended

31 December 2005

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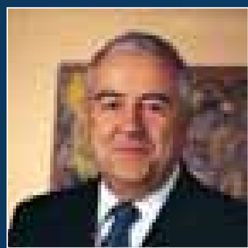
The paintings reproduced in this report are the work of **Gerard Glynn,** an Irish artist

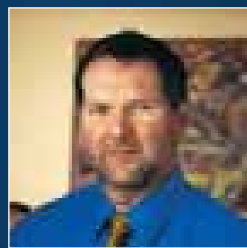
O'Connell Street Flower Seller (main cover)
Afternoon, Drury Street (inside cover)

National Treasury Management Agency

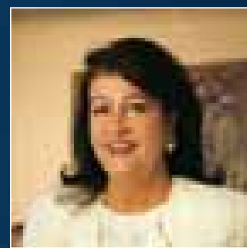
Chief Executive and Directors



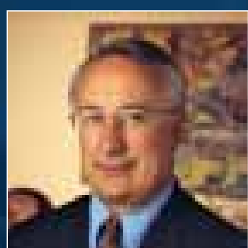
Michael J. Somers
Chief Executive



John C. Corrigan
National Pensions Reserve Fund

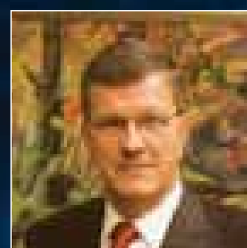


Anne Counihan
Legal & Corporate Affairs and National Development Finance Agency



Adrian J. Kearns
State Claims Agency and Human Resources

Brendan McDonagh
Finance, Technology & Risk



Oliver Whelan
Funding & Debt Management

Staff

The Chief Executive and Directors appreciate the dedication and hard work of the staff during the year

Legal Framework

The National Treasury Management Agency Act 1990 provided for the establishment of the National Treasury Management Agency (NTMA) "to borrow moneys for the Exchequer and to manage the National Debt on behalf of and subject to the control and general superintendence of the Minister for Finance and to perform certain related functions and to provide for connected matters". Obligations or liabilities undertaken by the NTMA in the performance of its functions have the same force and effect as if undertaken by the Minister.

The Chief Executive, who is appointed by the Minister for Finance, is directly responsible to him and is the Accounting Officer for the purposes of the Dáil Public Accounts Committee. The NTMA has an Advisory Committee to assist and advise on such matters as are referred to it by the NTMA.

Additional functions were given to the NTMA under the following statutes:

- Securitisation (Proceeds of Certain Mortgages) Act 1995
- National Pensions Reserve Fund Act 2000
- National Treasury Management Agency (Amendment) Act 2000
- Asset Covered Securities Act 2001
- Dormant Accounts Act 2001
- National Development Finance Agency Act 2002
- Housing (Miscellaneous Provisions) Act 2002
- Planning and Development (Amendment) Act 2002
- Unclaimed Life Assurance Policies Act 2003
- various Finance Acts.

National Treasury Management Agency

29 June 2006

Mr. Brian Cowen, T.D.,

Minister for Finance,

Government Buildings,

Upper Merrion Street,

Dublin 2

Dear Minister,

I have the honour to submit to you the Report and Accounts of the National Treasury Management Agency for the year ended 31 December 2005.

Yours sincerely,

Michael J. Somers

Chief Executive

Overview

This is the fifteenth annual report of the NTMA. When it was established at the end of 1990, it had one function: borrowing for the Exchequer and the management of the National Debt. It now has four quite distinct, major functions - its original function of borrowing and debt management (at €38 billion, the National Debt has not gone away), the State Claims Agency, the management of the National Pensions Reserve Fund and the National Development Finance Agency. As a result of these and other additional functions, it has developed into a complex organisation dedicated to providing the best service possible in all the areas where it has been entrusted with responsibilities. Its financial operations - the management of an asset and liability portfolio of €57 billion and a cash flow last year of €642 billion - highlight the scale of its activities.

Minimising the interest burden on the Exchequer over the medium term, ensuring that adequate funds are available at all times to meet the Exchequer's needs, dampening year-on-year volatility in costs and locking in low interest rates where opportune - these are the main objectives of the NTMA's funding and debt management activities.

The debt will go up or down depending on whether the Exchequer runs a deficit or a surplus. This, of course, directly affects the interest bill, as does the level of interest rates.

In 2005, the budget deficit, forecast to be almost €3 billion, came in at €0.5 billion, while the Exchequer was in surplus for most of the year. Interest rates, expected to rise, did not do so until early in 2006 and all this helped to generate savings on the interest bill.

When the NTMA was established in December 1990, Ireland's debt was one of the highest in Europe, at more than 100 per cent of GNP. It is now, proportionally, one of the lowest. While the debt has not fallen in cash terms, the interest burden it imposes on the State has fallen sharply because of rapid economic growth and a continuing decline in interest rates. Debt interest in 1991, the first full year of the NTMA's operation absorbed nearly 27 per cent of tax revenue; in 2005, this had fallen below four per cent.

The National Debt, at some €38 billion, must be regularly refinanced as bonds and other debt instruments fall due for repayment. Adequate funds have to be in place for all eventualities, while all surplus cash must be placed on interest-earning deposit each evening. This necessitates the maintenance of an active and liquid market in Government bonds, most of which are now held by investors outside the State, to ensure that new money can be raised as required and at best eurozone interest rates. Ongoing contact with primary dealers, investment institutions and credit rating agencies assists this process. A significant daily function involves either borrowing funds to place with the Central Bank of Ireland, or taking funds from the Central Bank and depositing them in the market, in order to maintain liquidity levels required by the European Central Bank.

Apart from its original functions, subsequent legislation has added to the responsibilities of the NTMA:

The management of the National Pensions Reserve Fund was assigned to the NTMA from April 2001 for a period of ten years. While the Fund is controlled by the National Pensions Reserve Fund Commission, the functions of the NTMA as Fund Manager include provision of policy advice to the Commission and implementation of the Fund's investment strategy, as well as selection and performance review of the Fund's investment managers and specific investment vehicles. The NTMA directly manages the Fund's passive bond portfolio, its uninvested cash and its foreign currency hedging operations.

Since December 2001, the NTMA has acted as the State Claims Agency (SCA), managing claims, principally against Government Ministers and the Attorney General, for personal injuries and damage to property. It was subsequently given similar responsibilities for claims against clinical staffs and health care enterprises. In September 2005, further classes of claims were delegated to the SCA, mainly those relating to child sexual abuse as well as claims alleging hearing loss. The number of claims managed at present is approximately 3,600. As regards the classes of claims originally delegated to the SCA in 2001, their volumes have moderated significantly. The SCA continues to develop its function of advising on how to minimise claims in the future. It has conducted systematic risk reviews of key State Authorities and formulated joint health and safety initiatives. The SCA has also strengthened its risk advisory team in the health sector.

The National Development Finance Agency (NDFA), established on 1 January 2003, is charged with advising on the optimal means of financing public investment projects, including advising on projects procured via Public Private Partnerships. In July 2005, the Government announced a major new initiative aimed at accelerating the delivery of PPPs for key capital infrastructure projects. It involves the expansion of the NDFA into a “Centre of Expertise” which will also be responsible for the delivery of PPP projects. The expanded role covers the Education, Health and Justice sectors initially and the NDFA has already commenced work on some €1 billion worth of projects in these sectors. The NDFA has completed its advice in relation to 23 projects with a capital value of €2.8 billion. Public capital expenditure over the next five years is projected to be up to €43.5 billion - all projects over €20 million will involve engagement with the NDFA.

On the fund management side, the NTMA is managing some €2.6 billion of the assets of the Social Insurance Fund. In 2003, the NTMA became responsible for managing the Dormant Accounts Fund, covering unclaimed amounts from bank accounts, and more recently this has been extended to cover unclaimed assurance policies. Other legislation gave the NTMA certain functions relating to asset covered securities issued by financial institutions in Ireland.

The NTMA continues to be the only financial institution answerable to the Government which is outside the civil service. It operates with a commercial remit, enabling it to recruit professional personnel from the private sector at market rates. As such, it has the capacity and flexibility to deal with a wide range of financial issues on behalf of the State. The additional functions devolved on the NTMA have enabled greater utilisation to be made of its strong financial control, risk management and transaction processing capabilities, its integrated I.T. systems and its internal audit functions. While its main reporting relationship is to the Minister for Finance, it operates in conjunction with four boards - the NTMA Advisory Committee, the National Pensions Reserve Fund Commission, the State Claims Agency Policy Committee and the National Development Finance Agency Board - as well as two audit committees. Relatively flat and flexible organisational arrangements allied to performance driven remuneration packages have enabled the NTMA to operate with a tight staff complement - currently 115 - notwithstanding the greatly expanded range of responsibilities.

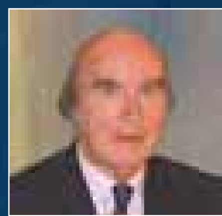
As the first debt office established in recent times, the NTMA continues to be approached on a regular basis by other countries seeking to emulate Ireland's success in improving its financial position. The NTMA's more recent responsibilities have attracted further attention internationally.

Much of the information in this report is designed to facilitate potential investors in Irish Government paper and organisations assessing the creditworthiness of the State. The website - www.ntma.ie - gives additional information, as does the Ireland Information Memorandum, published each March and which is also available on the website. The most up to date annual reporting by the NTMA takes place each year on New Year's Eve in a comprehensive end of year press statement.

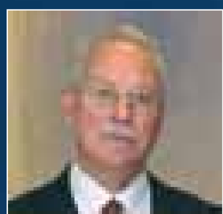
Separate Annual Reports are published by the National Pensions Reserve Fund Commission and by the National Development Finance Agency.

National Treasury Management Agency

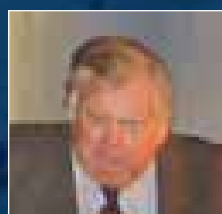
Advisory Committee



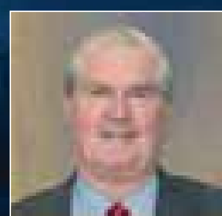
John F. Daly (Chairman)
Chairman, IIMC Limited



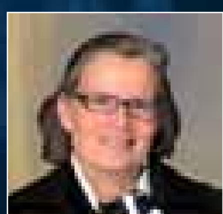
Gerold W. Brandt
Financial Consultant



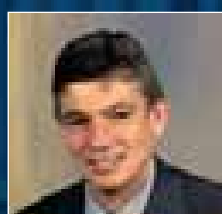
Lewis L. Glucksman
Private Investor



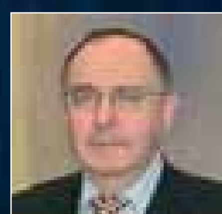
Donald C. Roth
Managing Partner, Emerging Markets Partnership, Washington D.C.



Tytti Noras
Legal Counsellor, Ministry of Finance, Finland (from 1 August 2005)



Graeme Wheeler
Treasurer and Vice President of the World Bank (from 1 August 2005)



Tom Considine
Secretary General, Department of Finance

The Advisory Committee met formally on four occasions in 2005. Other meetings with members of the Committee took place on a regular basis. The NTMA Audit Committee also met on four occasions in 2005.

The NTMA thanks the Committee members for their advice and assistance during the year and for their commitment of time and effort. We very much regret the passing of Joe Moran, former Chairman, in February 2006 and more recently Lew Glucksman in July 2006. We greatly appreciate their service as members of the Advisory Committee.

The NTMA as Manager of the National Pensions Reserve Fund (NPRF) very much regrets the passing in late 2005 of Donal Geaney who was the first Chairman of the NPRF.

In August 2005, Paul Carty resigned from the Advisory Committee upon his appointment to the National Pensions Reserve Fund Commission. The NTMA would like to thank Paul for his services and contribution as a member of the Advisory Committee. The NTMA would also like to thank Tom Considine for his contribution to the NTMA during his term of office and to welcome in his place David Doyle, Secretary General, Department of Finance. Graeme Wheeler has recently resigned as a member of the Advisory Committee upon his promotion to Managing Director of the World Bank.

Summary of Activity

The key features of 2005 were:

Overall

- With a much smaller than projected budget deficit in 2005 resulting in only a small increase in the National Debt, as well as record returns on the National Pensions Reserve Fund, the State is better off by some €5 billion than might have been expected at the beginning of 2005.
- The combined total of asset and liability portfolios managed by the NTMA exceeds €57 billion - up 14 per cent on last year.
- Gross cashflows through the NTMA amounted to €642 billion - up by €100 billion and equivalent to five times Ireland's GNP.
- New functions have been assigned to NTMA.

National Debt

- The State's balance sheet continues to improve. The National Debt, less the National Pensions Reserve Fund and other funds managed by the NTMA, is now equivalent to only six and a half months' tax revenue. When the NTMA was established in 1990, it took over three months' tax revenue just to pay the interest on the debt.
- The General Government Debt/GDP ratio continues to fall - to 27.6 per cent at end 2005 (from 29.4 per cent at end 2004) and continues to be one of the lowest in the EU.
- Deducting the value of the National Pensions Reserve Fund would give an even lower Net Debt/GDP ratio of around 17.9 per cent at end 2005 (21.6 per cent at end 2004).
- The National Debt at end 2005 was €38.2 billion.
- Interest payments on the Debt were €1,865 million, or €257 million below budget. Interest costs absorb 3.7 per cent of tax revenue, about a fifth of the figure 10 years ago when the interest bill was 18.8 per cent of tax revenue. This reduction in the interest burden has freed up substantial resources, which the Government can use for other purposes.
- To meet debt repayments and the expected budget deficit, €1.6 billion was raised through bond auctions during 2005, at an average yield of 3.44 per cent.
- A further €384 million was raised in February 2005 when the NTMA issued USD 500 million bonds under its Euro Medium Term Note Programme. The dollars were swapped into euro at 29.3 basis points below Euribor. This represents a saving of €3.5 million when compared with the cost of raising funds in the normal bond auctions.
- Foreign investors hold 84 per cent of Irish Government bonds, up sharply from 22 per cent at end 1998, just before the introduction of the euro. As in recent years, virtually all of the debt issued in 2005 was taken up by foreign investors.
- The Royal Bank of Scotland became a Primary Dealer in Irish Government bonds in May 2005. This development reflects the continued increase in demand for Irish Government bonds by international investors. AIB resigned as a Primary Dealer in December 2005. Seven of the eight Primary Dealers are major international banks based overseas.
- Ireland continues to raise money in the euro area bond market at virtually the same cost as Germany and France who are viewed as the benchmark borrowers. This is due to the continued strength of Ireland's public finances, especially when compared with some of the major European countries, and the internationalisation of the Irish Government bond market following the introduction of the euro. The NTMA's policy of having a state-of-the-art sale and distribution system through the use of EuroMTS, Bloomberg and Euroclear as well as the Primary Dealership system has facilitated this process.
- Bond yields were:

	At 31 December 2005	At 28 June 2006
3¼% Treasury Bond 2009	2.98%	3.71%
5% Treasury Bond 2013	3.17%	3.97%
4.6% Treasury Bond 2016	3.29%	4.09%
4½% Treasury Bond 2020	3.43%	4.24%

- Turnover in Irish Government bonds on the Irish Stock Exchange in 2005 was €51.3 billion.
- At end 2005, 83 per cent of the National Debt carried a fixed rate of interest. The remaining 17 per cent relates to retail savings schemes. The high level of fixed interest debt is a result of the policy of locking-in long term borrowing at historically low levels of interest, thus protecting the Exchequer against the effects of rising interest rates.

- Exchange rate risk has been eliminated from the National Debt, as all of the debt is now denominated in, or swapped into, euro.
- Government retail savings schemes raised a net €407 million in 2005.
- The credit rating agencies continue to regard Irish Government debt as among the best in the world. Moody's, Standard & Poor's, Fitch and Rating & Investment Information Inc. all continue to assign the top AAA long term credit rating to Ireland, with a stable outlook.

Other NTMA Financial Activities

- The NTMA has borrowed on behalf of the Housing Finance Agency (HFA) since February 2003. Average outstanding borrowings on behalf of HFA were €1.75 billion in 2005.
- The Central Treasury Service to health and education authorities and local government continues to provide these bodies with a competitive alternative to the banking industry for both borrowing and lending. An average of €66 million in loans and €40 million in deposits was outstanding during 2005.
- The NTMA manages the assets of the Social Insurance Fund on behalf of the Department of Social and Family Affairs. The total assets under management by the NTMA were €2.05 billion at end 2005 - up by €400 million from end 2004. A further €500 million has been transferred to date in 2006.
- The NTMA manages the assets of the Dormant Accounts Fund, which came to €204.4 million at end December 2005 (€198.5 million at end 2004). Some €40.8 million was transferred to the Fund by financial institutions and life assurance companies in 2005, while €22.9 million of previously dormant funds was reclaimed by them. Disbursements from the Fund amounted to €14.4 million during the year. A further €79.9 million has been transferred to the Fund so far in 2006, while previously dormant funds of €18.7 million have been reclaimed and disbursements of €7 million have also been made. The fund now stands at an estimated €261 million.
- The NTMA manages the balance in the Exchequer Account at the Central Bank of Ireland in support of the European Central Bank's (ECB) overall liquidity management operations. The 2005 turnover in ECB liquidity management operations was €303 billion, while the average daily transaction size was €626 million.
- Total cash under NTMA management at end 2005 was over €5 billion.

New Activities

- The NTMA manages the assets of the Education Finance Board Fund. The balance in the Fund at 31 December 2005 was €11 million. The Education Finance Board was established to administer an education grants scheme for former residents of industrial schools, reformatory schools and certain other institutions and their families.
- Arising from the State's obligations under the Kyoto Protocol, the Budget for 2006 allocated €20 million to purchase carbon credits and the NTMA has been appointed as purchasing agent for the State. Legislation to enable the NTMA undertake this role is being drafted.

State Claims Agency

- The State Claims Agency (SCA) is currently managing approximately 3,600 personal injury claims, with an outstanding reserve value of €250 million - €100 million for employer liability, public liability and property damage and €150 million for clinical negligence.
- To end-June 2006, the SCA has resolved approximately 2,400, or 40 per cent of all claims received since inception, at a cost of €33.2 million.
- 30 per cent of all closed claims have been resolved at no cost to the State.
- 72 per cent of all claims involve the Prison Service, Garda Síochána and Defence Forces.
- Significant new classes of claims have been delegated to the SCA in 2005 - notably sexual abuse and hearing loss claims.
- Excluding the new classes delegated, there has been a significant decline since 2001 in employer liability and public liability claims against the State (by approximately 80 per cent and 30 per cent respectively).
- In cooperation with the Defence Forces and the Irish Prison Service, employer liability/public liability risk management initiatives by the SCA focused on reviewing the risk management systems in place and, where necessary, supporting action to bring them in line with best practice. Additionally, in conjunction with the Department of Education and Science, the SCA reported on the management of safety in post-primary schools with particular focus on the technology subjects. Funding of €40 million was provided to enable schools to implement the report's recommendations.

- Approximately sixty per cent of all clinical negligence claims, by reserve value, relate to Obstetrics and Gynaecology.
- A significant part of the SCA's role is to advise and assist the HSE in the design and implementation of a national clinical risk management scheme. A team of four practitioners with wide-ranging medical and nursing experience has been recruited to support the development of the SCA's statutory remit of risk advice and assistance.

National Development Finance Agency

- The National Development Finance Agency (NDFA) was established on 1 January 2003 to provide financial advice to State Authorities and to assist in providing cost effective finance for major infrastructure projects. The NDFA has provided financial advice on many major projects, including housing, railways, prisons, courthouses, schools and the National Conference Centre.
- To date, 91 projects have been referred to the NDFA with a total capital investment of some €20 billion. The NDFA has completed its advice in relation to 23 projects with a capital value of €2.8 billion, eleven of which were Public Private Partnerships (PPPs) involving financing from the private sector. For these projects, financing has been provided by the following sources: private bank debt, European Investment Bank project loans, direct Exchequer contributions and private equity.
- The 2006-09 multi-annual budget has provided for public capital expenditure over the next five years of up to €43.5 billion. NDFA will be playing a key role in providing financial advice and delivering these projects.
- In July 2005, the Government announced a major new initiative aimed at accelerating the delivery of PPPs for key capital infrastructure projects. It involves the expansion of the NDFA into a “Centre of Expertise” which is responsible for the delivery of PPP projects. The role covers the Education, Health and Justice sectors initially and the NDFA has already commenced work on some €1 billion worth of projects in these sectors. This has extended the role of the NDFA from being financial advisors to being responsible for all aspects of procurement and delivery in these sectors.

National Pensions Reserve Fund

- The Fund grew by €3.7 billion from €11.7 billion at end 2004 to €15.4 billion at end 2005.
- The Fund earned a return of €2,410 million or 19.6 per cent in 2005 reflecting its heavy concentration in equities and the strong growth in world equity markets.
- The Fund currently holds shares in about 1,800 quoted companies worldwide.
- The Fund's end-year value was equivalent to 11.4 per cent of GNP.

National Pensions Reserve Fund

Summary Asset Allocation - 31 December 2005

	€m	%
Quoted Equity Investments	12,136	78.7
Private Equity	20	0.1
Property	133	0.9
Commodities	200	1.3
Government Bonds	1,802	11.7
Cash	1,128	7.3
Total	**15,419**	**100.0**

- In February 2005, the Fund announced a significant diversification of its strategic asset allocation, primarily through an 18 per cent allocation to alternative asset classes - property, private equity and commodities - to be achieved on a phased basis by end 2009.
- Significant progress was made on this diversification strategy during the year. €629 million was invested in global equity markets. Of this, €188 million was invested in small cap equities and €291 million in emerging markets equities. €170 million was invested in commodities. By year end, a total of €404 million had been committed to international property funds and €181 million to international private equity funds. Moneys committed to these funds will be drawn down as suitable investment opportunities arise.

Asset Covered Securities

- Certain functions devolve on the NTMA under the Asset Covered Securities Act 2001 in respect of which it receives an annual fee related to the volume of business activity.
- During 2005, €15.65 billion of asset covered securities were issued in Ireland under the Act, bringing the total amount in issue to €44.75 billion.

Consultancy & International Relationships

- Other countries continue to consult the NTMA with respect to its asset and liability management activities.

Human Resources

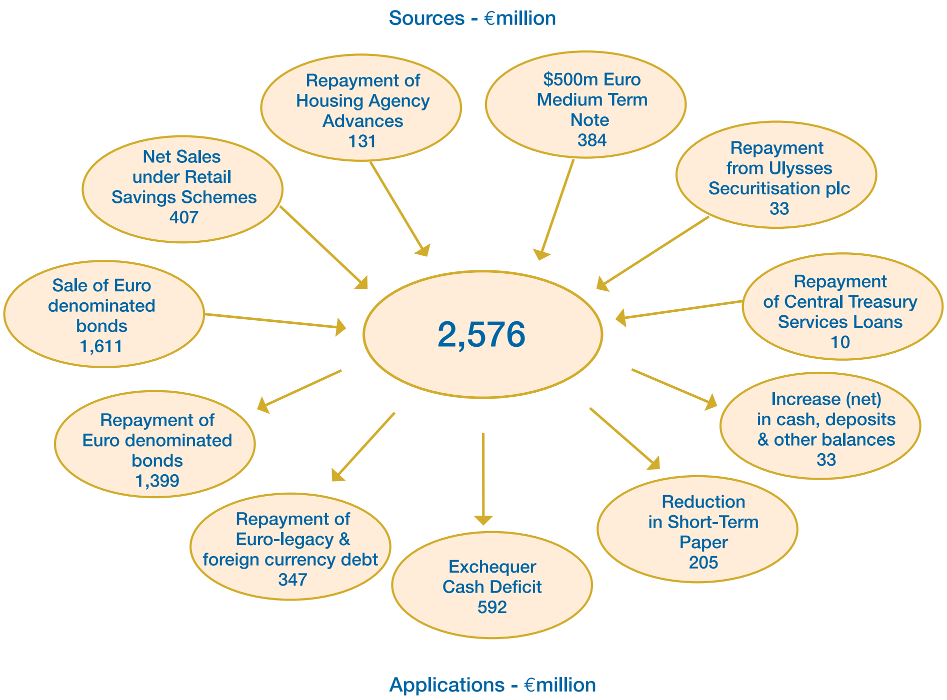
- In June 2006, the number of staff employed by the NTMA was 115.

Funding & Debt Management

The National Debt, being the net amount that the Exchequer owes, fluctuates on a day-to-day basis depending on cash movements into and out of the Exchequer. In 2005, there were cashflows of €642 billion, equivalent to five times Ireland's GNP. The NTMA deals with over one hundred banks and financial institutions in managing these cash movements.

In 2005, the Exchequer budget deficit was €499 million. The cash deficit was €592 million - €145 million was needed to meet a drawdown from the Small Savings Reserve Fund (SSRF), offset by €52 million saved through a carryover of unspent capital allocations into 2006.

A diagram showing the Exchequer's 2005 funding requirements net of liquidity management operations is set out below:



Gross Cashflows in 2005	€ Billion
Exchequer Account	496
National Pensions Reserve Fund	48
Post Office Savings Bank Fund	47
Social Insurance Fund	21
Housing Finance Agency	13
Foreign Currency Accounts	12
Capital Services Redemption Account	2
Agricultural Commodity Intervention Paper	2
Dormant Accounts Fund	1
Total	**642**

The National Debt

There are several measures of the State's indebtedness. The National Debt as traditionally measured is net of cash balances and was €38.2 billion at end 2005 (€37.8 billion at end 2004).

Change in Nominal Value of National Debt in 2005

	€ million	€ million
National Debt (end 2004)		**37,846**
Plus		
(i) Exchequer Deficit	499	
(ii) Non-cash movements*	-163	
Change in nominal value of National Debt		**336**
National Debt (end 2005)		**38,182**

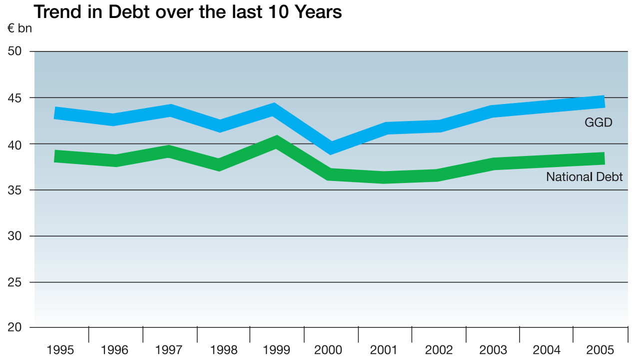
* Impact of exchange rate movements and net discounts on tranches and cancellations of Government bonds. Premiums/discounts arise when bonds are issued or cancelled at a price other than their par value due to a difference between the coupon on the bonds and market yield.

General Government Debt

General Government Debt (GGD) is the definition used for comparative purposes within the European Union. The National Debt is its principal component. Unlike the National Debt, the GGD does not allow any offset for Exchequer cash balances. In addition, GGD includes Local Government debt, certain extra-budgetary funds and the accrued interest not provided for in respect of the Retail Savings Schemes.

GGD is estimated at €44.2 billion at end 2005, an increase of half a billion on end 2004. The National Debt rose by €336 million and the increase in Local Authority debt accounted for most of the balance.

Trend in Debt over the last 10 Years



Source: Eurostat and NTMA

Currency and Duration of the Debt

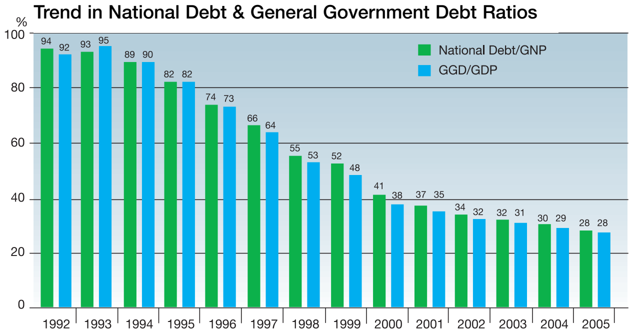
At end 2005, all of the National Debt was denominated in, or swapped into, euro.

Long term bond issuance of €1.6 billion in 2005 locked in debt at very low yields and increased the duration of the National Debt from 5.63 to 5.83 years.

Debt Ratios

The General Government Debt/GDP ratio decreased by just under 2 percentage points during the year to 27.6 per cent at end 2005. The National Debt/GNP ratio decreased by 2.3 percentage points to 28.2 per cent in the same period.

Trend in National Debt & General Government Debt Ratios



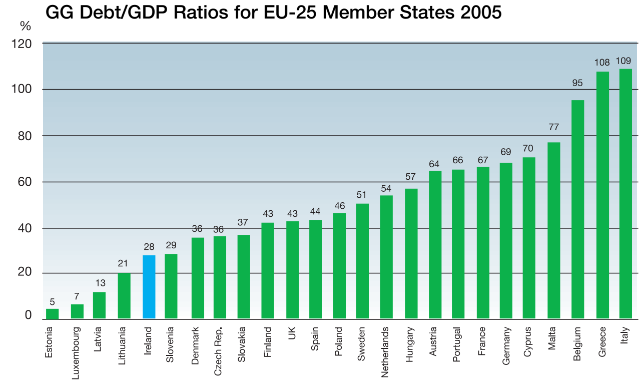
Source: Eurostat, Department of Finance and NTMA

Ireland's underlying position is in fact much better - when account is taken of the €15.4 billion in the National Pensions Reserve Fund at end 2005, the General Government Debt ratio falls to 17.9 per cent.

The Government's three-year Budget Plan announced in December 2005 points towards stability in the General Government Debt/GDP ratio over the 2006 to 2008 period - at an average of 28 per cent.

International Comparisons

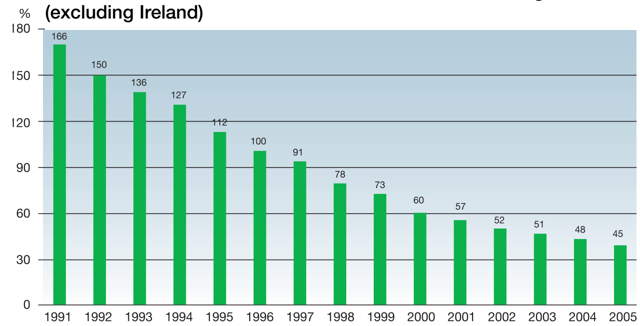
GG Debt/GDP Ratios for EU-25 Member States 2005



Source: Eurostat, EU Commission, 2005 estimate for Ireland – Department of Finance

At end 2005, Ireland's comparative indebtedness remained one of the lowest among the EU Member States at less than half of the EU average. This compares with a position well above the average in the first half of the 1990s.

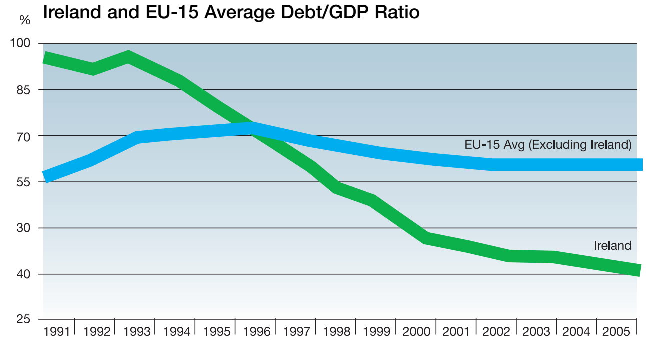
Ireland's GG Debt/GDP Ratio relative to the EU-15 Average (excluding Ireland)



Source: Eurostat, EU Commission, 2005 estimate for Ireland – Department of Finance

This favourable position reflects Ireland's economic performance rather than a material change in the EU average itself, as can be seen from the graph below:

Ireland and EU-15 Average Debt/GDP Ratio



Source: Eurostat, EU Commission, 2005 estimate for Ireland – Department of Finance

Debt Service Costs

Interest actually paid on the National Debt in 2005 came to €1,865 million, of which €210 million was not in respect of that year but represented interest accrued in earlier years on the Retail Savings Schemes. Of the total, €1,720 million was charged directly on the Exchequer and €145 million drawn from the Small Savings Reserve Fund (this was built up in earlier years through charges on the Exchequer to meet some of the accrued interest as it began to be paid out in large amounts).

This interest bill was €257 million less than in the Budget, due to lower borrowings than anticipated, favourable interest rates as well as certain debt management initiatives. This enabled the drawdown from the Small Savings Reserve Fund to be reduced - leaving it in a better position to meet accrued interest payments in future years.

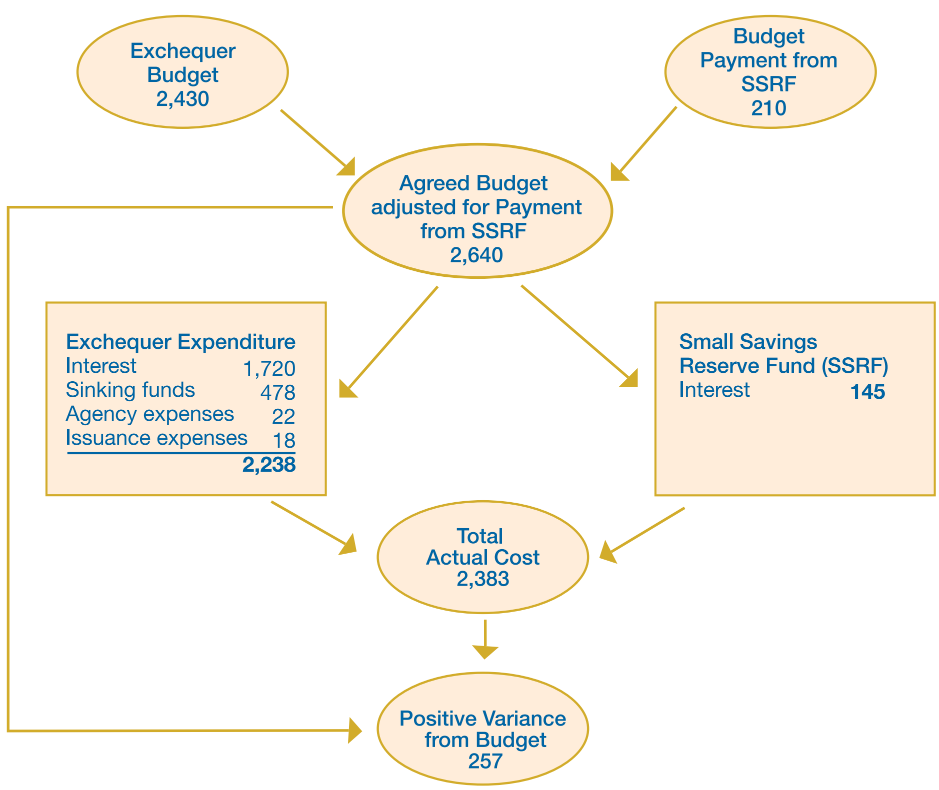
Other items charged to Debt Service Costs included Sinking Funds of €478 million - in effect a technical charge on the current budget which comes back as a receipt in the capital budget - fees of €18 million and administration expenses of €22 million.

This total of €2,383 million was €257 million lower than provided for in the Budget. The relevant figures are given below.

Analysis of Debt Service Outturn Relative to Budget

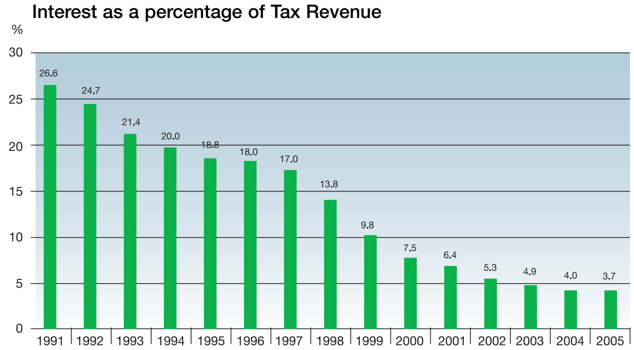
	€ Million		
	Outturn	**Budget**	**Variance**
Exchequer Debt Service Expenditure	2,238	2,430	192
Plus: Small Savings Reserve Fund payment	145	210	65
Underlying Debt Service Expenditure	2,383	2,640	
Total Favourable Variance from Budget			**257**

Analysis of Debt Service Outturn relative to Budget - € Million.



Only 3.7 per cent of tax revenue is now needed to pay interest on the National Debt, compared to 26.6 per cent in 1991.

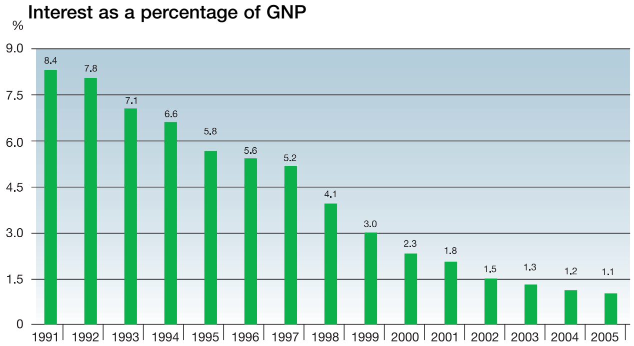
Interest as a percentage of Tax Revenue



Note: The interest series has been adjusted to reflect the cost of accrued interest on the Retail Savings Schemes.

Interest costs have fallen from 8.4 per cent of GNP in 1991 to 1.1 per cent in 2005.

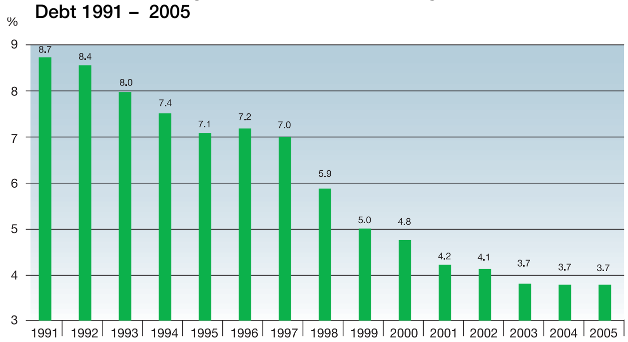
Interest as a percentage of GNP



Note: The interest series has been adjusted to reflect the cost of accrued interest on the Retail Savings Schemes.

The average interest cost of servicing the National Debt has fallen substantially from 8.7 per cent in 1991 to 3.7 per cent in 2005, due to the downward trend in global interest rates, Ireland's improved credit ratings, NTMA's debt management initiatives and Ireland's participation in the eurozone.

Trend in the Average Interest Cost of Servicing the National Debt 1991 – 2005



Interest Accruing on Retail Savings Schemes

Because interest is only paid out on encashment of Savings Certificates, Savings Bonds and National Instalment Savings, a considerable liability has built up over the years in respect of accrued interest. The Small Savings Reserve Fund was established in 1994 to address this issue. Since 1999, the Minister for Finance has provided in each Budget for the full accrual of interest. At end 2005, the Reserve stood at €825 million, or just over 53 per cent of the accrued interest of €1,549 million.

Debt Composition

	€ Million (nominal)	
	31 December 2005	31 December 2004
Bonds denominated in euro	31,311	31,260
Other Medium & Long Term Debt	626	584
Retail Savings Schemes	6,227	5,820
Net Short Term Debt	18	182
Total:	**38,182**	**37,846**

Funding Activity

The NTMA borrowed in the US dollar market for the first time in more than ten years when in February 2005 it issued a US$ 500 million bond with a five year maturity under its Euro Medium Term Note Programme. The proceeds were swapped into euro at an interest rate of 29.3 basis points under euribor. The NTMA also held two auctions in September and October when bond yields were close to their lowest levels for the year. A total of €1.6 billion cash was raised when €1.44 million (nominal) of the 4.5% Treasury Bond 2020, the Irish government bond with the longest maturity, was sold.

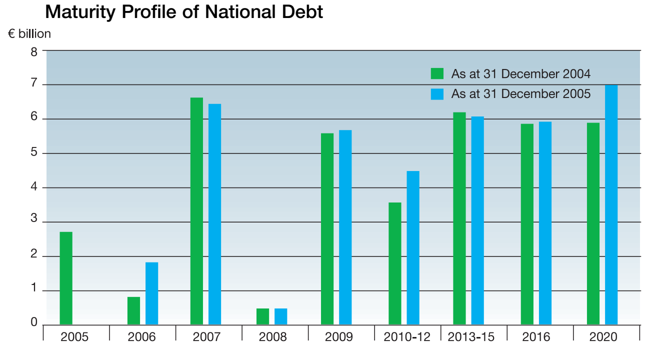
The NTMA was also active in the short term paper markets during the year. Its gross borrowing activity in these markets during the year amounted to €63 billion, including €13 billion on behalf of the Housing Finance Agency. The NTMA also undertook daily cash management activity, which totalled €304 billion during the year, on behalf of the European Central Bank.

Maturity Profile

Ireland's euro-denominated bonds have maturities extending out to 2020. The five benchmark bonds account for 96 per cent of the total outstanding.

Short term debt is made up of Exchequer Notes, Central Treasury Notes, Section 69 Notes and Commercial Paper, all of which have a maximum maturity of twelve months. The NTMA also raises short term funds on behalf of the Housing Finance Agency under its commercial paper programme.

Maturity Profile of National Debt



Primary Dealer System

The Irish Government bond market has eight Primary Dealers recognised by the NTMA who make continuous two-way prices in designated bonds in minimum specified amounts and within maximum specified spreads. There are also a number of stockbrokers who match client orders. The Primary Dealers account for 95 per cent of turnover in the Irish Government bond market. The Royal Bank of Scotland became a Primary Dealer in May 2005. AIB resigned as a Primary Dealer with effect from December 2005. At present major international banks account for seven of the eight primary dealers.

The Primary Dealers are:

- ABN AMRO, London & Amsterdam
- Barclays Capital, London
- Calyon Corporate and Investment Bank, Paris & London
- Citigroup Global Markets Limited, London
- Davy Stockbrokers, Dublin
- Deutsche Bank, Frankfurt and London
- HSBC-CCF, Paris & London
- The Royal Bank of Scotland, London

The Primary Dealers are members of the Irish Stock Exchange, on which Irish Government bonds are listed. They are also members of EuroMTS and MTS Ireland. They have exclusive access to the NTMA's bond auctions and may avail of repo and reverse repo facilities which the NTMA provides in Irish Government bonds. The NTMA also actively buys back “off-the-run” Irish Government bonds from its Primary Dealers at competitive market prices.

Bond Auctions

Bond auctions, to which the eight recognised Primary Dealers have exclusive access, normally take place on the third Thursday of the month. At 10.00 a.m. on the Thursday one week beforehand, the NTMA announces through Bloomberg, Reuters and its website, www.ntma.ie, details of the bond to be auctioned and the auction size. Auctions are conducted via the Bloomberg Auction System and are multiple price auctions. Auction results are usually available within two minutes of the 9.15 a.m. cut-off time for bids. A non-competitive auction for up to 20 per cent of the amount sold in the competitive auction follows directly after the close of each competitive auction. Primary Dealers have the option to take up their non-competitive entitlement until 10.00 a.m. on the second business day following the competitive auction.

Electronic Trading - EuroMTS and MTS Ireland

There are sixteen market participants for Irish Government benchmark bonds on EuroMTS:

Market Makers	Market Takers
ABN-Amro Bank NV	AIB Bank Plc
Barclays Bank plc	Banco Santander Central Hispano
Bayerische-Hypovereinsbank AG	Bank of America Securities Ltd
Calyon	BHF-BANK Aktiengesellschaft
Citigroup Global Market Ltd	Commerzbank AG
Davy Stockbrokers	Westdeutsche Landesbank
Deutsche Bank A.G.	
HSBC France	
The Royal Bank of Scotland plc	
UBS Limited	

(Participants denoted in bold are primary dealers)

The five current benchmark Irish Government bonds are also listed on the domestic system, MTS Ireland, in a parallel quotation.

All euro-area sovereign issuers except Luxembourg have their bonds listed on the EuroMTS system. The listing of Irish Government bonds on MTS has greatly enhanced turnover, price transparency and liquidity. The bid to offer spread on the bonds has also narrowed, making them more attractive to investors due to the reduced trading cost.

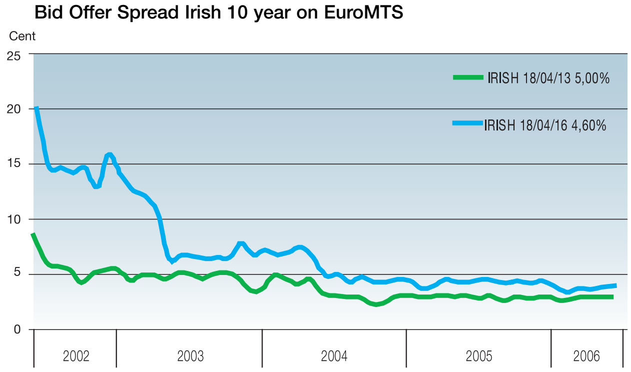
Bond Spreads

The maximum spreads within which the market makers must quote bid and offer prices for specified minimum amounts were substantially reduced on MTS in May 2004 and are as follows:

Bond	Maximum Bid-Offer Spread €	Minimum Dealing Size € Million
4.25% Treasury Bond 2007	3 cent	10
3.25% Treasury Bond 2009	4 cent	10
5.00% Treasury Bond 2013	5 cent	10
4.60% Treasury Bond 2016	7 cent	10
4.50% Treasury Bond 2020	10 cent	5

Liquidity is deep as can be seen from the graph below, which shows the bid to offer spread of the Irish 2013 and 2016 bonds on the EuroMTS system since June 2002.

Bid Offer Spread Irish 10 year on EuroMTS

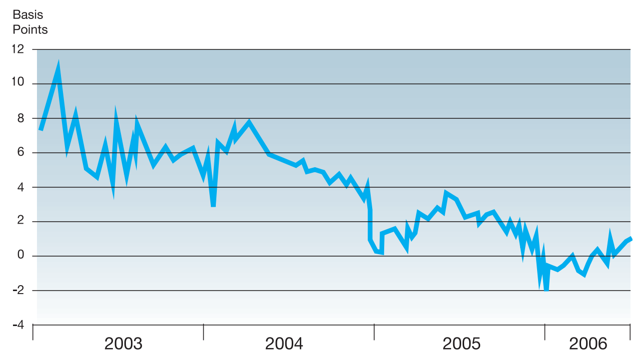


Source: MTS

Convergence of Irish Government Bond Yields in the euro area

Irish Government bond yields have converged to the core euro area markets and in 2005 they continued to trade at virtually the same or sometimes at lower levels than the benchmark bonds issued by Germany and France. The graph below shows the convergence of the Irish 2013 bond yield with the equivalent German yield from January 2003 to June 2006.

Yield differential between Irish and German bonds maturing in 2013



Bonds tracked are Irish 4.5% Treasury Bond 2013 and Deutschland Bundesrepublic 4.5% 2013.
Souce: Bloomberg

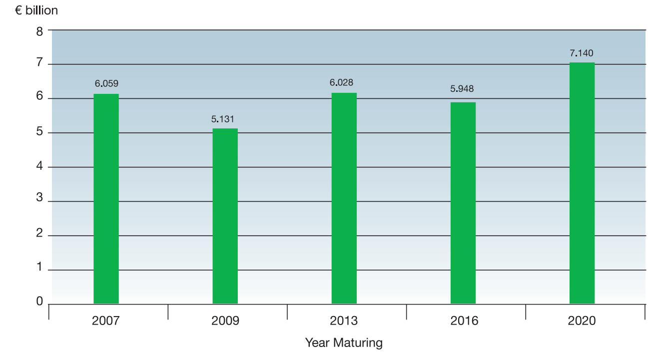
The keen foreign demand for Irish Government bonds continues to be underpinned by the strength of the public finances, as exemplified by the long record of surpluses or virtual balance on the General Government budget and the declining debt to GDP ratio, which is now at 27.6 per cent - among the lowest in the EU. The overall position is even better when account is taken of the €16.7 billion in the National Pensions Reserve Fund. All the major rating agencies continue to be very positive in their assessment of the Irish credit rating, as reflected in their confirmation, with a stable outlook, of Ireland's top long term and short term credit ratings. In addition the rating agency Standard and Poor's ranked Ireland first of 21 European countries analysed in terms of fiscal flexibility which indicates a country's ability to manage an economic slowdown.

Bonds and Other Long Term Debt

Benchmark Government Bonds

Ireland has 5 major benchmark bonds with maturities across the yield curve from approximately two years to fourteen years. The amount outstanding in each of these bonds exceeds €5 billion, ensuring that liquidity is continuous and deep. Details are set out below, and the outstanding amounts are also shown in the following graph:

Outstanding Benchmark Bonds June 2006



Debt Composition

Bond	Amounts Outstanding June 2006 (€m)	ISIN Code	Annual Coupon Payment Date
4.25% Treasury Bond 2007	6,059	IE0031256211	18 October
3.25% Treasury Bond 2009	5,131	IE0032584868	18 April
5.00% Treasury Bond 2013	6,028	IE0031256328	18 April
4.60% Treasury Bond 2016	5,948	IE0006857530	18 April
4.50% Treasury Bond 2020	7,140	IE0034074488	18 April

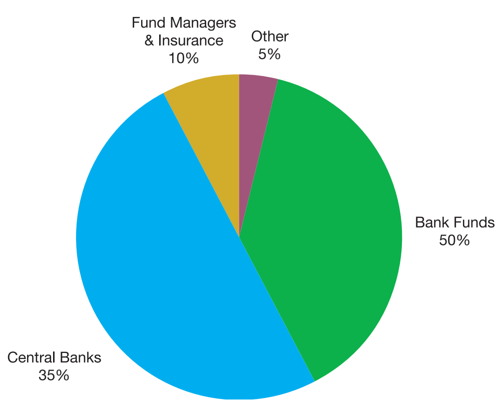
Irish Government Bond Issuance in 2005

US Dollar Bond Issue

Ireland issued a US$500 million Eurobond under its Euro Medium Term Note Programme in February 2005. The bond (Ireland US$500 million 3.875% due 15 July 2010) was issued at 10 basis points over US Treasuries and the proceeds were swapped into euro to provide funds for the Exchequer at 29.3 basis points under Euribor. Over the five year life of the loan this represents an estimated saving of €3.5 million compared with the cost of raising funds in the normal bond auctions.

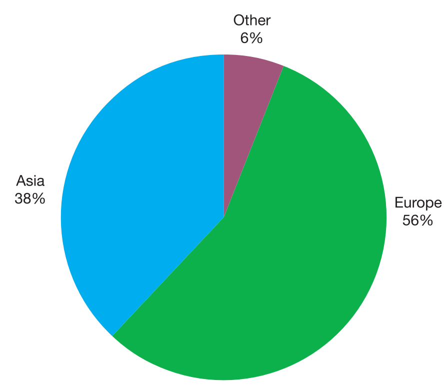
Bids for this deal were received from 15 major international financial institutions and the mandate was awarded to Barclays Capital. Bank funds bought half the issue and central banks 35 per cent.

US$500m Issue: Investor Distribution



The geographic distribution of the issue was led by Europe with 56 per cent and Asia with 38 per cent.

US$500m Issue: Geographic Distribution



Government Bond Auctions

Due to the very strong performance of the public finances during the year, the NTMA decided to defer its bond auctions to the latter part of the year and held two auctions in September and October when bond yields were close to their lowest levels for the year. A total of €1.6 billion cash was raised in the auctions when €1.44 million (nominal) of the 4.5% Treasury Bond 2020, the Irish government bond with the longest maturity, was sold. The results of these auctions were as follows:

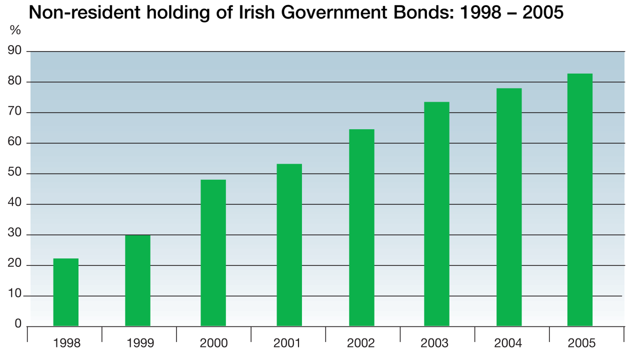
Details of Bond Auctions in 2005:

Auction Date	15 September	20 October
Amount sold in Competitive Auction	€600m	€700m
Weighted Average Yield	3.358%	3.505%
Bid to Cover Ratio	3.0	2.3
Amount sold in Non-Competitive Auction	Nil	€140m

Diversified holdings of Irish Government Bonds

Foreign investors hold the vast bulk of Irish Government bonds, with only 16 per cent held by domestic investors. Irish Government bonds have moved substantially into the hands of international investors since the introduction of the euro. Non-resident holdings have increased from 22 per cent of the total outstanding at end-1998, just before the introduction of the euro, to 84 per cent in 2005. This increase has occurred against a backdrop of an increase of more than 50 per cent in the amount of bonds outstanding over the same period. It is estimated that international investors took up virtually all the bonds issued in 2005.

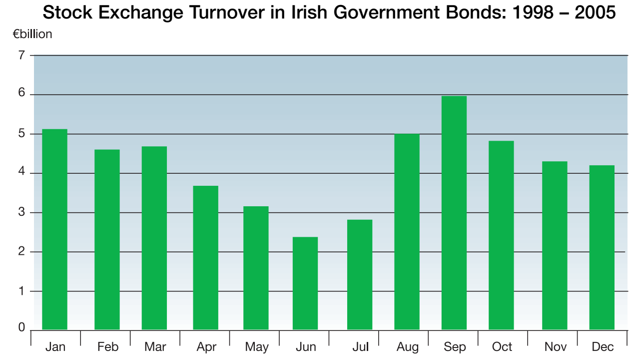
Non-resident holding of Irish Government Bonds: 1998 – 2005



Turnover and Liquidity

Turnover in Irish Government bonds on the Irish Stock Exchange in 2005 was €51.3 billion.

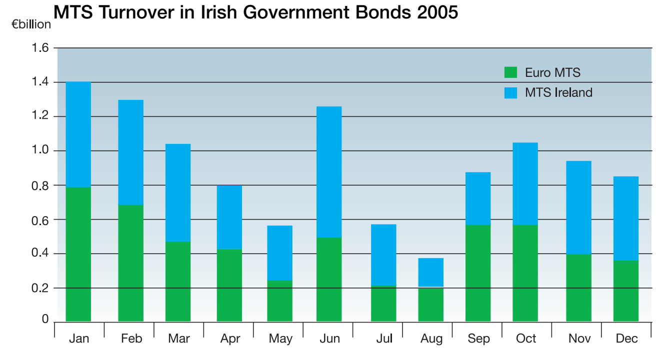
Stock Exchange Turnover in Irish Government Bonds: 1998 – 2005



Source: Irish Exchange

Turnover is greatly enhanced by the trading activity in the bonds on EuroMTS and MTS Ireland. The combined turnover of Irish Government bonds on both systems in 2005 was €11 billion.

MTS Turnover in Irish Government Bonds 2005

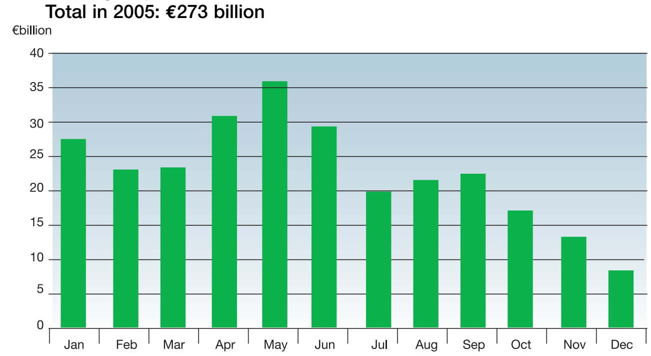


Source: MTS

REPOS

Repos are an important component of liquidity in the bond market and represent more than five times the turnover in the cash market. They provide a collateralised mechanism for investors to enhance their returns by lending their bond holdings on a short term basis. Repo turnover reported by the Irish Stock Exchange was €273 billion in 2005.

Monthly Repo Turnover in Irish Government Bonds
Total in 2005: €273 billion



Source: Irish Stock Exchange

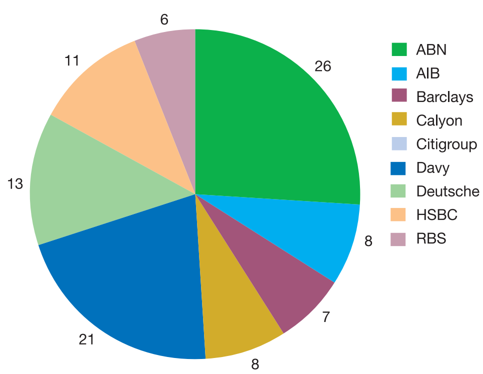
The NTMA played an active role in the repo market during the year, by providing repo and reverse repo facilities to the Primary Dealers. Overall the NTMA's repo activity amounted to €37 billion. This activity contributed to the smooth and efficient operation of the market for all investors and was a useful source of market intelligence for the NTMA.

Bond Buybacks

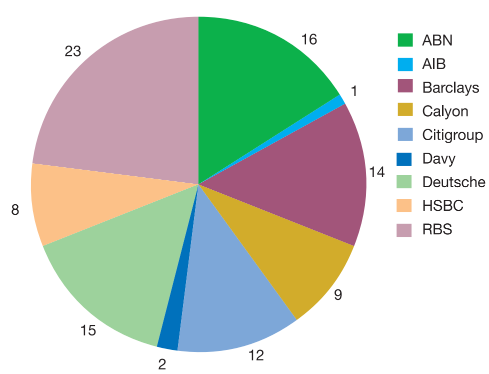
Over the years the NTMA has been active in buying back old off-the-run illiquid Irish Government bonds whenever opportunities have arisen in the markets. The opportunities for such buybacks are now very limited as the volume of illiquid off-the-run bonds has been greatly reduced by previous years' buyback activity. Nevertheless, some €40.4 million was bought back in this way in 2005.

Primary Dealers' Activities

Primary Dealers: 2005 Percentage retail market share



Primary Dealers: 2005 Percentage share of all auctions



Clearing and Settlement of Irish Government Bonds in Euroclear

The clearing and settlement function for Irish Government bonds is carried out by Euroclear Bank, Brussels. The Central Bank of Ireland maintains the register of holders of the bonds, the majority of which are in the name of Euroclear Bank. Bond dealings normally settle on a T+3 basis (i.e. three business days after the trade date).

Bond Indices

Irish Government bonds are included in the following bond indices:

- Bloomberg / EFFAS - Euro Bloc Government Bond Index
- Citigroup World Government Bond Index
- EuroMTS Euro Area Index
- Irish Stock Exchange - ISEQ Bond Index
- Lehman Brothers - Global Treasury Index
- Merrill Lynch - Pan-European Government Bond Index

Secondary Trading Desk

The NTMA maintains a secondary trading function to trade in its bonds with other market participants. This is separated from the primary bond desk activity by means of “Chinese Walls”. The role of the secondary trading desk is to provide liquidity to the market and to act as an added source of market intelligence for the NTMA. A portfolio of €94 million Irish Government bonds was actively traded during the year to give a turnover figure of €3.7 billion.

The secondary trading desk has also been mandated to manage assets of €3.5 billion, namely the passive bond portfolio of the National Pensions Reserve Fund (over €1.3 billion at end 2005), the accumulated surplus of the Social Insurance Fund (€2.0 billion at end 2005) and the assets of the Dormant Accounts Fund (€204 million at end 2005).

Medium Term Note Programmes

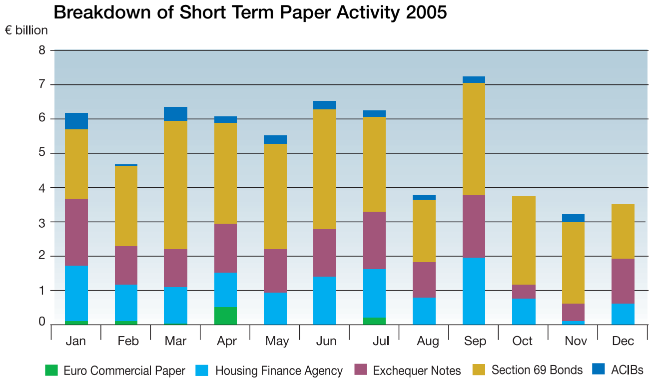
The NTMA has in place a US$5 billion Euro Medium Term Note Programme and a US$500 million US Medium Term Note Programme. These are multi-currency programmes which facilitate issuance in a variety of structures.

Short Term Debt and Cash Management

The NTMA operates the following short term programmes

- Ireland US$8 billion Euro Commercial Paper Programme
- Housing Finance Agency €2.5 billion Euro Commercial Paper Programme
- Exchequer Notes
- Section 69 Multi-currency Notes
- Agricultural Commodity Intervention Bills (ACIBs)
- Central Treasury Service for non-commercial State bodies
- Cash management as part of the ECB's liquidity management for the euro area

Breakdown of Short Term Paper Activity 2005



Ireland Commercial Paper Programme

Ireland's US$ 8 billion multi-currency Euro Commercial Paper (ECP) Programme is listed on the Irish Stock Exchange to enable it to be used for repo facilities with the European Central Bank. This AAA rated programme provides funds at attractive levels, significantly below Euribor. The dealers under the Programme are:

- Barclays Bank PLC;
- Citibank International plc;
- Credit Suisse Securities (Europe) Limited;
- Deutsche Bank AG, London;
- Goldman Sachs International;
- ING Bank, N.V.;
- Lehman Brothers International (Europe); and
- The Royal Bank of Scotland plc.

The issuing agent is JPMorgan Chase Bank N.A., London and the paying agents are JPMorgan Chase Bank N.A., London and JPMorgan Bank (Ireland) plc. Reverse inquiries are accepted. Typically, trades are in amounts of US$50 million to US$100 million. All non-euro borrowings are immediately swapped into euro using foreign exchange contracts.

Housing Finance Agency Commercial Paper Programme

Under legislation governing the Housing Finance Agency (HFA), the NTMA carries out the HFA's borrowing functions under its €2.5 billion multi-currency Euro Commercial Paper Programme. The HFA's borrowings are for on-lending to local authorities for the provision of social housing and for projects ancillary to social housing. Its borrowings are guaranteed by the Minister for Finance. The Programme has the top short term credit ratings from Moody's and Standard & Poor's. The dealers on the programme are the same as those for the Ireland US $8 billion programme. Borrowings under this programme are typically for periods of one to six months, in line with the HFA's requirements.
All non-euro borrowings are immediately swapped into euro using foreign exchange contracts. Turnover in 2005 was €12.8 billion.

Exchequer Notes

Exchequer Notes are flexible short term funding and liquidity management instruments issued directly by the NTMA to a broad range of investors, including corporates, banks and other institutional clients. Exchequer Notes are denominated in euro and are available in maturities of one day to one year, depending on investor requirements, with a minimum €250,000 investment. They are listed on the Irish Stock Exchange. Indicative prices are shown on Bloomberg page NTMA5. Borrowings are typically for periods of one week to three months. Activity amounted to €15.6 billion in 2005.

Agricultural Commodity Intervention Bills (ACIBs)

Agricultural Commodity Intervention Bills are short term debt instruments, managed by the NTMA, which are designed to meet the short term cash needs of the Department of Agriculture and Food. These arise from ongoing intervention payments made to farmers and others which are refunded to the Department by the European Commission at regular intervals. Borrowings under this programme are typically for periods of one to six months and activity amounted to €2.2 billion in 2005.

Section 69 Multicurrency Notes

Notes issued under Section 69 of the Finance Act 1985 were introduced for the purpose of encouraging suitably qualified foreign owned companies located in Ireland to invest their surplus funds here. Qualifying companies may invest directly with the NTMA or through certain banks in any major currency. Periods of investment range up to one year. The minimum investment is €100,000 or equivalent. Activity under this programme amounted to €32 billion in 2005.

European Central Bank Liquidity Management

The European Central Bank (ECB) operates a liquidity management system which depends in part on the accurate forecasting of the level of government balances in the national central banks throughout the euro area. In the case of Ireland, the forecast level of balances for each day is reported to the ECB by the Central Bank and Financial Services Authority of Ireland six business days ahead. The balances are determined by Government spending, tax collected by the Revenue Commissioners and the NTMA's debt management operations. At the end of each business day, the NTMA calculates the effect on liquidity in order to ensure that government balances are maintained at the level of the forecast given to the ECB by the Central Bank and Financial Services Authority of Ireland. The NTMA raises funds or places deposits in the international money markets in order to maintain the balances at the level of the forecast given to the ECB. These operations during 2005 amounted to €304 billion, with an average transaction size of €626 million.

Deposit Placements

The NTMA has in place a comprehensive system for monitoring its credit risk with other financial institutions. This has involved an assessment of the financial strength of over 100 banks and other bodies to determine the amount of funds which the NTMA is prepared to place with each, both on a short and long term basis. These counterparty credit limits are constantly reassessed and the NTMA's exposure is monitored on a daily basis. The need for this arises because the NTMA must always have liquidity placed in the international markets to meet its cash requirements as they arise while ensuring that the funds are properly safeguarded. Typically, the amount of funds on deposit other than with the Central Bank of Ireland ranges from €2 billion to €3 billion each day.

Transactions on behalf of the National Pensions Reserve Fund Commission

The Commissioners of the National Pension Reserve Fund (NPRF) have mandated the NTMA to manage a passive bond portfolio which was valued at €1,148 million at end 2005. In addition, the NTMA executes FX transactions to hedge the foreign exchange exposure on certain of the NPRF's non-euro investments. The FX transactions amounted to €23 billion in 2005. The NTMA is also mandated to manage the uninvested cash balances of the NPRF. The average NPRF cash balance in 2005 was €1.1 billion.

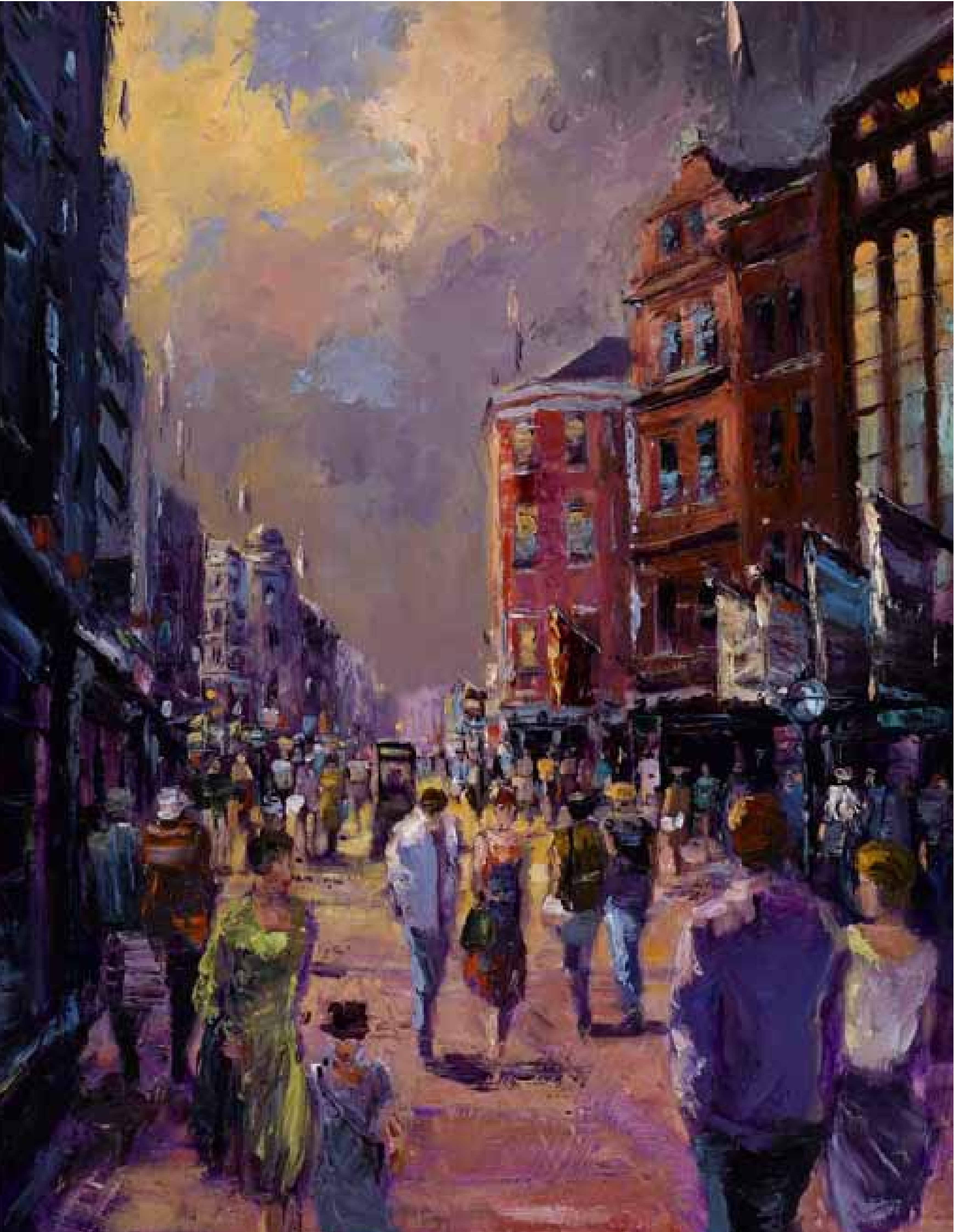
Emissions Trading

The parties to the Kyoto Protocol, which came into force in February 2005, agreed to reduce annual emissions of greenhouse gases over the period 2008-2012. In the case of the EU-15, a reduction of 8 per cent on the 1990 level is to be achieved in the period 2008-2012. As part of the burden sharing agreement between EU Member States Ireland is committed to limiting growth in emissions to 13 per cent above its 1990 level in this period.

Ireland's projected 'distance to target' for Kyoto compliance in 2008-2012 is 7.174 million tonnes of carbon dioxide equivalent per annum. The Government agreed on how the responsibility for bridging this gap will be shared between the emissions trading sector (the 105 installations in the electricity and large industry sectors which have significant emissions and which participate in the EU Emissions Trading Scheme) and the rest of the economy. The trading sector has been set a target to achieve 3.053 million tonnes of the annual reduction, leaving 4.121 million for the rest of the economy.

The Government will purchase carbon emissions allowances on the international market to ensure that Ireland is in possession of sufficient allowances to comply with Kyoto commitments for those sectors of the economy not directly engaged in emissions trading. A total quantity of 18.035 million allowances (3.607 million per annum) is estimated to be sufficient for this purpose. The extent to which the Government will need to purchase this quantity of allowances will depend on reductions in emissions achieved elsewhere in the economy between now and 2012.

The Budget for 2006 has allocated a sum of €20 million for the purchase of carbon credits and the NTMA has been appointed as purchasing agent for the State. Legislation is in the course of preparation which will enable the NTMA undertake this role.



Retail Savings

In 2005, retail savings schemes grew by nearly 7 per cent, from €5,820 million to €6,227 million. The schemes accounted for 16 per cent of the National Debt at end-2005, a slight increase over the average of 14 per cent in the period 1996-2004.

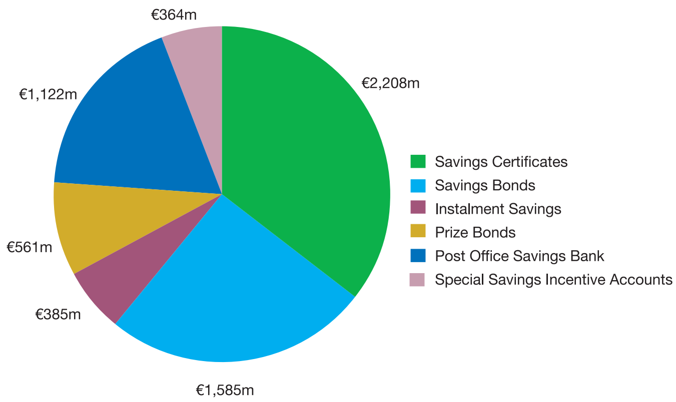
A further €1,549 million was outstanding in accrued interest on the schemes at end-2005, a reduction of €200 million on the end-2004 figure. Against this, there is a total of €825 million set aside in the Small Savings Reserve Fund.

The schemes attract funds largely from domestic private investors and, with the exception of Prize Bonds, they are operated by An Post on behalf of the NTMA. Prize Bonds are operated by the Prize Bond Company Limited, a joint venture between An Post and FEXCO, a financial services company.

Savings Schemes	**Total outstanding at end 2005 € million**	**Money raised/(repaid) in 2005 (net) € million**
Savings Certificates	2,208	11
Savings Bonds	1,585	156
National Instalment Savings	385	0
Prize Bonds	561	55
Savings Stamps	2	0
Post Office Savings Bank (POSB) Special Savings Incentive Accounts	364	106
Other POSB Accounts	1,122	79
Total Principal Outstanding	6,227[1]	407
Accrued Interest	1,549	(200)
Total	**7,776**	**207**

[1] This figure is included in the National Debt.

Amounts Outstanding in Retail Savings Schemes
31 December 2005



Administration Costs

The administration fees paid to An Post and the Prize Bond Company in 2005 in respect of the Government retail savings schemes were:

Savings Schemes	€m
Savings Certificates	3.8
Savings Bonds	2.5
Instalment Savings	2.3
Prize Bonds[1]	7.0
Savings Stamps	1.1
Post Office Savings Bank[2]	27.8
Total:	**44.5**

Negotiations are continuing with An Post on an appropriate long term fee structure for operating these schemes in the context of An Post's strategy for a joint venture with Fortis Bank which would aim to provide a wide range of financial services. In the meantime, the fee for operating the Post Office Savings Bank in 2005 was held at the same level as in 2004, and further savings are being effected in 2006.

[1]These fees were paid to The Prize Bond Company. The other fees are paid directly to An Post.
[2]Fees relating to the Post Office Savings Bank (POSB) are paid from the POSB Fund.

Rates of Return

The current rates of return - exempt from Irish income tax- are:

Savings Certificates: 16 per cent over a 5½ year period, equivalent to 2.74 per cent a year if held to maturity. Minimum investment is €50, with a maximum of €80,000 for an individual and €160,000 for a joint holding.

Savings Bonds: 8 per cent over 3 years, equivalent to 2.6 per cent a year if held to maturity. Minimum investment is €100, with a maximum of €80,000 for an individual and €160,000 for a joint holding.

Instalment Savings: 15 per cent over 5 years, following savings made each month over a twelve month period, equivalent to an average annual return of 2.57 per cent. Minimum monthly investment is €25; maximum is €500.

Post Office Savings Bank

The Post Office Savings Bank (POSB) deposit base at end 2005 was €1,486 million, an increase of over 14 per cent on the end-2004 figure. This includes €364 million in Special Savings Incentive Accounts (SSIAs). SSIAs will mature in the twelve-month period from May 2006, the majority in 2007.

SSIAs were introduced by the Government in 2001 for a limited period - new accounts could be opened only in the twelve months ended 30 April 2002 - as an incentive to boost personal savings. Savers were allowed to hold only one account and had to commit to save over a five year period. These accounts attract normal interest rates plus a Government bonus of 25 per cent of the amount saved. All financial institutions in Ireland were able to offer these accounts, and the market share of the POSB is approximately 3 per cent. It is estimated that the total amount to be released into the economy as the accounts reach maturity is €16 billion.

The current interest rates on the other POSB accounts are as follows:

Demand Account	Rate per annum
• Under €6,000	0.10%
• €6,000 and over	0.25%

Demand Account Plus*	Rate per annum
• Under €30,000	1.0%
• €30,000 and over	1.5%

*30 day notice deposit account

Prize Bonds

Prize Bonds, which in effect are a demand deposit, provide an attractive potential return compared to other similar investment products and so have been enjoying considerable success in the prevailing low interest rate environment. Net sales in 2005 amounted to €54 million, and the total amount outstanding at end 2005 was €561 million.

Almost 130,000 tax-free prizes, worth €12.7 million, were paid during 2005. Draws for prizes are held each week, and details of the prizes awarded during the year are set out below:

Value	Number of prizes
€150,000 Jackpot Prizes	12
€20,000 Star Prizes	40
€1,000	260
€250	520
€75	129,102
Total Number of Prizes in 2005:	129,934
Total Value of Prizes in 2005:	€12,672,650

A Jackpot Prize is awarded in the first weekly draw of each month. In every other week a Star Prize of €20,000 is awarded. The rate of interest used in 2005 to determine the prize fund was 2.4 per cent.

There are over 7,000 Prize Bonds with unclaimed prizes, the aggregate value of which is just over €1 million. Some of these go back to 1957, the year Prize Bonds started. A further booklet listing the unclaimed prizes was published by the Prize Bond Company during 2005. This information is also available on the Prize Bond Company's web site www.prizebonds.ie, where Prize Bonds can be purchased online.

Dormant Accounts

Under the Dormant Accounts Act, 2001 and the Unclaimed Life Assurance Policies Act 2003, balances on dormant accounts in banks, building societies and the Post Office and the net encashment value of certain life assurance policies are remitted to the State and disbursed for charitable purposes or purposes of societal or community benefit. The period for determining dormancy is normally 15 years since the last customer-initiated transaction. However, in the case of life assurance policies with a specified term, it is 5 years after the end of that term. The legislation guarantees the right of account and policy holders to reclaim their funds from the financial institutions in the event that their dormant account or life assurance policy is reactivated.

Some €40.8 million was transferred to the Dormant Accounts Fund in 2005, and €22.9 million of previously dormant funds was reclaimed. Disbursements amounted to €14.4 million. The Fund was valued at €204 million at end 2005. A further €79.9 million has been transferred to the Fund so far in 2006, while €18.7 million has been reclaimed and disbursements of €7 million have also been made. The Fund now stands at an estimated €261 million. Pending disbursement, the Fund is invested by the NTMA in accordance with the Fund's investment plan.

The Dormant Accounts (Amendment) Act, 2005 was commenced by Ministerial Order on 1 September 2005. This legislation provides for the establishment of the Dormant Accounts Board in place of the former Dormant Accounts Fund Disbursements Board and for new arrangements in relation to the disbursement of moneys from the Dormant Accounts Fund. Decisions on disbursements are now made by the Government, while the Board advises on priority areas for funding. The Board also has a role in monitoring the impact of the funding.

Social Insurance Fund

The income of the Social Insurance Fund derives mainly from Pay-Related Social Insurance (PRSI) contributions by employees, employers and self-employed persons. Payments from the Fund are made in respect of items such as State Pensions, Illness Benefit and Jobseekers Benefit. The NTMA commenced management of the accumulated surplus of the Fund in July 2001, with the performance being measured against a benchmark agreed with the Minister for Finance.

During 2005, the Department of Social and Family Affairs transferred €400 million of the Fund to the NTMA for management, bringing the total at the end of the year to €2.05 billion. A further €500 million has been transferred to date in 2006.

The return achieved on the management of these moneys in 2005, taking account of investment guidelines issued by the Minister for Finance, was 2.2 per cent.

Central Treasury Services

A Central Treasury Service (CTS) is offered by the NTMA to certain public sector bodies - local authorities, vocational education committees and the Health Service Executive. The objective of the service is to provide these bodies with a competitive alternative to the banking industry for their treasury business and thereby achieve savings for the Exchequer. It achieves this objective by providing a pooled lending and deposit-taking facility. This is in line with the best practice of private sector companies with diverse subsidiaries.

During 2005, lending to designated CTS bodies averaged approximately €66 million. There were 564 deposits placed with the CTS during the year, and the daily average amount on deposit was €40 million.

Education Finance Board Fund

The Minister for Education and Science announced, on 6 December 2005, the appointment of a new statutory board - the Education Finance Board - to administer an education grants scheme for former residents of industrial schools, reformatory schools and certain other institutions and their families. The Board was formally established on 15 February 2006 under section 23 of the Commission to Inquire into Child Abuse (Amendment) Act 2005.

The Fund, which the Board has at its disposal, is managed by the NTMA which will make payments to the Board each year to cover its expenditure. The balance in the Fund at 31 December 2005 was €11 million.

Credit Ratings

Ireland has the top long term and short term credit rating from all of the four major credit rating agencies. In 2005 each of the agencies re-affirmed these ratings with a stable outlook.

	Long term credit ratings	Short term credit ratings
Moody's:	Aaa	P-1
Standard & Poor's:	AAA	A-1+
Fitch Ratings:	AAA	F1+
Rating & Investment Information Inc.:	AAA	a-1+

The credit rating agencies continue to take a very positive view of Ireland's credit, pointing to strong public finances and a diversified and flexible economy that has attracted sustained foreign direct investment inflows over recent years and achieved the highest growth rate in the EU since 1995. They recognise that Ireland has one of the lowest debt burdens in the EU, with a debt-to-GDP ratio of 27.6 per cent of GDP at end 2005. In addition, they have had regard to the fact that Ireland has a high degree of fiscal flexibility, with very high levels of both revenue and expenditure flexibility, with the result that Government policies can respond swiftly and effectively to adverse economic trends. Other factors in the positive assessment by the rating agencies are Ireland's business-friendly regulatory environment, low taxation levels and highly educated workforce. The National Pensions Reserve Fund is also a very significant factor in determining Ireland's strong credit rating. The availability of the Fund's resources, and the country's favourable demographic profile, mean that the fiscal impact of the ageing of the population will be felt much later and less severely in Ireland than in other European countries.

Asset Covered Securities Act, 2001

Covered Bonds (or Assets Covered Securities) involve pooling assets, which are either residential mortgages or public sector loans in the Irish context, and issuing bonds against these pools of assets. The bonds are structured and legislatively underpinned in such a way as to provide a high level of security for investors while making a competitive means of funding available for financial institutions. While the issuers of covered bonds are European banks, those who invest in the bonds (e.g. pension funds and banks) are located worldwide. Thus, Irish covered assets securities are a global capital markets product.

The 2001 Act allowed Irish-based banks, both international and domestic, to raise funds on very competitive terms.

The Act provided that, in the event of any issuer of securities under the Act defaulting, the NTMA must in the following order:

- secure an alternative service provider to manage the relevant asset pools; or
- secure an alternative obligor for the relevant pools; or
- manage the pools itself.

The NTMA receives an annual commitment fee of one tenth of one basis point of the nominal amount of asset-covered bonds issued. During 2005, €15.7 billion was issued, bringing the total issued under the legislation to €44.8 billion.

Ulysses Securitisation

Ulysses Securitisation p.l.c. was established in 1995 for the purpose of securitising Local Authority mortgage payments and is managed by the NTMA under a Corporate Services Agreement.

Mortgage payments totalling some €240 million were securitised in 1995 and 1996 through the issuance of bonds.

Ulysses returned a net profit of €24.3 million in 2005 (2004: €21.9 million). The accumulated reserves of the company now stand at close to €136 million and are retained for the beneficial ownership of the Exchequer. Surplus cash in the company is on-lent to the Exchequer under an Investment Agreement until required to repay the bonds in August 2006.

National Pensions Reserve Fund

The National Pensions Reserve Fund Commission is required to submit to the Minister for Finance an Annual Report and Accounts of the Fund. These are published separately.

The National Pensions Reserve Fund was established in April 2001 under the National Pensions Reserve Fund Act 2000. Its objective is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population.

The Fund is controlled by the National Pensions Reserve Fund Commission, a body corporate consisting of seven members appointed by the Minister for Finance and including, ex officio, the Chief Executive of the NTMA. The NTMA is the Manager of the Fund for ten years from April 2001 and the Commission is required to perform its functions through the Manager.

Performance

The Fund grew by €3.7 billion from €11.7 billion at end 2004 to €15.4 billion at end 2005.

The Fund earned a return of €2,410 million or 19.6 per cent in 2005 reflecting its heavy equity weighting and the strong growth in world equity markets.

The Fund's end-year value was equivalent to 11.4 per cent of GNP.

Asset Allocation

In February 2005, the Fund announced a significant diversification of its strategic asset allocation, primarily through an 18 per cent allocation to alternative asset classes - property, private equity and commodities - to be achieved on a phased basis by end 2009.

Significant progress was made on this diversification strategy during the year. €629 million was invested in global equity markets. Of this, €188 million was invested in small cap equities and €291 million in emerging markets equities. €170 million was invested in commodities. By year end a total of €404 million had been committed to international property funds and €181 million to international private equity funds. Moneys committed to these funds will be drawn down as suitable investment opportunities arise.

National Pensions Reserve Fund

Summary Asset Allocation - 31 December 2005

	€m	%
Quoted Equity Investments	12,136	78.7
Private Equity	20	0.1
Property	133	0.9
Commodities	200	1.3
Government Bonds	1,802	11.7
Cash	1,128	7.3
Total	**15,419**	**100.0**

Principal NTMA Activities

The principal activities of the NTMA in its capacity as Fund Manager are:

- provision of policy advice to the Commission
- implementation of the Fund's investment strategy
- selection and performance review of investment managers and specific investment vehicles
- preparation of the Fund's financial statements and monitoring of the Fund's global custodian
- development and operation of controls to ensure that the Fund is managed within the parameters set down by the Commission and operational risks are minimised
- portfolio management: In most cases, the Commission has outsourced the day-to-day management of the Fund to international investment management firms. Certain investment mandates are managed by the NTMA internally. These are the passive bond mandate, the management of the Fund's cash and its currency hedging programme.

National Development Finance Agency

The National Development Finance Agency (NDFA) is required to submit an Annual Report and Accounts of its activities to the Minister for Finance. These are published separately.

The National Development Finance Agency was established and its Board was appointed by the Minister for Finance with effect from 1 January 2003. The NDFA discharges its functions through the NTMA.

Its functions are:

- to advise State Authorities on the optimal means of financing public investment projects in order to achieve value for money;
- to advance moneys, including repayable loans and equity, to provide guarantees and to enter into other financial arrangements in respect of projects approved by any State Authority;
- to provide advice to any State Authority on all aspects of financing, risk and insurance of public investment projects to be undertaken by means of Public Private Partnership (PPP) or within the public sector; and
- to establish special purpose companies for the purpose of financing projects.

The National Development Finance Agency Act 2002 specified that Government Departments, local authorities and major State agencies that undertake major infrastructure projects are obliged to seek the NDFA's advice. However, the final decision remains with the State Authority. Under current Ministerial Guidelines, State Authorities must refer all capital investment projects costing in excess of €20 million to the NDFA.

In July 2005, the Government announced a major new initiative aimed at accelerating the delivery of PPPs for certain key capital infrastructure projects. This new initiative involves the expansion of the NDFA to include a "Centre of Expertise" responsible for the procurement and delivery of PPP projects. The role covers projects in the Education, Health and Justice sectors initially in order to generate deal flow in these sectors. The creation of a sustainable deal flow will deepen the Irish PPP market and attract further international capital and expertise to the country.

Once Departments have carried out their functions and handed the project over to the NDFA, the NDFA has responsibility for preparing contract documents, going to tender for projects, contract negotiations, evaluations of tenders, selection of preferred bidders and monitoring the construction of the project. The project, once procured, is delivered by the NDFA back to the relevant Department on a turnkey basis.

Since this was announced, the NDFA has already commenced work on some €1 billion worth of projects within the Education, Health and Justice sectors.

The NDFA may raise funding itself or through special purpose companies up to a total of €5 billion to finance infrastructure projects. The Minister for Finance may advance moneys, up to €250 million, to the NDFA or a special purpose company established by it. The NDFA can use these advances for the purpose of making an equity investment in, or a repayable loan to, a special purpose company. To date, it has not been necessary to use any of these functions.

The 23 projects on which the NDFA has completed its advice are as follows:

Project	State Authority
Transport - Roads	
Dundalk Western Bypass (February 2004)	National Roads Authority
Kilcock- Kinnegad (March 2003)	National Roads Authority
Rathcormac - Fermoy Bypass (June 2004)	National Roads Authority
Waterford Bypass (April 2006)	National Roads Authority
Transport - Rail	
CIE Rolling Stock (2005)	CIE
CIE Capital Financing (2004)	CIE
Luas Credit Facility (2004)	Railway Procurement Agency
Luas Enhancement	Railway Procurement Agency
Housing	
Infimary Road (December 2005)	Dublin City Council
Fatima Mansions (June 2004)	Dublin City Council
Waste	
Dublin Waste to Energy	Dublin City Council
Education	
Cork School of Music (October 2005)	Department of Education & Science
Dundalk Institute of Technology (2005)	Department of Education & Science
Local Authority Loans	
Cork County Council (Waste Infrastructure) (November 2005)	Cork County Council
Limerick County Council (Waste & Drainage) (September 2005)	Limerick County Council
Clare County Council (Cliffs of Moher) (June 2005)	Clare County Council
Clare County Council (HQ) (2005)	Clare County Council
Kildare County Council (2004)	Kildare County Council
Cork County Council (Courthouse Refurbishment & Drainage) (July 2004)	Cork County Council
Cork City Council (County Hall Civic Offices) (December 2003)	Cork City Council
North Tipperary County Council (July 2004)	North Tipperary County Council
Broadband Technology	
Digital Hub II (November 2005)	Department of Communications
Metropolitan Area Network (June 2004)	Department of Communications

These projects have a combined capital value of some €2.8 billion. In 2005, NDFA provided financial advice on twelve projects. The largest of these projects were: Transport - CIE Rolling Stock and Capital Financing; Waste - the Dublin Waste to Energy project and Cork County Council Waste Infrastructure; Education - Cork School of Music; Communications - the Digital Hub. The combined capital value of these projects is approximately €890 million.

Many projects referred to the NDFA are currently in procurement and the NDFA has been providing advice on an ongoing basis. These include a number of major capital investment projects being undertaken by the State. The high profile projects include the National Conference Centre, the Criminal Courts Complex, the Luas Line B Extension and a number of motorways. Other high profile projects include utilities such as waste and water projects and social and affordable housing projects.

Construction of the first phase of social housing (110 social houses) in the Fatima Mansions Housing Redevelopment was completed in September 2005. In total, this project will deliver 150 Social dwellings and 70 Affordable dwellings. The Infirmary Road scheme (160 affordable units and 40 private units) reached financial close on 8 December 2005. Other major Housing Regeneration Projects financed by the private sector in Dublin include:

- O'Devaney Gardens - 280 social, 250 affordable and 287 private units
- St Michael's Estate - 150 social, 70 affordable and 480 private units
- Jamestown Road - 240 affordable and 60 private housing units
- Dominick Street - 120 social and 190 private units
- Bridgefoot Street - 60 affordable and 135 private units

The PPP projects which are to be procured by the NDFA through the Centre of Expertise include:

Education - a €320 million project involving 23 new post-primary schools and four new primary schools from 2006 to 2009. The schools will be designed, built, financed and maintained by the private sector for a period of 25 years before being handed back to the State. The first bundle of schools project will go to the market in 2006 and work will commence on the second bundle in parallel with this procurement.

Health - Radiation Oncology Treatment Centres. This complex project involves in excess of €400 million capital costs plus approximately €72 million per annum and will be delivered under a Design, Build, Finance and Maintain contract. The NDFA will have responsibility for the procurement of:

- the radiation oncology equipment (23 linear accelerators, CT scanners and all other ancillary equipment)
- the construction of the vaults and associated facilities

and will ensure that the projects provide value for money for the State. This will mean an investment in 23 additional linear accelerators to bring the total number of linear accelerators in the public sector up to 36.

Justice - In January 2005, the Minister for Justice, Equality and Law Reform announced a Government decision to purchase a 150-acre site at Thornton Hall in North County Dublin to serve as a location for a new prison complex, to replace the existing Mountjoy Prison complex. The facilities on the new site are to accommodate a minimum of 1,200 prisoners. The NDFA is involved in detailed work on the procurement of this project and it will go to the market this year, with contract award scheduled for Spring 2007.

State Claims Agency

The NTMA is designated as the State Claims Agency (SCA) when performing the claims management and risk management functions delegated to it by the Government under the National Treasury Management Agency (Amendment) Act 2000. The SCA was established in December 2001. Its principal objectives are:

- to provide a professional and cost-effective service for the management of personal injury and property damage claims against the State.
- to provide a risk management advisory service with the aim of minimising future litigation.

Claims under Management

The SCA's remit covers claims against certain State Authorities, including the State itself, Ministers, the Attorney General, the Commissioner of the Garda Síochána, prison governors, community and comprehensive schools and various other bodies. The SCA deals with a wide diversity of claims from the very serious, including fatalities, to those arising from minor incidents. In February 2003, the management of clinical claims was additionally delegated to the SCA.

Further Claims Delegated in 2005

A new Order entitled National Treasury Management Agency (Delegation of Claims Management Functions) Order 2005 was made by the Government in July 2005 to bring the following classes of claims, among others, under the management of the SCA:

- child sexual abuse
- hearing loss

Current Position

Claims

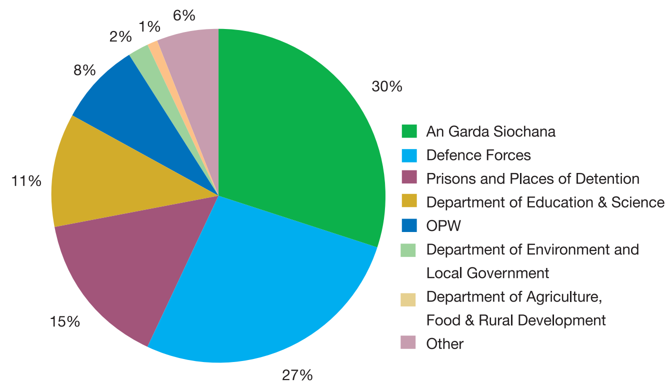
The SCA currently manages approximately 3,600 claims, of which approximately 1,100 relate to alleged medical malpractice. The total outstanding reserve at present against the active claims amounts to €250m as follows:

Employer Liability (EL)/ Public Liability (PL)/ Property Damage (PD)	€100m (40%)
Clinical Indemnity Scheme	€150m (60%)

EL/PL/PD Claims

The distribution of claims volume between State Authorities is as follows:

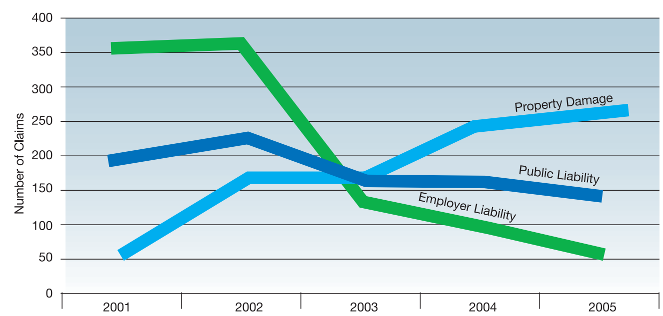
EL/PL/PD Claims by Authority



Trends

The State Claims Agency has been in existence for a sufficient period of time to see some trends emerging in a typical 3 to 5 year EL/PL/PD cycle. As shown below, there has been a significant decline in EL and PL claims volumes (80 per cent and 30 per cent respectively since 2002). Although there has been an increase in property damage claims, these are of lower value. This analysis excludes child sexual abuse claims and hearing loss claims which were delegated to the SCA too recently to be included.

Claim Trends by Date of Incident



Claims against the Defence Forces and the Irish Prison Service show the most marked reduction. The strongly downward trend of EL and PL claims against the State mirrors - but in a more pronounced way - that of a general decline in claims across the insurance industry. The reduction appears to be due to a combination of factors.

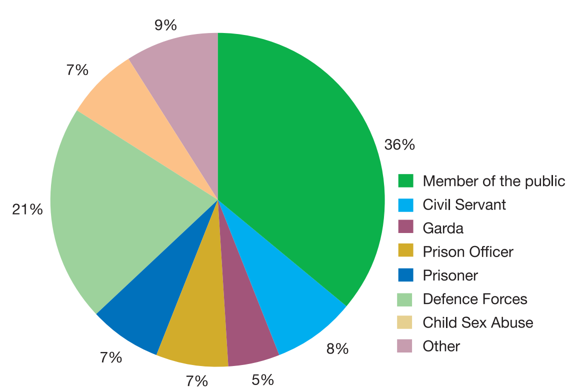
- the introduction of significant risk management initiatives in State Authorities assisted by the SCA.
- a professional claims management service working with the State Authorities.

- the effect of a number of precedent High Court cases, and, in particular, the successful challenge by the State in the Supreme Court, ultimately with costs to the State, of the asbestos “worried well” actions.

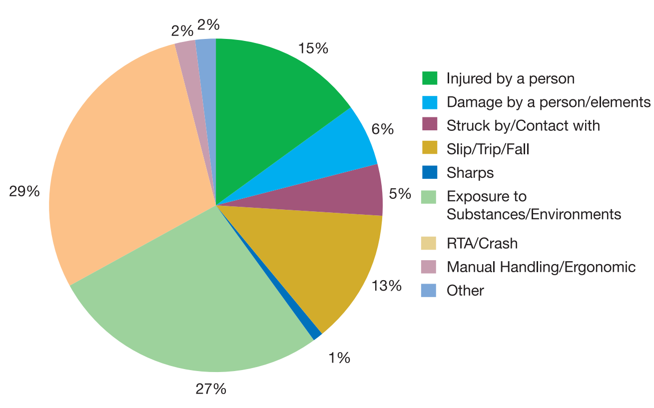
In addition, the headline effects of the amendments of the civil liability code, the introduction of the Personal Injuries Assessment Board and the insurance industry's publicity campaigns against fraudulent or exaggerated claims would all have contributed to the reduction in claims volumes. The main contributor to the contrary trend of increasing property damage claims is an increasing number of claims for minor damage to property as a result of Road Traffic Accidents (RTAs).

The primary causes of EL/PL claims are alleged exposure to hazardous substances (27 per cent), RTAs (29 per cent), injured by a person (15 per cent) and slips, trips and falls (13 per cent). The '*Injured by a person*' category has increased from previous years due to the newly delegated sexual abuse claims.

EL/PL/PD Claims by Claimant Category



EL/PL/PD Claims by Primary Cause



The SCA is also monitoring approximately 4,600 adverse EL/PL incidents, some of which may develop into claims at a later stage.

Asbestos Claims

The Supreme Court judgement *Fletcher v Commissioners for Public Works* held that Irish law precludes the recovery by plaintiffs of damages for psychiatric injury arising from an irrational fear of contracting a disease where the risk of acquiring such a disease is remote. It is estimated that the State was obliged to spend on average €5,000 per case or about €2.5 million in total on legal and medical costs in the defence of these claims. The SCA has recovered some of these costs and is in the process of seeking to recoup the remainder.

In a small number of cases, motions have been issued by plaintiffs' solicitors to amend the original Statements of Claim in order to plead that their clients suffered personal injury in the form of pleural thickening or plaques as a result of alleged exposure to asbestos. Individual examination of each claimant is underway to rule out any functional impairment or symptoms. It is anticipated that a test case may ultimately be submitted for consideration by the Supreme Court.

Child Sexual Abuse Claims

The SCA has now received 315 child sexual abuse claims. Of these, 118 relate to residential institutions where the religious congregation has invoked the indemnity agreement of June 2002 i.e. the agreement between the Minister for Education and Science and the participating congregations. The remainder relate to day-school abuse cases i.e. national schools funded by the Department of Education and Science (DES) but managed by parish committees.

Residential Institutions Abuse Claims

Of the 118 claims in this category, it is estimated that approximately 80 plaintiffs have adopted a tactic of making application to the Residential Institutions Redress Board (RIRB) while at the same time instituting, and keeping alive, parallel civil proceedings.

The SCA's approach to this category of claim is to put the plaintiff on proof of all aspects of the claim while seeking to ensure, in relation to out-of-court settlements, that these are in line with, and do not exceed, RIRB awards for similar claims.

Day-School Abuse Claims

The SCA's approach to this category of claim has been to seek to extricate the State from the various plaintiffs' proceedings, except those cases where there has been an acknowledged failure on the part of the State - a tiny minority of cases. Thus, the SCA has adopted the tactic of bringing motions before the Court, as appropriate, seeking a dismissal of the plaintiffs' proceedings as against the Minister for Education and Science, Ireland and the Attorney General. In all cases, the motions contend that the Minister and the State had an obligation not to provide education but to provide *for* education. The State's position is that the responsibility for the management and operation of national schools rested with the religious congregations or the schools' patrons, who, in most instances, were the local bishops or, laterally, the Boards of Management.

Hearing Loss Claims

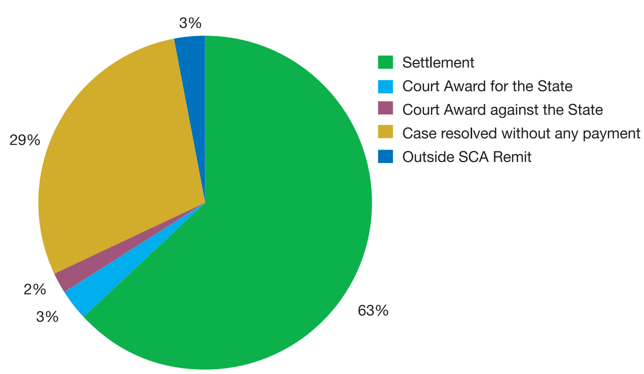
A residue of 575 hearing loss claims have been transferred since September 2005 to the SCA from the Chief State Solicitor's Office and the Department of Defence. The average cost of awards, and costs, in respect of these claims as settled by the SCA is approximately €6,000. Just over 125 claims have been settled to date.

In 44 per cent of claims finalised by the SCA, no payments were made to plaintiffs or their legal representatives. In these cases, the claims were either dismissed, discontinued, struck-out for want of prosecution or statute-barred.

Claims resolved

Since its establishment in December 2001, some 1,900 claims have been resolved by the SCA at a cost of approximately €24 million, the majority through out-of-court settlement. These costs are recoverable from the various State Authorities.

EL/PL/PD Resolved Claims by Case Outcome



Employer Liability, Public Liability & Property Damage Risk Management

The SCA has a statutory brief to advise and assist State authorities in managing risks which could give rise to personal injury/property damage litigation. Authorities are obliged by law to report to the SCA any incidents which may give rise to claims and, since its establishment, it has received 4,600 adverse incident notifications. Early reporting of incidents is critical to successful claims and risk management. It enables an early and detailed investigation of the more serious incidents to determine the question of liability in advance of any litigation. Data on adverse incidents also enables the SCA to identify any patterns of sub-standard practice which might point to weaknesses in existing health and safety procedures.

The SCA also conducts formal risk reviews of each State Authority, as appropriate, and in conjunction with that Authority. These reviews systematically identify any shortcomings in health and safety standards in the activities of the Authority or in the premises it occupies. In conjunction with data on claims and adverse incidents, risk reviews enable the SCA to identify risk management deficiencies and to recommend initiatives to address them.

The following are among the risk review initiatives undertaken during 2005:

Defence Forces

Following a detailed risk review, in cooperation with the Defence Forces, the SCA recommended that a recognised, externally benchmarked, safety management system standard - Occupational Health & Safety Assessment Standard 18001 - should be adopted. Implementation began in 2006. The SCA has drawn up key performance indicators to test adherence to the system, and has agreed to act as auditors to the process as it evolves.

Technical rooms in schools

The SCA, in conjunction with the Department of Education & Science (DES), has surveyed safety standards in technical rooms (woodwork, metalwork and technology rooms) in post-primary schools (there are approximately 750 schools in all in the post-primary sector).

The scope and objective of the review was extended beyond technical rooms to include the management of occupational health and safety throughout each school as it impacts on the teaching of technology subjects.

Recommendations were issued in a report to school management authorities, the DES, the State Examinations Commission, the National Council for Curriculum and Assessment and the Post Primary Management bodies. The Minister for Education and Science launched the report in December 2005 as one of her initiatives in the ongoing modernisation of school buildings. As an initial step, she provided €40 million funding to enable schools to purchase new, or upgrade existing, equipment for technology subjects and to fund other related recommendations. The SCA continues to work with the DES and education partners to promote and implement the recommendations of the report.

Irish Prison Service

In response to SCA recommendations, an Occupational Health & Safety Executive Management Team has been established in the Irish Prison Service (IPS). This comprises senior personnel in the IPS and representatives of the SCA, who have been asked to provide independent technical support. Following a request from the Executive Management Team, the SCA carried out a review of the management of occupational health & safety risk in the IPS.

The review report identified the issues to be addressed to bring IPS current management systems in line with the Occupational Health & Safety Assessment Standard 18001. IPS management adopted the report. Its recommendations are being addressed through an agreed implementation plan commencing in 2006 with a view to roll-out to all IPS locations in 2007/8.

An Garda Síochána

The SCA completed and sent to the Garda authorities a report identifying measures to be taken to reduce the number of road traffic accidents involving gardaí. An Garda Síochána have established a Working Group to consider the report and to produce an implementation plan to address the issues raised in the report.

Clinical Indemnity Scheme

The Government established the Clinical Indemnity Scheme (CIS) in July 2002. Under the Scheme and the associated concept of enterprise liability, each health-care enterprise (whether it is a hospital or other agency) accepts liability for the actions of staff involved in the provision of clinical services. Where negligence is alleged, the State assumes responsibility for the indemnification and management of such clinical negligence claims. This function was formally delegated to the SCA in February 2003 along with the closely related function of advising and assisting in the development of a national clinical risk management strategy.

Scope of the Clinical Indemnity Scheme

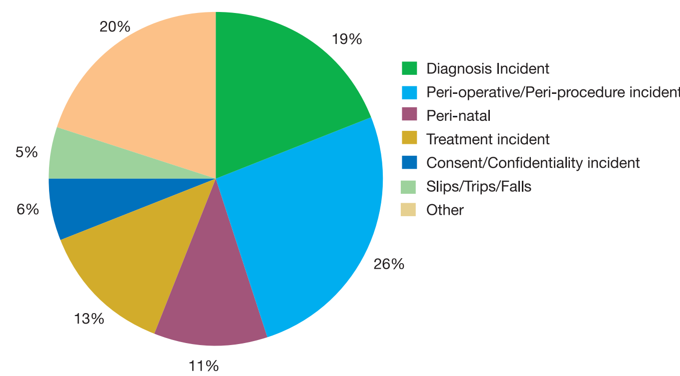
With effect from February 2004, the scope was extended to cover the public practice of hospital consultants and their private practice in public hospitals. It does not cover private hospitals, with the exception of the obstetric/gynaecological facilities in Mount Carmel Hospital, Dublin and the Bons Secours Hospital, Cork. The SCA manages any claims arising in connection with these facilities.

Employer liability and public liability claims of health enterprises are covered under insurance policies with commercial insurers.

Clinical Claims

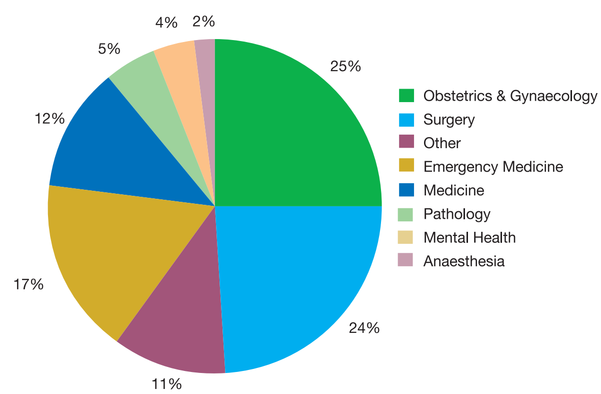
Under the CIS, the SCA is currently managing 1,100 claims alleging clinical negligence.

CIS Claims by General Type of Incident



The clinical reporting internet system known as STARSWeb has now been implemented at 30 major sites accounting for 95% of relevant data. It is designed to record data on claims, incidents and "near misses".

CIS Claims by Speciality



CIS Information Roadshows

The SCA has run a series of 32 roadshows since September 2005. These sessions consist of presentations from the Head of CIS and the relevant clinical claims manager with responsibility for the enterprise or region in question. The purpose of the roadshows is to engage with clinicians, including hospital consultants, at local level to encourage their full participation in the Scheme.

Clinical Risk Management

A significant part of the SCA's role is to advise and assist the HSE in the design and implementation of a national clinical risk management scheme. A team of four practitioners with wide medical and nursing experience has been recruited to support the development of the SCA's statutory remit of risk advice and assistance. The team has begun the process of engaging with risk managers and clinical staff throughout the CIS to guide and promote common clinical risk standards.

The team will have at their disposal detailed information from the STARSWeb to help identify areas of significant risk (e.g. adverse trends or localised clusters of sub-standard practice) which will provide a sound basis for the launch of risk management initiatives.

CIS Consultative Forum

The first meeting of this Forum took place in June 2005 and a number of meetings have taken place since then. The Forum facilitates cooperation between the SCA, as operators of the CIS, other interested parties and health sector personnel covered by it. Membership of the Forum includes representatives from healthcare unions, Irish Patients' Association, HSE, the Department of Health and Children, and the Department of Finance.

Obstetrics Forum

A special Obstetrics Forum has been established by the SCA because of the importance of obstetrics claims as a proportion of the value of all claims under management. The purpose of the Forum is to draw upon the experience and expertise of senior clinical staff in the country's 21 maternity units, to enhance patient safety and to develop best practice risk management standards common to all obstetrics facilities. The first meeting took place at the SCA on 22 June 2006.

Policy Committee

The National Treasury Management Agency (Amendment) Act 2000 provides for the establishment of a Policy Committee to advise the SCA on policy and procedures relating to the performance of its claims management and risk management functions. The Committee met four times during 2005 and its composition was:

- Noel Whelan (Chairman) - Vice President External, University of Limerick.
- John F Dunne - Managing Director, J F Dunne Insurances.
- Michael Grace - Associate Director, AIB Investment Managers.
- Ann Marie Hayes - Financial Accountant.
- Margaret Lane - Human Resources and Personnel Manager, Bord Gáis.
- Frank Martin - former Judge of the Circuit Court.
- Ann Nolan - Principal Officer, Department of Finance.

Finance Technology and Risk

This includes:

(i) Financial Control

(ii) Transaction Processing

(iii) Information Technology

(iv) Risk Management

Shared services are provided to all the NTMA's distinct businesses, namely Funding and Debt Management, National Pensions Reserve Fund, State Claims Agency, National Development Finance Agency, and the management of State funds such as the Social Insurance Fund, Dormant Accounts Fund and borrowings of the Housing Finance Agency. These businesses have a combined portfolio of assets and liabilities in excess of €57 billion with cash throughput exceeding €640 billion.

The development of the NTMA's businesses in recent years with the associated growth in cashflow and portfolio growth has been demanding and challenging. Strategic and detailed planning has ensured that the continued development of these new business areas has been fully integrated with the NTMA's comprehensive network of systems and controls. In the modern business environment information technology is critical and systems have been developed and delivered to support the businesses as required.

The NTMA seeks to control and manage risk in accordance with the highest professional standards, and continually modifies and enhances its risk management practices to reflect changes in its business, markets, products and evolving best practice.

Financial Control

Financial Control's primary responsibility is to ensure that the accounting records and reports of all the businesses are completed within the statutory deadlines. In reality the remit is much wider, as an important part of the role is to develop and foster a strong control environment, provide timely management information to the businesses and help the organisation to grow and develop. The NTMA has been evolving rapidly in recent years with new businesses being added to its remit.

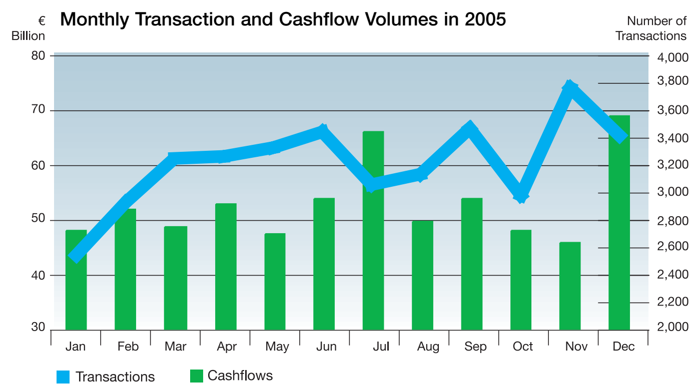
Financial Control continues to work with ABN AMRO Mellon, the Global Custodian for the National Pensions Reserve Fund, to ensure activities of Fund are planned and implemented effectively. During 2005, the NPRF moved into alternative asset classes, such as property, private equity, emerging markets and commodities, and this placed greater demands on the specialist unit within Financial Control that deals with the Fund. These asset classes, particularly property and private equity investment vehicles, are not custodied with the Global Custodian. Significant work had to be undertaken in developing controls, procedures and valuation policies to manage these asset classes.

Transaction Processing

This area is responsible for the confirmation, management and settlement of cash flows for all the NTMA's business activities.

During the year, the NTMA continued to enhance the functionality of the integrated treasury management system. The objective of this work was to achieve enhanced straight-through processing and reduce operational risk.

The continued growth of the NTMA's business during 2005 has led to further growth in the volume of transactions to 38,000 with an average monthly cashflow of over €53 billion.



Information Technology

The Information Technology unit is responsible for developing, installing and maintaining the NTMA's systems and technical infrastructure.

New functionality, including advanced messaging, reporting and SWIFT interface improvements, was implemented for the NTMA-developed integrated treasury management system (SPRINT) and the National Pensions Reserve Fund system. A new Bond Index electronic interface was also developed as an enhancement to the SPRINT system and supports the production by the Irish Stock Exchange of the Irish Government Bond Index (ISEQ™-BIS). The main IT systems were further enhanced to improve security, data throughput and critical systems backup and recovery functionality. The NTMA regularly conducts testing at its business continuity site to ensure that the designated IT systems are operational.

Risk Management

In managing the National Debt and various asset portfolios, the NTMA encounters market risk, liquidity risk, counterparty credit risk and operational risk. These are risks that cannot be eliminated. The objective, therefore, is to control and manage them in accordance with the highest professional standards.

In the case of market risk, the NTMA has in place a comprehensive set of risk management procedures to quantify and manage, in a timely manner, the impact of movements in interest rates and foreign exchange rates. The risk management tools include systems to quantify the sensitivity of budgeted debt service costs, both in the current year and in future years, to movements in market rates.

Liquidity risks are associated with the need to have sufficient cash to meet all liabilities as they arise. These are actively monitored and controlled. Integrated procedures are in place to ensure that the NTMA manages the timing and volume of issuance to guarantee sufficient liquidity.

Counterparty credit exposures arising from the placing of deposits, as well as transactions in derivatives, are monitored daily within approved limits. These exposures are measured on an aggregate basis across the various NTMA portfolios.

Operational risk is controlled by rigorous policies and procedures governing payments and by the separation of duties, in line with best practice in the financial sector. Management of operational risk is the responsibility of all business units and is supplemented by the work of the NTMA's Control and Compliance Unit and the internal auditor, PricewaterhouseCoopers.

Debt Management Benchmark

The Benchmark reflects the medium term debt management objectives of the Exchequer and represents a portfolio with the interest profile, duration and maturity structure which is consistent with guidelines set by the Minister for Finance.

The Benchmark performance measurement system takes account of both the accumulated cash positions plus the net present value of all future cash flows. It calculates the impact of the NTMA's actions not only in the year under review, but also their projected impact over the full life of the debt. In 2005, the measurement of performance against the Benchmark and the results achieved were audited by PricewaterhouseCoopers. These results indicate that €25.6 million value added was achieved by the NTMA in 2005.

The NTMA has developed risk management tools, incorporating both sensitivity and Value at Risk analysis. These tools measure the interest rate sensitivity of performance relative to the Benchmark. Risk limits are used to control the NTMA's performance exposure within an acceptable range.

The NTMA has in place systems that allow detailed performance and risk management information to be calculated daily and communicated electronically to its portfolio managers and senior management.

Stress testing and back testing

Value at Risk and sensitivity measures are based on historical data and only purport to estimate probable maximum risk up to a defined confidence level in normal market conditions. Stress tests are used to supplement these measures by estimating the possible impact on the debt service budget and the NTMA's Benchmark performance that may occur under extreme market conditions.

Back testing is also used to verify the predictive power of the Value at Risk model. Under this process, actual performance is compared to the estimates which had been forecast using the Value at Risk model.

Services to the NPRF

The NTMA Risk Unit provides services to the NPRF. These include performance measurement and operation of controls on the NPRF passive bond portfolio and the management of the NPRF currency hedging programme.

Audit

In accordance with statutory requirements, the NTMA continues to be audited by the Comptroller and Auditor General. In line with the best standards of corporate governance, the NTMA has had in place since its establishment an internal audit function. This work is supplemented by an external firm of auditors, PricewaterhouseCoopers which performs internal audit work.

The NTMA internal control system relies on strict organisational independence of the monitoring and control functions, the segregation of duties and the application of the maker/checker principle to all activities. Internal audit is a support tool to NTMA management in accomplishing the businesses objectives while adding value and constantly seeking to improve operations and procedures.

The NTMA has received satisfactory reports in respect of its business from both its external and internal auditors in respect of 2005.

During 2005, the NTMA continued to support the work of both the NTMA Audit Committee and the NPRF Audit Committee. These Audit Committees reviewed the effectiveness of the controls of the NTMA and other service providers through meetings with management, the Office of the Comptroller and Auditor General and the Internal Auditor.

Legal and Corporate Affairs

The in-house legal service provides advice in connection with all of the NTMA's functions. This includes Funding and Debt Management, Central Treasury Services, the State Claims Agency, the National Development Finance Agency and the National Pensions Reserve Fund.

Legal advice is provided on commercial and contractual matters involving the NTMA including documentation of funding transactions, negotiation of service and supply agreements and drafting procurement documentation.

During 2005, the legal unit provided advice to the National Development Finance Agency on a range of issues including financing opinions, finance documents and public procurement law and procedures and to the National Pensions Reserve Fund on a range of public procurement issues related to the appointment of investment managers and in connection with the Fund's private equity, emerging markets, commodities and property investment programmes.

Other matters dealt with include advice on legislative and regulatory requirements and ensuring compliance with professional conduct rules in the areas of confidentiality, conflicts of interest and ethics in public office.

Consultancy & International Relationships

Other countries continue to consult the NTMA with regard to its asset and liability management activities.

In 2005, the NTMA provided advice and assistance to the:

- Bulgarian Finance Ministry
- Turkish Treasury
- Australian Treasury

To date in 2006, advice and assistance has been provided to the:

- Bulgarian Finance Ministry
- Turkish Treasury
- Ontario State Treasury
- Russian Federation Ministry of Finance and Ministry of Economic Development and Trade

Human Resources

The Chief Executive and Directors appreciate the dedication and hard work of the staff during the year. As outlined elsewhere in this Report, the NTMA manages four substantial and complex national businesses. Maintaining top-class management of all these functions requires staff of the highest calibre from different backgrounds and disciplines; it involves harnessing their energies and commitment, motivating them to continue to perform at the highest levels; it involves helping them overcome new business challenges; and it involves the development and sustenance of a strong team spirit, not just within each area of business but in the NTMA as a whole, whose combined team has grown from 79 two years ago to 115 now and is expected to grow further this year to cope with expanding business activity.

A multi-disciplined organisation such as the NTMA, with demanding objectives, must rely in particular on its intellectual capital. Clear and detailed objectives, linked to the business, are set for all personnel. Performance against these is fully evaluated and taken into account in the annual remuneration review led by the Chairman of the NTMA Advisory Committee. Training and development programmes are geared to ensure that staff stay at the leading edge of their disciplines and that they maintain career growth in line with performance review outcomes. HR promotes and facilitates a strong and open communication policy with all staff. Finally, health, safety and welfare issues are responsively and sensitively addressed in line with best practice.

Ultimately, all of the foregoing make for a positive environment that encourages all staff to give of their best in pursuit of their own personal development and the objectives set for the NTMA.

Financial Statements

FINANCIAL STATEMENTS PREPARED BY THE NATIONAL TREASURY MANAGEMENT AGENCY IN ACCORDANCE WITH SECTION 12 OF THE NATIONAL TREASURY MANAGEMENT AGENCY ACT, 1990

1. National Debt of Ireland
2. National Treasury Management Agency - Administration Account
3. Post Office Savings Bank Fund
4. Capital Services Redemption Account
5. National Loans Advance Interest Account
6. National Loans (Winding Up) Account
7. National Treasury Management Agency (Unclaimed Dividends) Account
8. Deposit Monies Investment Account
9. Account of Stock Accepted in Payment of Inheritance Tax and Death Duties
10. Small Savings Reserve Fund
11. State Claims Agency
12. Dormant Accounts Fund

Financial Statements of the National Debt of Ireland

For the year ended 31 December 2005

Statement of Agency's Responsibilities

The Agency is required by the National Treasury Management Agency Act, 1990 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

The Agency is responsible for keeping in such form as may be approved by the Minister all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency, its funds and the national debt.

The Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

Statement on the system of Internal Financial Control

Responsibility for system of Internal Financial Control

On behalf of the National Treasury Management Agency, I acknowledge the responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

The National Treasury Management Agency has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action;
- establishing an Audit Committee to advise me on discharging my responsibilities for the internal financial control system.

The National Treasury Management Agency has established processes to identify and evaluate business risks by:

- identifying the nature, extent and financial implication of risks facing the body including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the body's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Chief Executive with the Minister for Finance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- formal project management disciplines.

The National Treasury Management Agency has an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the risk to which the Agency is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Chief Executive and Directors and approved by the NTMA Audit Committee. At least annually, the Internal Auditor provides the management of the National Treasury Management Agency and the NTMA Audit Committee with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The National Treasury Management Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the executive managers within the Agency who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

Annual Review of Controls

I confirm that, in the year ended 31 December 2005, I, as Chief Executive, having taken advice from the NTMA Audit Committee, conducted a review of the effectiveness of the system of internal financial controls.

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

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

I have audited the financial statements of the National Treasury Management Agency for the year ended 31 December 2005 under the National Treasury Management Agency Act, 1990.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Service of Debt Statement, the National Debt Statement, the National Debt Cash Flow Statement, Statement of Movement in National Debt, the related notes and in relation to administration costs, the Accounting Policies, the Income and Expenditure Account, the Balance Sheet and the related notes.

Respective Responsibilities of the Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Treasury Management Agency Act, 1990, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

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

I report my opinion as to whether the financial statements properly present, in accordance with Generally Accepted Accounting Practice in Ireland, the results of the Agency's operations for the year and its balances at the year-end. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Agency's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's 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 financial statements 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 financial statements.

Opinion

In my opinion, the financial statements properly present, in accordance with Generally Accepted Accounting Practice in Ireland, the results of the Agency's operations for the year ended 31 December 2005 and its balances at that date.

In my opinion, proper books of account have been kept by the National Treasury Management Agency. The financial statements are in agreement with the books of account.

John Purcell
Comptroller and Auditor General

29 June 2006

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 48 to 58 are for the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Basis of Accounting

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

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

Reporting Period

The reporting period is for the year ended 31 December 2005.

Reporting Currency

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

Receipts and Payments

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

Liability Valuation

Debt balances are recorded at redeemable par value.

Derivatives

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

Foreign Currencies

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

Service of Debt Statement

Year ended 31 December 2005

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

** 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*

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

The notes on pages 52 to 58 form part of these financial statements.

National Debt Statement

Year ended 31 December 2005

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

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

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

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 52 to 58 form part of these financial statements.

National Debt Cash Flow Statement

Year ended 31 December 2005

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

	Receipts €'000	Payments €'000	2005 Net €'000	2004 Net €'000
Borrowing Activity				
Irish Government Bonds listed on The Irish Stock Exchange	41,321,405	(41,108,387)	213,018	2,875,033
Other Irish Government Public Bond Issues	-	-	-	(153,626)
Private Placements	-	(35,835)	(35,835)	(23,004)
European Investment Bank Loans	-	(4,260)	(4,260)	(59,862)
Medium Term Notes	-	(307,062)	(307,062)	(111,508)
Miscellaneous Debt	725,248	(341,976)	383,272	(90)
Commercial Paper	139,526,360	(139,731,244)	(204,884)	(2,643,123)
Savings Certificates	751,422	(739,936)	11,486	(65,845)
Savings Bonds	518,399	(361,865)	156,534	221,852
National Instalment Savings	106,122	(106,207)	(85)	(19,968)
Prize Bonds	134,448	(79,400)	55,048	52,224
Borrowings from Ministerial Funds	102,161,453	(101,808,502)	352,951	233,080
Total Borrowing Activity	285,244,857	(284,624,674)	620,183	305,163
Commercial Deposit Activity	36,462,500	(36,462,500)	-	-
Total Activity	**321,707,357**	**(321,087,174)**	**620,183**	**305,163**
Exchequer Account	319,128,876	(318,250,898)	877,978	1,949,551
Foreign Currency Clearing Accounts (Note 14)	2,578,481	(2,836,276)	(257,795)	(1,644,388)
	321,707,357	**(321,087,174)**	**620,183**	**305,163**

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 52 to 58 form part of these financial statements.

Statement of Movement in National Debt

Year ended 31 December 2005

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

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

The notes on pages 52 to 58 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2005

1. Total Service Cost

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

2. Interest on Medium / Long Term Debt

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

3. Interest on Short Term Debt

	Total Cost 2005 €'000	Total Cost 2004 €'000
Commercial Paper	38,848	63,768
Borrowings from Funds under the control of the Minister for Finance	59,286	52,444
	98,134	116,212

4. Interest on National Savings Schemes

	2005 €'000	2004 €'000
Savings Certificates	341,133	392,888
Savings Bonds	42,073	46,174
National Instalments Savings	29,030	42,195
Prizes in respect of Prize Bonds	12,673	11,247
Small Savings Reserve (note 9)	(145,007)	(100,000)
	279,902	392,504

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

	2005 €'000
Savings Certificates	1,305
Savings Bonds	711
National Instalments Savings	61
	2,077

Notes to the Financial Statements (continued)

Year ended 31 December 2005

5. Other Movements

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

6. Sinking Fund Payments

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

	Total Cost	Total Cost 2005 €'000
Capital Services Redemption Account (Note 13)		477,615
		477,615

7. Fees and Expenses

	2005 €'000	2004 €'000
Expenses of Savings Certificates	3,749	4,006
Expenses of Prize Bonds	6,992	6,896
Expenses of Savings Bonds	2,534	2,298
Expenses of National Instalment Savings	2,326	2,502
Expenses of Savings Stamps	1,042	1,042
Expenses of Loans	1,057	845
	17,700	17,589

8. Medium / Long Term Debt

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

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

9. National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of €7.4 million (2004: €4.4 million) being cash balances held by An Post, Permanent TSB Bank and the Prize Bond Company. An Post and the Prize Bond Company act as the registrar for the respective schemes.

As these financial statements are prepared on a cash basis the liabilities do not include the sum of €1,549 million (2004: €1,749 million), being the estimate of the amount of accrued interest at 31 December 2005 in respect of Savings Bonds, Savings Certificates and National Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The actual interest cost for 2005 was 16.01 per cent of the interest accrued at the 31 December 2004 of €1,749m. The Minister decided that a net amount of €45m would be withdrawn from the fund in 2005.

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

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

10. Liquid Assets

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

Notes to the Financial Statements (continued)

Year ended 31 December 2005

11. Derivatives

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

A major requirement of the Agency is to ensure that future funding needs can readily be met at all times. Ultimately the protection of liquidity is the Agency's most critical task. Risks to the liquidity of the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The Agency manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time. This is reinforced by the Agency's activities in continuing to develop a well informed and diversified international investor base, through maintaining its presence in all major capital markets and by extending the range of debt instruments which it issues.

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

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

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

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

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

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 2005 € millions	As at 31 December 2004 € millions
Euro	38,182	37,848
US Dollar	—	(2)
	38,182	37,846

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

13. Capital Services Redemption Account

This account is used to record;

(a) payments of interest and principal out of an annual annuity designed to amortise borrowing for voted capital under section 22 (7) of the Finance Act, 1950.

(b) certain receipts and payments arising out of debt servicing and debt management transactions authorised by section 67(8) of the Finance Act, 1988 and section 54(7) of the Finance Act, 1970.

14. Foreign Currency Clearing Accounts

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

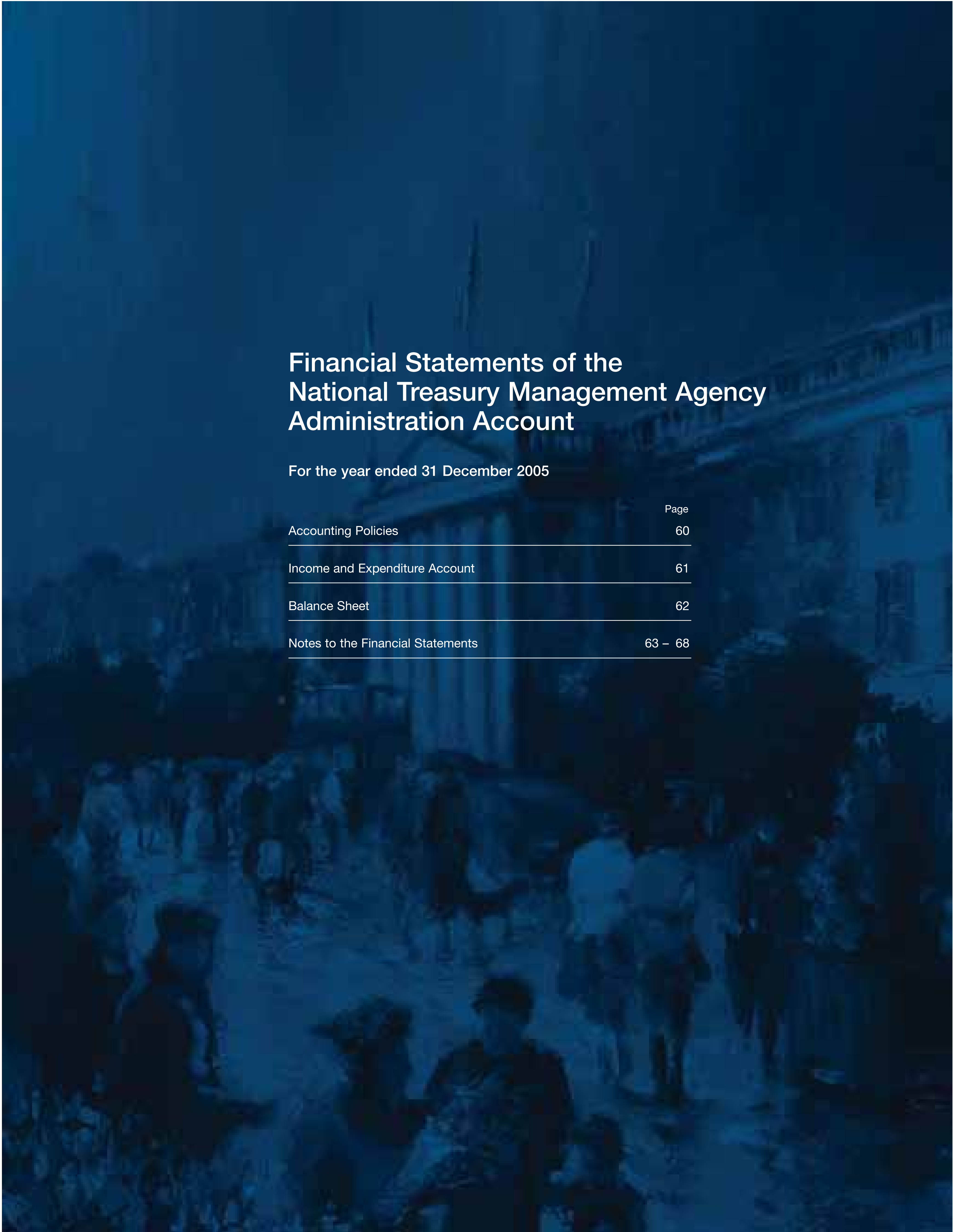
Notes to the Financial Statements (continued)

Year ended 31 December 2005

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 2004 € millions
Post Office Savings Bank Fund	1,335	1,009
Small Savings Reserve Fund	825	969
Ulysses Securitisation plc	339	307
Deposit Monies Investment Account	1,074	935
	3,573	3,220



Financial Statements of the National Treasury Management Agency Administration Account

For the year ended 31 December 2005

Accounting Policies

Background

The National Treasury Management Agency 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.

Information relating to the National Debt of Ireland is contained on pages 44 to 58. Financial information covering the Agency itself is set out on pages 60 to 68.

Under Section 11 of the National Treasury Management Agency Act, 1990 " the expenses incurred by the Agency in the performance of its functions shall be charged on and paid out of the Central Fund (Exchequer) or the growing produce thereof".

Reporting Currency

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

Basis of Accounting

The financial statements have been prepared on an accruals basis under the historical cost convention. The form of the financial statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated by annual instalments over their estimated useful lives.

Leasing

Rentals under the operating lease are charged to the income and expenditure account on an accruals basis.

Pensions

The Agency operates a Defined Benefit pension scheme for certain employees and makes contributions to Personal Retirement Savings Accounts (PRSA) for other employees. Contributions are funded out of the Agency's Administration budget.

The Defined Benefit Scheme pension costs are accounted for under FRS 17, which has been adopted in full for the first time in 2005. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

The Defined Benefit pension charge in the Income and Expenditure Account comprises the current service cost and past service cost plus the difference between the expected return on scheme assets and the interest cost on the scheme liabilities. An amount corresponding to the pension charge is recognised as income recoverable from the Central Fund in future periods.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Statement of Total Recognised Gains and Losses for the year in which they occur and a corresponding adjustment is recognised in the amount recoverable from the Central Fund.

Defined Benefit pension liabilities represent the present value of future pension payments earned and accrued by employees to the date of the financial statements. Deferred pension funding represents the corresponding asset to be recovered in future periods from the Central Fund.

In previous years, the Defined Benefit pension charge to the profit and loss account comprised the contributions made to the scheme in respect of that financial year. The effect of the change in accounting policy is shown in Note 7(f).

The cost of contributions by the Agency to PRSAs is recognised as a charge in the Administration Account in the financial year to which the employee service relates.

Software

Computer software costs are charged to the income and expenditure account in the period in which they are incurred.

Capital Account

The capital account represents receipts from the Central Fund, which have been allocated for the purchase of fixed assets. The receipts are amortised in line with depreciation on the related fixed assets.

Income and Expenditure Account

Year ended 31 December 2005

	Notes	2005 €	2004 €
Income			
Central Fund	9	19,392,432	16,294,907
Other income		637,273	483,319
Transfer (to)/from capital account	5	(59,782)	(256,144)
		19,969,923	16,522,082
Expenditure	1	(19,969,923)	(16,522,082)
Net income/(expenditure)		NIL	NIL

Statement of Total Recognised Gains and Losses

Year ended 31 December 2005

	2005 €	2004 €
Net Income/(Expenditure)	NIL	NIL
Actual return less expected return on scheme assets	1,887,000	252,000
Experience gains and losses	(1,054,000)	(842,000)
Changes in assumptions	(3,174,000)	(2,543,000)
Actuarial Gain/(Loss) recognised on Pension Liabilities	(2,341,000)	(3,133,000)
Movement in Deferred Pension Funding	2,341,000	3,133,000
Total Recognised Gain/(Loss) for the year	NIL	NIL

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 63 to 68 form part of these financial statements.

Balance Sheet

As at 31 December 2005

	Notes	2005 €	2004 €
Fixed Assets			
Fixed assets	2	1,649,521	1,589,739
Financial Assets	8	25	25
Current Assets			
Cash at bank and in hand		105,055	546,304
Debtors	3	3,699,839	2,388,129
Total Current Assets		3,804,894	2,934,433
Current Liabilities			
Creditors	4	3,804,894	2,934,433
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities before pensions		1,649,546	1,589,764
Deferred Pension funding	7 (g)	12,399,000	12,888,000
Pension Liability	7 (c)	(12,399,000)	12,888,000)
		-	-
Total Assets less Current Liabilities		1,649,546	1,589,764
Representing:			
Capital account	5	1,649,546	1,589,764
		1,649,546	1,589,764

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 63 to 68 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2005

1. Expenditure

	Year Ended 31 December 2005 €	Year Ended 31 December 2004 €
Salaries	11,186,038	9,034,396
Defined Benefit Pension annual cost (FRS 17, Note 7e)	1,344,000	1,313,000
PRSA Pension Costs (note 6)	222,781	92,817
Establishment expenses	1,369,620	1,067,641
Operating expenses	5,137,826	4,408,245
Depreciation	709,658	598,126
Amortisation	—	7,857
Total expenses	19,969,923	16,522,082

2. Fixed Assets

	Property €	Furniture, Equipment & Motor Vehicles €	Total €
Cost:			
Opening balance at 1 January 2005	1,318,288	3,692,382	5,010,670
Additions at cost	18,955	789,665	808,620
Disposals	—	(380,019)	(380,019)
Balance at 31 December 2005	1,337,243	4,102,028	5,439,271
Accumulated depreciation:			
Opening balance at 1 January 2005	850,243	2,570,688	3,420,931
Depreciation for the period	66,862	642,796	709,658
Disposals	—	(340,839)	(340,839)
Balance at 31 December 2005	917,105	2,872,645	3,789,750
Net book value at 31 December 2005	420,138	1,229,383	1,649,521
Net book value at 31 December 2004	468,045	1,121,694	1,589,739

The estimated useful lives of fixed assets by reference to which depreciation is calculated is as follows:

Property	20 years
Equipment & Motor Vehicles	2 to 5 years
Furniture	10 years

The property is leased under a long-term lease, which is subject to rent reviews. The current annual rent is €1,331,771 per annum.

Notes to the Financial Statements (continued)

Year ended 31 December 2005

3. Debtors

	2005 €	2004 €
Central Fund	833,214	540,430
Prepayments	956,311	848,339
Other debtors	1,910,314	999,360
	3,699,839	2,388,129

4. Creditors

	2005 €	2004 €
Creditors	967,766	777,940
Accruals	2,837,128	2,156,493
	3,804,894	2,934,433

5. Capital Account

			2005 €	2004 €
Opening balance			1,589,764	1,333,620
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets		808,620		
Amortisation of capital funding				
- Amortisation in line with depreciation	(709,658)			
- Net amount released on asset disposal	(39,180)			
		(748,838)	59,782	256,144
Closing balance			1,649,546	1,589,764

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme set up under Section 8 of the National Treasury Management Agency Act, 1990. Those of the Chief Executive are provided under his contract of service. Contributions, including those of staff who have opted for dependant benefit arrangements, are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25% of payroll. Contributions by the Agency for the year ended 31 December 2005 amounted to €4,170,970 (2004: €3,409,910) to the defined benefit scheme. This amount of €4,170,970 included a contribution of €3 million approved by the Minister for Finance.

Liabilities arising under the defined benefit scheme are provided for under the above arrangements, except for entitlements arising in respect of the service of certain members of NTMA staff recruited from other areas of the public sector. On 7 April 1997 the Minister for Finance designated the National Treasury Management Agency as an approved organisation for the purposes of the Public Sector (Transfer of Service) Scheme. This designation provides for, inter alia, contributions to be made out of the Exchequer, as and when benefits fall due for payment in the normal course, in respect of prior service of former civil servants employed by the Agency. No provision has been made for funding the payment of such entitlements.

The Agency also contributed €222,781 (2004: €92,817) to Personal Retirement Savings Accounts (PRSA's) for a number of employees who are not members of the defined benefit scheme in 2005.

7. FRS17 Retirement Benefits

(a) Pension Scheme

The valuation of the defined benefit scheme used for the purposes of FRS17 disclosures has been based on data provided by the Scheme Administrator. It has been updated by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

The financial assumptions used to calculate the retirement liabilities under FRS 17 were as follows:

	At 31/12/2005	At 31/12/2004
Discount rate	4.25%	4.75%
Inflation rate	2.25%	2.25%
Salary increases	4.25%	4.25%
Pension increases	2.25%/4.25%	2.25%/4.25%

Notes to the Financial Statements (continued)

Year ended 31 December 2005

7. FRS17 Retirement Benefits (*continued)*

(b) Market Value Of Pension Scheme

The market value of the assets in the pension scheme, the expected rate of return and the scheme's liabilities were:

	At 31 December 2005 Expected Return	At 31 December 2005 Market Value €'000	At 31 December 2004 Expected Return	At 31 December 2004 Market Value €'000
Equities	6.60%	17,664	7.30%	13,178
Bonds	3.10%	1,428	3.80%	1,622
Property	5.60%	1,049	5.30%	943
Other	2.00%	3,457	2.00%	855
Total market value of assets		23,598		16,598
Present value of pension scheme Liabilities		(35,997)		(29,486)
Surplus/(deficit) in pension scheme		(12,399)		(12,888)
Net pension asset (liability)		(12,399)		(12,888)

(c) Movement in Surplus/(Deficit) for the year.

	2005 €'000	2004 €'000
Surplus/ (Deficit) at the beginning of the year	(12,888)	(11,852)
Current service cost	(1,020)	(916)
Contributions	4,171	3,410
Other finance expenses (Note 7(e))	(324)	(397)
Actuarial gain/(loss)	(2,338)	(3,133)
Surplus/(deficit) at end of year	(12,399)	(12,888)

(d) History of Actuarial Gains and Losses.

	2005 €'000	2004 €'000
Difference between actual and expected return on scheme assets	1,887	252
Expressed as a % of scheme assets	8%	1.50%
Experience gains or losses on scheme liabilities	(1,054)	(842)
Expressed as a % of scheme assets	-2.90%	-2.90%
Total actuarial gains and losses	(2,341)	(3,133)
Expressed as a % of scheme liabilities	-6.50%	-10.60%

7. FRS17 Retirement Benefits (*continued*)

(e) Analysis of Pension Charge and Contributions to Scheme

Current Service Cost		1,020,000
Interest on Scheme liabilities	1,447,000	
Expected Return on scheme assets	(1,123,000)	
Other Finance expenses		324,000
Income and Expenditure Charge for the year (Note1)		1,344,000
Excess of Contributions over Pension Charge		2,827,000
Total Employer Contributions to Defined Benefit Scheme 2005		4,171,000

(f) Effect Of Change in Accounting Policy

The effect of the change in accounting policy arising from the full implementation of FRS 17 is to recognise as expenditure in the financial year the cost of pensions earned rather than the actual contributions paid into the defined benefit fund with a corresponding adjustment in the amount recognised as income from the Central Fund.

In addition the Balance Sheet recognises the cumulative net liability (deficit) for pensions earned by employees as at 31 December 2005 together with a corresponding asset, whereas previously this liability was disclosed by note only.

The corresponding adjustment to the 2004 Financial Statements are:

Income and Expenditure Account

Income from Central Fund	18,394,907
FRS17 Adjustment - Note 9(a)	(2,100,000)
Revised Income post FRS17 Adjustment	16,294,907
Total Expenditure 2004	18,622,082
FRS17 Adjustment	(2,100,000)
Revised Expenditure 2004 post FRS 17 Adjustment	16,522,082

Balance Sheet

Deferred Defined Benefit Pension Funding	12,888,000
Defined Benefit Pensions liabilities	(12,888,000)
	0

(g) Deferred funding asset for pensions

The NTMA recognises an asset corresponding to the defined benefit scheme deficit on the basis of a number of past events. These events include the statutory basis for the establishment of the superannuation schemes, and the policy and practice currently in place in relation to funding public service pensions. The NTMA has no evidence that this funding policy will not continue to meet such sums in accordance with current practice. The defined benefit deferred asset for pensions as at 31 December 2005 amounted to €12.4m (2004: €12.9m).

Notes to the Financial Statements (continued)

Year ended 31 December 2005

8. Financial Assets

The Agency joined TARGET during 1999, which is a real time settlement system administered by IRIS Ltd. The system is used to settle euro transactions through the European System of Central Banks. As a condition of membership, the Agency was required to purchase 20 ordinary IR£1 (€1.27) shares purchased at par.

9. Central Fund Income

(a) This is an accrual figure whereas the expenses of NTMA which appear on the Service of Debt Statement is cash drawn from the Central Fund. These figures are reconciled as follows;

	2005 €	2004 €
Central Fund Income per Service of Debt Statement	21,926,648	18,862,965
Movement in Central Fund Debtors (note 3)	292,784	(468,058)
Excess of Contributions to Pension scheme over Pension Charge - Note 7(e)	(2,827,000)	(2,100,000)
Income from Central Fund per Income and Expenditure Account	19,392,432	16,294,907

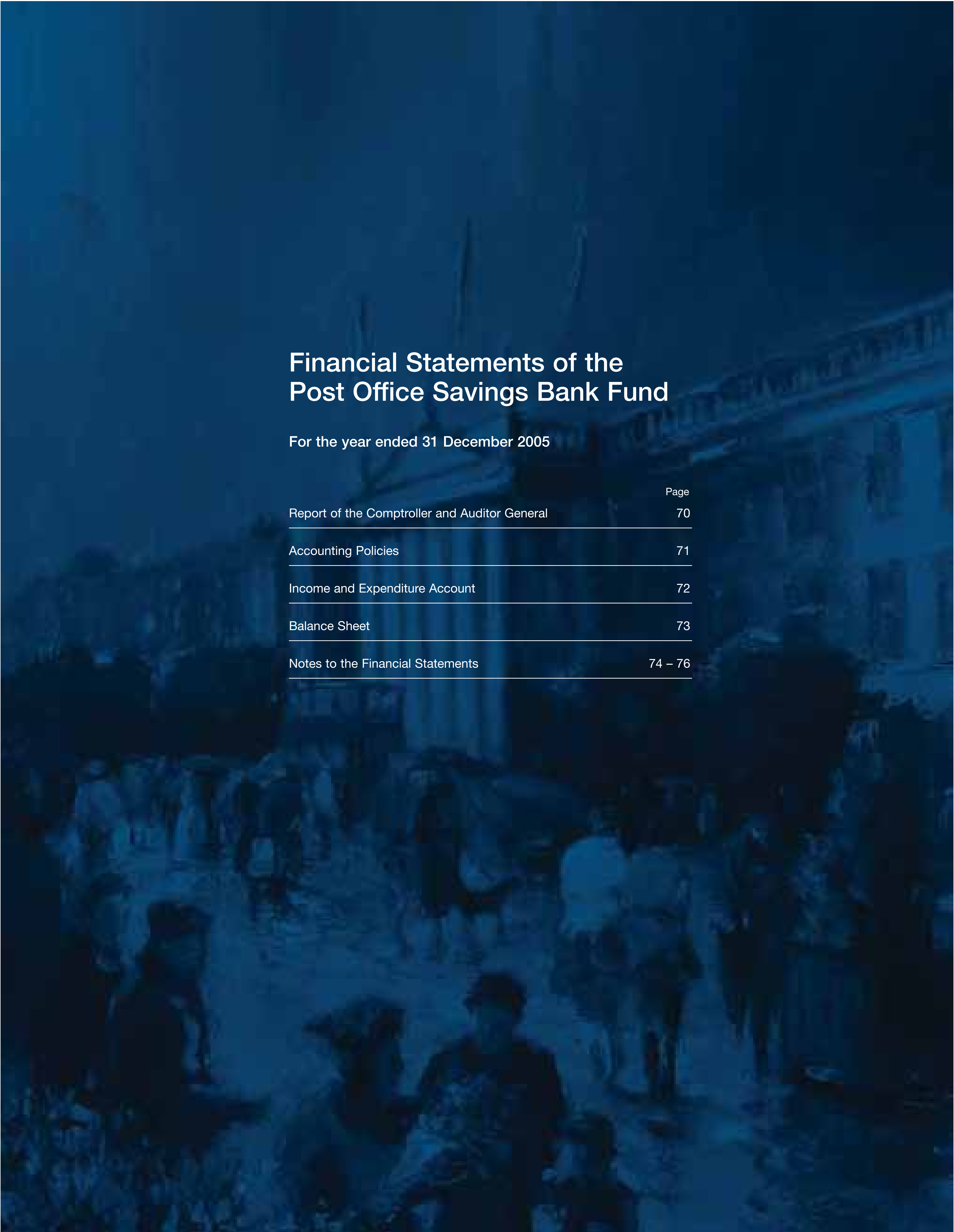
The Central Fund income of €21,926,648 excludes €32,128 Board fees of the National Development Finance Agency.

(b) The total amount recognised as recoverable from the Central Fund is:

	2005 €	2004 €
Debtors	833,214	540,430
Deferred Pension Funding	12,399,000	12,888,000
	13,232,214	13,428,430

10. Expenses of NTMA as Manager

The costs incurred by the NTMA as Manager to the National Pensions Reserve Fund amounted to €4.4million (2004 €3.4 million.) The costs incurred by the NTMA to fulfil its functions in relation to the National Development Finance Agency amounted to €2.8 million (2004: €1.8 million). These costs are included in the Income and Expenditure account.



Financial Statements of the Post Office Savings Bank Fund

For the year ended 31 December 2005

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

I have audited the financial statements of the Post Office Savings Bank Fund for the year ended 31 December 2005 under the National Treasury Management Agency Act, 1990.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Income and Expenditure Account, the Balance Sheet and the related notes.

Respective Responsibilities of the National Treasury Management Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Treasury Management Agency Act, 1990, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's 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 financial statements 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 financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Post Office Savings Bank Fund's affairs at 31 December 2005 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

John Purcell
Comptroller and Auditor General

29 June 2006

Accounting Policies

Background

The Minister for Finance guarantees the repayment and servicing of moneys invested by depositors in the Post Office Savings Bank. An Post remits the net proceeds of such investment to the Agency. The Post Office Savings Bank Fund does not form part of the Exchequer. The fund has the following main purposes: -

– to invest the moneys made available by depositors, and

– to act as an intermediary through which the tranching, cancellation, sale and repurchase (repo) transactions and secondary market trading can be transacted by the Agency, and

– to provide moneys under Central Treasury Services to designated state bodies.

The significant accounting policies adopted by the fund are as follows:-

Reporting Currency

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

Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention.

Investments

Investments are stated at cost.

Income and Expenditure Account

Year ended 31 December 2005

	Notes	2005 €	2004 €
Investment income	1	39,893,670	38,738,230
Interest paid and payable	2	13,308,555	9,697,956
Other expenses	3	27,823,439	27,823,442
		41,131,994	37,521,398
		(1,238,324)	1,216,832
Balance at beginning of year		10,942,246	9,725,414
Balance at end of year		9,703,922	10,942,246

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 74 to 76 form part of these financial statements.

Balance Sheet

As at 31 December 2005

	Notes	2005 €	2004 €
Assets			
Advances	4	1,337,243,352	1,009,900,488
Investments in Bonds	5	86,200,499	83,625,032
Debtors	7	3,285,273	9,596,196
Central Treasury Loans		58,794,484	70,157,016
Commercial Paper	10	2,054,355	132,571,619
Cash		11,817,742	9,180,041
		1,499,395,705	1,315,030,392
Liabilities			
Post Office Savings Bank Deposits	8	1,485,843,020	1,300,732,101
Creditors	9	3,848,763	3,356,045
Accumulated Reserves		9,703,922	10,942,246
		1,499,395,705	1,315,030,392

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 74 to 76 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2005

1. Investment Income

	2005 €	2004 €
Interest received and receivable	38,170,278	35,647,819
Profit/(Loss) on sale of investments	1,723,392	3,090,411
	39,893,670	38,738,230

2. Interest Paid and Payable

	2005 €	2004 €
Interest paid and credited to depositors of Post Office Savings Bank	13,308,555	9,697,956
	13,308,555	9,697,956

3. Other Expenses

	2005 €	2004 €
Management expenses	27,823,439	27,823,442
	27,823,439	27,823,442

The management expenses are paid to An Post in respect of its administration of the Post Office Savings Bank. The NTMA is in negotiations with An Post on a new fee arrangement and pending the outcome of these negotiations, it decided to maintain the 2005 fee at the 2004 level.

4. Advances

	2005 €	2004 €
Advances to Exchequer	1,335,165,927	1,009,223,063
Advances to State Claims Agency	2,077,425	677,425
	1,337,243,352	1,009,900,488

Advances represent Ways and Means funds, which have been loaned to the Exchequer and the State Claims Agency.

5. Investments

Bonds	2005 €	2004 €
At cost	86,200,499	83,625,032
At market value	84,627,300	84,831,259

Schedule of Investment Holdings:-

Nominal €	Stock	Cost €
172,517	8% Treasury Bond, 2006	184,483
173,531	9% Capital Stock, 2006	188,566
15,053,180	4.25% Treasury Bond, 2007	15,459,986
296,276	6% Treasury Bond, 2008	324,982
24,590	8.25% Capital Stock, 2008	29,298
4,299,908	3.25% Treasury Bond 2009	4,362,957
156,503	4% Treasury Bond, 2010	162,934
43,015	8.5% Capital Stock, 2010	55,216
26,000	8.75% Capital Stock, 2012	35,630
23,908,446	5% Treasury Bond, 2013	26,630,404
83,460	8.25% Treasury Bond, 2015	113,586
5,885,384	4.6% Treasury Bond, 2016	6,513,064
29,000,000	4.5% Treasury Bond, 2020	32,139,393
79,122,810		86,200,499

6. Sale and Repurchase Agreements

Sale and Repurchase agreements are transacted between the Post Office Savings Bank Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is reflected in investment income in the Income and Expenditure account.

7. Debtors

	2005 €	2004 €
Dividends and interest receivable	3,285,273	3,520,888
Outstanding Bond settlements	—	—
Cash balances held by An Post	—	6,075,308
	3,285,273	9,596,196

Notes to the Financial Statements (continued)

Year ended 31 December 2005

8. POSB Deposits

	2005 €	2004 €
Deposits from Post Office Savings Bank	1,485,843,020	1,300,732,101
	1,485,843,020	1,300,732,101

The deposits include €364,057,968 (2004 €257,665,348) in respect of Special Savings Incentive Accounts (SSIA's). SSIA's are subject to an exit tax of 23% of the interest earned on the maturity of 5 years and 30 days from the end of the month in which the first payment was paid into the SSIA account by the depositor. SSIA deposits include gross accumulated interest of €10,768,151 (2004 €7,333,383) which will be subject to tax at 23% on the SSIA maturity date on the investment return i.e. interest earned. In the event of early withdrawal by a depositor prior to the designated maturity term (5 years and 30 days) the total amount of principal and interest will be subject to the tax at 23%.

In April 2005 €881,610 (2004 €1,670,924) was transferred from the Post Office Savings Bank Fund to the Dormant Accounts Fund under the Dormant Accounts Act 2001. At 31 December 2005 following account reactivations of €521,562 (2004 €902,720) and interest (net of DIRT) capitalised of €24,877 there was a balance of €26,263,102 (2004 €25,878,177) due to Depositors from the Dormant Accounts Fund. The Deposits from Post Office Saving Bank liability figure of €1,485,843,020 (2004 €1,300,732,101) does not include this Dormant Accounts Fund liability.

9. Creditors

	2005 €	2004 €
Net funds due under Sale and Repurchase Agreements	1,208,528	3,187,137
Outstanding Bond settlements	—	3,257
DIRT due to An Post	505,664	119,541
Cash balances due to An Post	2,134,571	—
Management Expenses due to An Post	—	46,110
	3,848,763	3,356,045

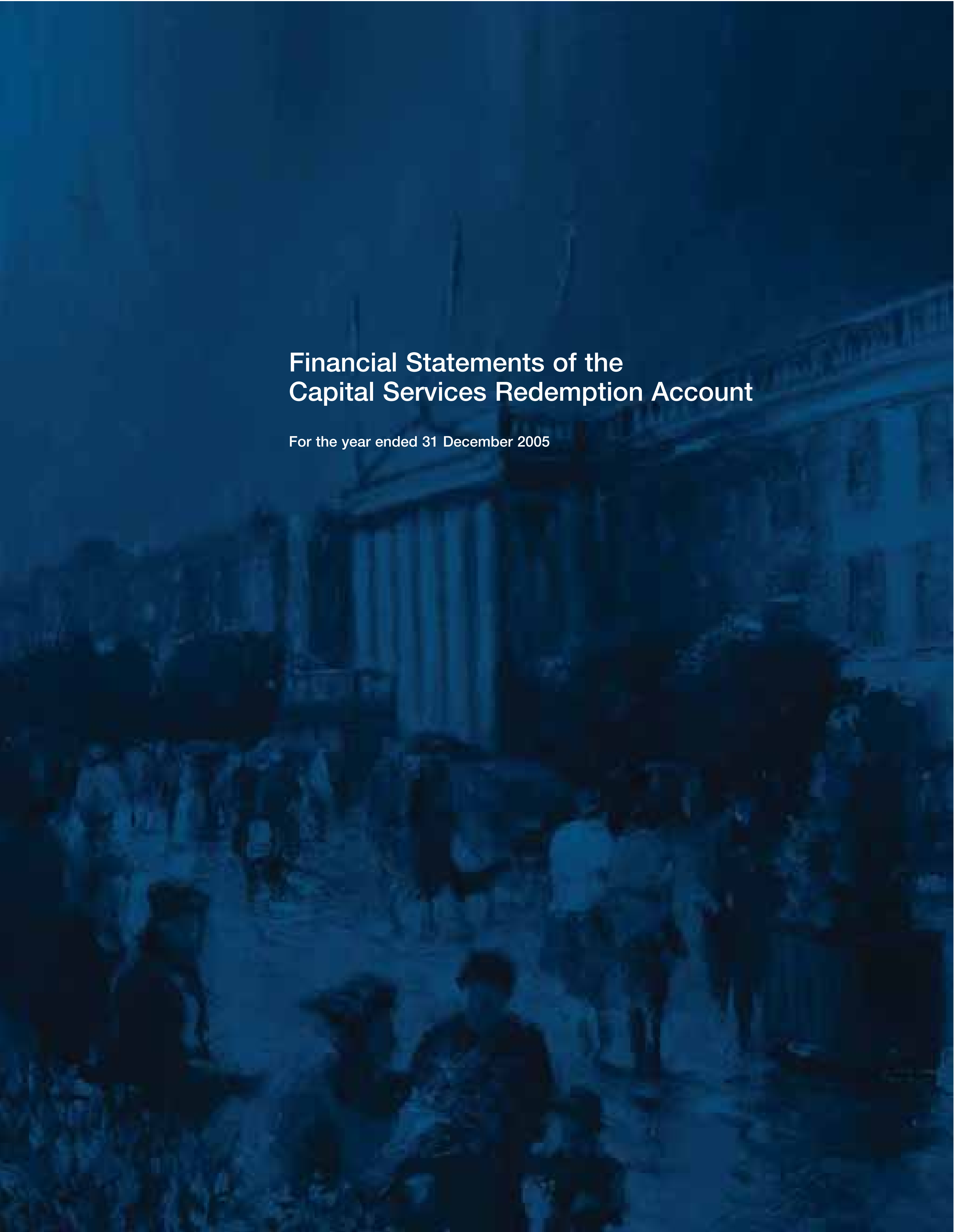
10. Commercial Paper

	2005 €	2004 €
HFA Commercial Paper	2,054,355	132,571,619
	2,054,355	132,571,619

The Post Office Savings Bank Fund purchased short term Commercial Paper issued by the Housing Finance Agency (HFA) of Ireland as an investment.

Financial Statements of the Capital Services Redemption Account

For the year ended 31 December 2005



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

I have examined the account on pages 79 and 80. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

Capital Services Redemption Account

(Finance Act, 1950 Section 22 (No 18 of 1950 as amended))

Account of Receipts and Payments		**Year ended 31 December 2005 €**
Balance at 1 January 2005		884,932
Receipts		
Amounts received from Central Fund under Finance Act 1950, Section 22 as amended: -		
- Interest	1,386,590,541	
- Sinking Fund	477,614,588	1,864,205,129
Amounts received under Finance Act 1988 [S 67 (8)]		928,748,526
Deposit interest received		73,137,537
Other interest received		2,487
		2,866,978,611
Payments		
Amounts applied in the redemption of National Debt: -		
Irish Government Bonds Listed on Irish Stock Exchange		477,614,588
Amounts applied in meeting interest on National Debt (note 2)		1,426,506,240
Amounts applied in respect of liabilities under Finance Act 1970, [S 54 (7)]		962,642,381
Balance at 31 December 2005		215,402
		2,866,978,611

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on page 80 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2005

1. This account was established under Section 22 of the Finance Act 1950.

Annuities

Annuities are provided for in each year's Finance Act and are paid into the Capital Services Redemption Account from current revenue charged on the Central Fund. A fixed amount may be used for servicing (interest payments) of the public debt. The balance must be used for principal repayments.

Cash Management Borrowings

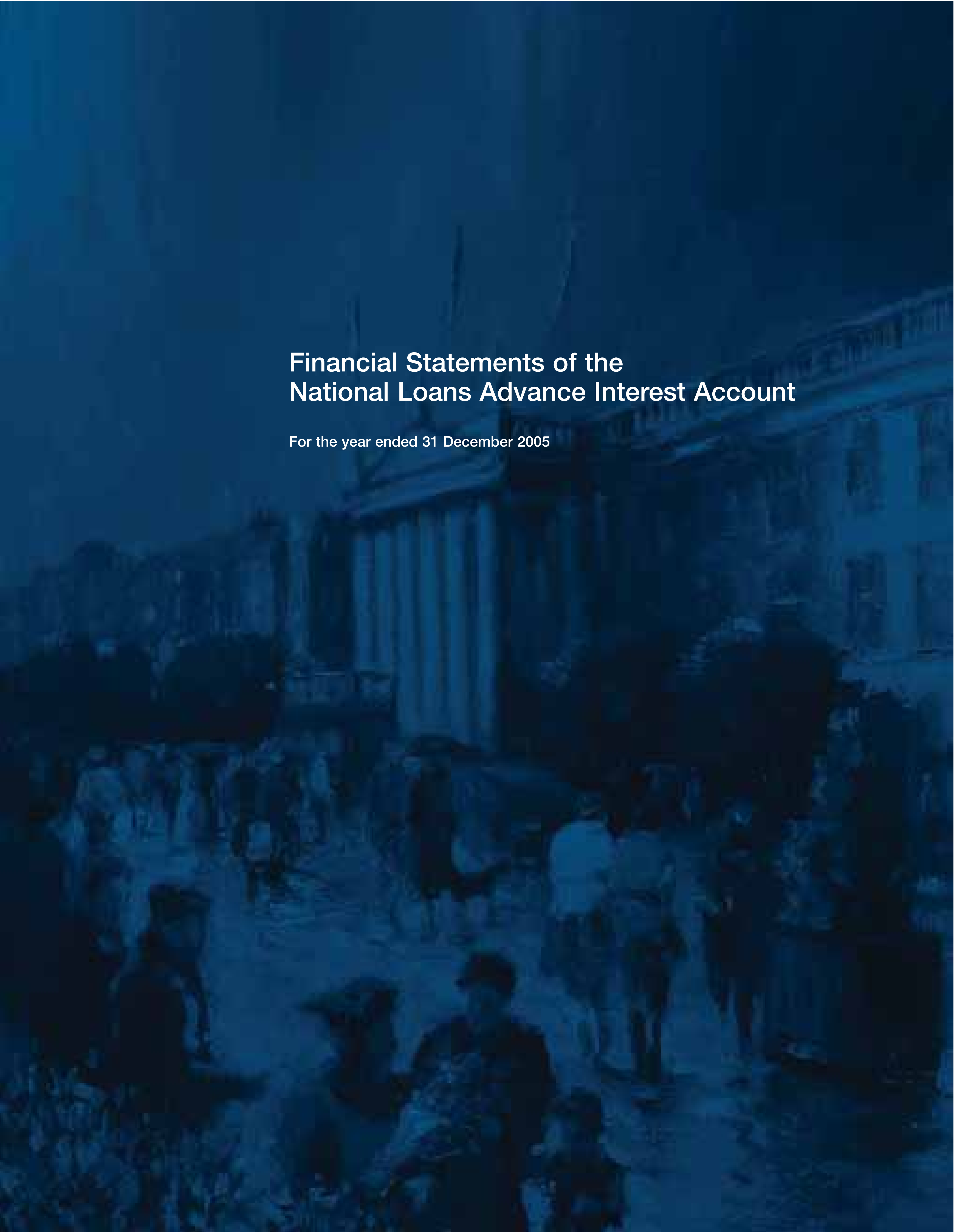
The Minister for Finance may enter into transactions of a normal banking nature in accordance with section 54 of the Finance Act, 1970 (as amended by section 118, Finance Act 1983, section 67, Finance Act, 1988 and section 15 of the National Treasury Management Agency Act, 1990.)

Such transactions of a normal banking nature include portfolio management activities which are not related to principal borrowings e.g. forward exchange deals, swaps and interest on deposits. Receipts from such transactions, other than those in a currency for which a foreign currency clearing account has not been established under Section 139 of the Finance Act 1993, must be received into the Capital Services Redemption Account. Such amounts may be used to make payments and repayments in respect of normal banking transactions or towards defraying interest and expenses on the public debt. The actual balance in the account is maintained by the Agency at a level subject to guidelines issued by the Minister for Finance under section 4(4) of the National Treasury Management Agency Act, 1990.

2. Amounts applied in meeting interest on National Debt: -

	Year ended 31 December 2005
3.5% Capital Stock 2005	1,101,332
12.5% Capital Stock 2005	926,775
8% Treasury Bond 2006	7,105,901
9% Capital Stock 2006	3,187,073
8.25% Capital Stock 2008	99,069
6% Treasury Bond 2008	1,859,210
3.25% Treasury Bond 2009	164,601,591
4% Treasury Bond 2010	41,093,068
8.5% Capital Stock 2010	767,076
8.75% Capital Stock 2012	3,052,191
8.25% Treasury Bond 2015	725,463
5% Treasury Bond 2013	305,776,600
4.6% Treasury Bond 2016	273,084,074
4.5% Treasury Bond 2020	253,812,872
4.25% Treasury Bond 2007	21,000,000
Commercial Paper Programmes	773,067
Small Savings Interest	329,398,246
Cash Management Borrowings	10,534,814
Other Euro Borrowings	7,200
Swap Driven Issues*	5,612,104
EIB Loans	1,100,000
Section 69 Notes	888,514
Total	1,426,506,240

* Swap Driven Issues are loans or bonds issued in a foreign currency and whose cashflows are converted to an alternative currency through the use of structured cross currency swaps



Financial Statements of the National Loans Advance Interest Account

For the year ended 31 December 2005

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

I have examined the account on page 82. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

National Loans Advance Interest Account

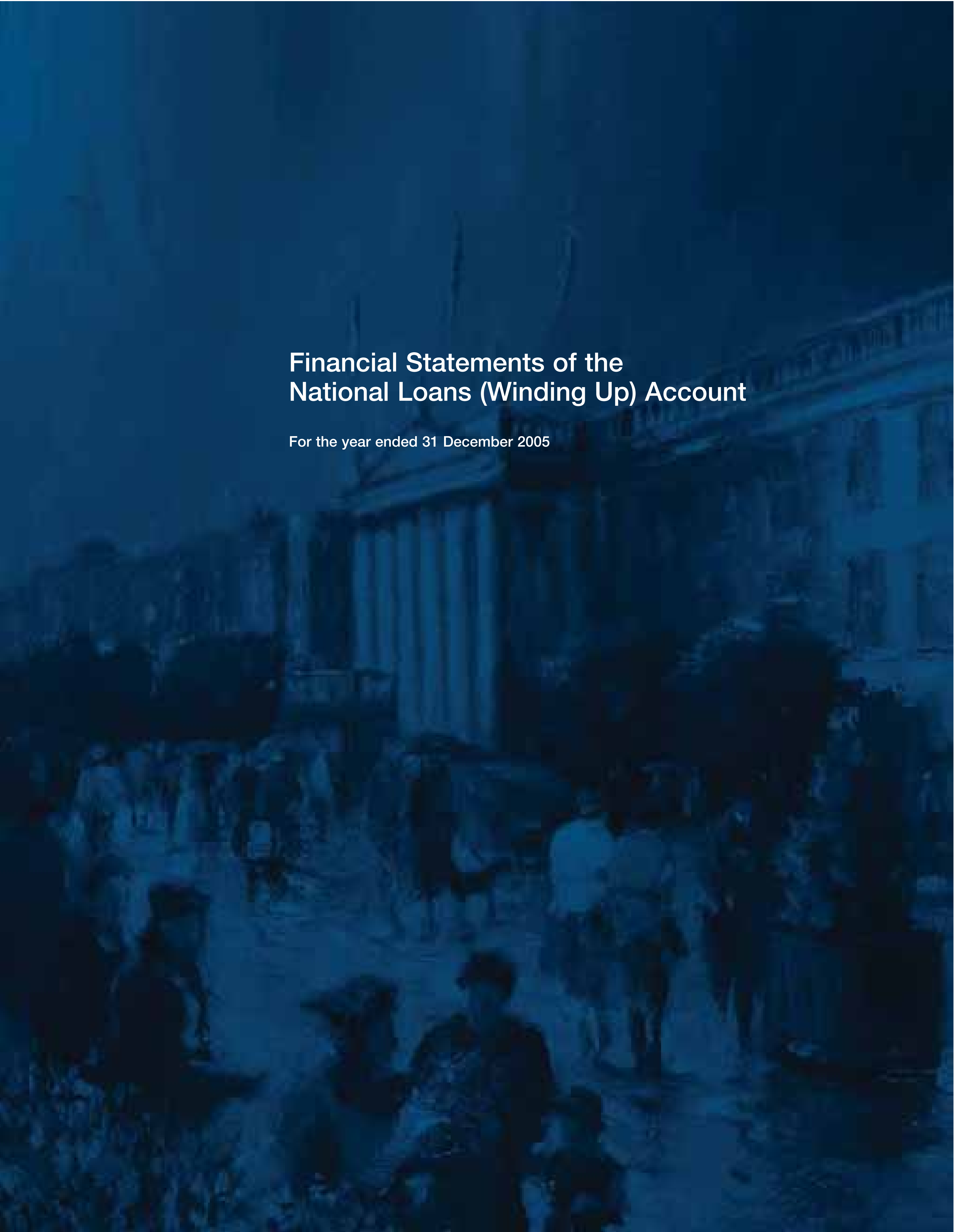
Account of Receipts and Payments	Year ended 31 December 2005 €
Balance at 1 January 2005	8,941,150
Accrued interest received on National Loans - Tranches and Auctions	50,331,449
Accrued interest paid on National Loans	(9,537,928)
Balance at 31 December 2005 - Cash with Central Bank of Ireland	49,734,671

Note to the Account

The Agency from time to time issues or cancels amounts of existing Irish Government Bonds. This is effected by means of sales or purchases by the Post Office Savings Bank Fund, which in turn settles with the Exchequer. The accrued interest element of the settlement amount for each bond transaction takes into account the fact that a full dividend is payable to the registered owner in cases where bonds are held on an ex-dividend date. The purpose of this account is for the Post Office Savings Bank Fund to compensate the Exchequer for the unearned element of the dividend arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend. These amounts are then used to offset the related servicing costs of the Exchequer.

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006



Financial Statements of the National Loans (Winding Up) Account

For the year ended 31 December 2005

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

I have examined the account on pages 85 and 86. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

National Loans (Winding Up) Account

Account of Receipts and Payments	Note	Year ended 31 December 2005 €
Balance at 1 January 2005		7,620,998
Receipts from Exchequer	1	448,450
Receipts from Central Bank Suspense Account		74,003
Payments to Central Bank Suspense Account		(202,426)
Payments for redemption of National Loans	2	(2,893,701)
Balance at 31 December 2005 - Cash with Central Bank of Ireland		5,047,324

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

The notes on page 86 form part of these financial statements.

Notes to the Financial Statements

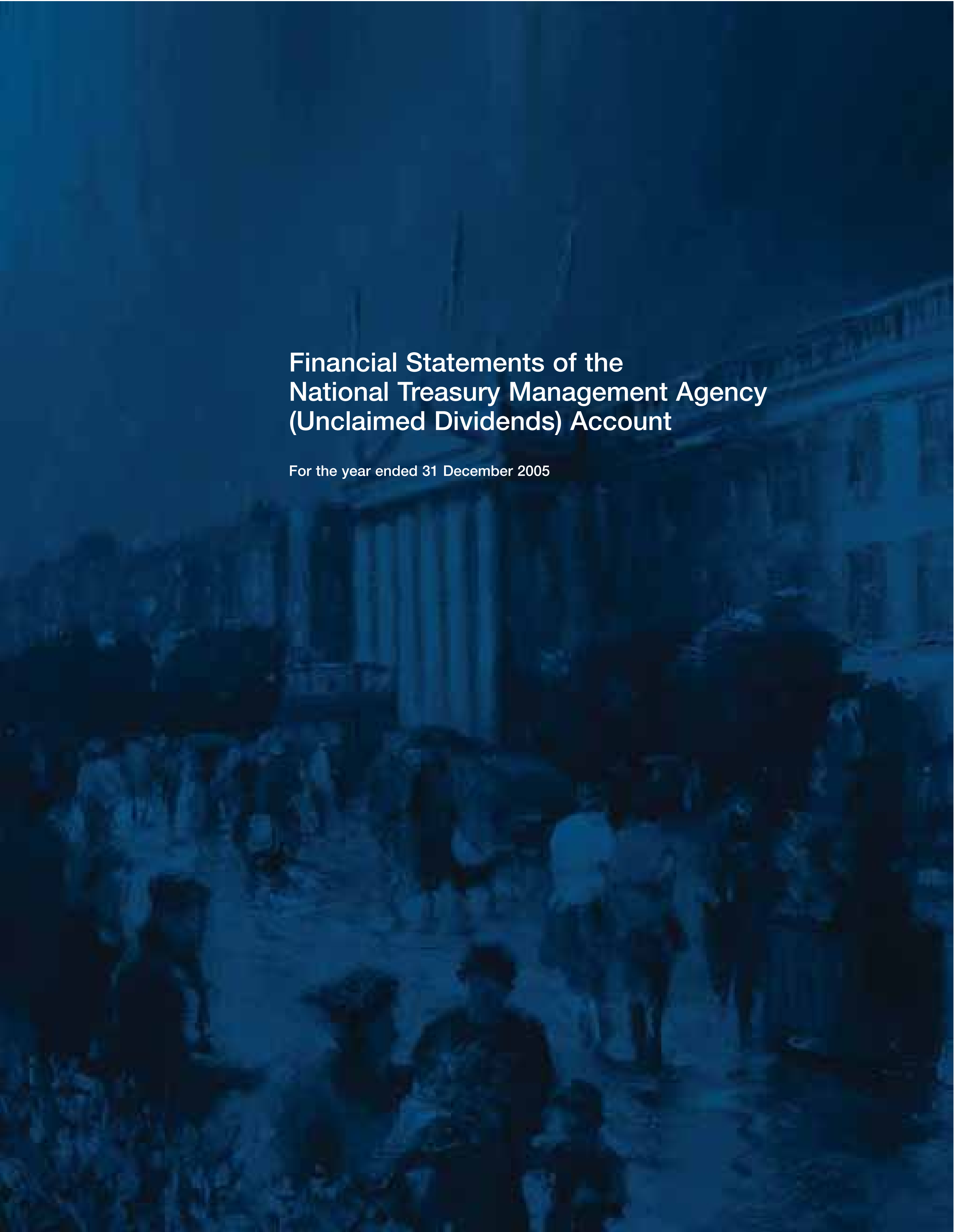
Year ended 31 December 2005

1. Purpose of the Account

When a National Loan is due for redemption, the full amount outstanding is payable to loan holders. Any amount not claimed at the redemption date is transferred into this account by a payment from the Exchequer. This account also includes balances, which were held by the Central Bank and the Department of Finance as Paying Agents, in respect of uncashed redemption payments, and were transferred to the National Treasury Management Agency. Any further claims are met from this account.

2. National Loans redeemed during the year ended 31 December 2005

	€
6% National Loan 1967	254
5% National Savings Bond 1971/81	368
9% Conversion Stock 1980-82	127
5.75% Exchequer Stock 1984-89	3,047
6% Exchequer Stock 1985/90	4,870
11.5% Exchequer Stock 1990	2,027
6.75% National Loan 1986/91	7,103
7% National Loan 1987/92	254
7.5% Development Stock 88/93	1,429
9.25% National Loan 89/94	4,318
9.5% Conversion Bond 1995	396
9.75% National Loan 1991/1996	12,500
9.25% Exchequer Loan 91/96	3,248
9.75% National Development Loan 92/97	1,067
11% National Loan 1993-98	5,207
7.75% Capital Stock 1997	672
13% Finance Stock 1997/02	179,468
6.50% Exchequer Stock 00/05	30,303
9.25% Capital Stock 2003	49,481
6.25% Treasury Bond 2004	2,387,986
6.5% Exchequer Stock 2000/05	1,254
3.5% Treasury Bond 2005	147,733
12.5% Capital Stock 2005	50,589
	2,893,701



Financial Statements of the National Treasury Management Agency (Unclaimed Dividends) Account

For the year ended 31 December 2005

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

I have examined the account on page 88. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

National Treasury Management Agency (Unclaimed Dividends) Account

Account of Receipts and Payments	Note	Year ended 31 December 2005 €
Balance at 1 January 2005		2,043,452
Receipt of unclaimed dividends		208,870
Payment of unclaimed dividends	2	(165,323)
Balance at 31 December 2005 - Cash with Central Bank of Ireland	1	2,086,999

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

1. Purpose of the Account

When a dividend is due on a Loan liability, the full amount due is paid by the National Treasury Management Agency to the Paying Agent and then issued to the registered holders. The balance on this account represents dividends on matured loans, which have not been claimed by the registered holders and have been returned to the National Treasury Management Agency by the Paying Agent. The balance is available to cover future claims on these dividends. The Paying Agent maintains a cash float, on behalf of the National Treasury Management Agency, which it uses to service claims as they arise during the year.

2. Unclaimed Dividends paid in year

	€
Irish Government Bonds registered with Central Bank of Ireland	164,658
Foreign Bonds administered by Paying Agent	665
	165,323

Financial Statements of the Deposit Monies Investment Account

For the year ended 31 December 2005

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

I have examined the account on page 90. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

Deposit Monies Investment Account

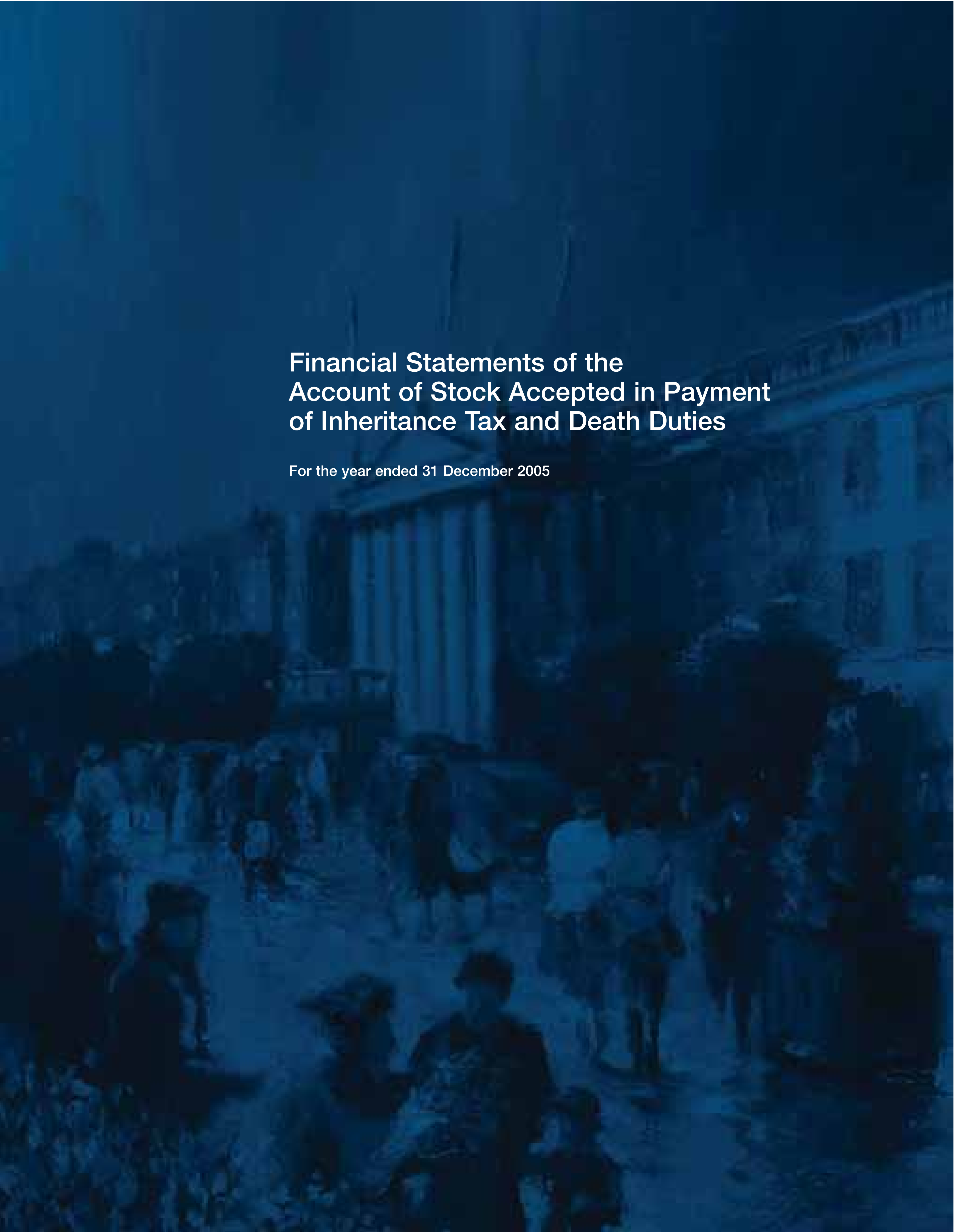
Account of Receipts and Payments	**Year ended 31 December 2005 €**
Balance at 1 January 2005	935,464,000
Ways and Means Advances paid to Exchequer	16,958,333,000
Ways and Means Advances repaid by Exchequer	(16,819,448,000)
Balance at 31 December 2005 - Ways and Means Advances to Exchequer	1,074,349,000

Note to the Account

This account records the borrowings and repayments of surplus funds held in the Supply Account of the Paymaster General.

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006



Financial Statements of the Account of Stock Accepted in Payment of Inheritance Tax and Death Duties

For the year ended 31 December 2005

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

I have examined the account on pages 93 and 94. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

Account of Stock Accepted in Payment of Inheritance Tax and Death Duties

Account of Receipts and Payments		**Year ended 31 December 2005 €**
Balance at 1 January 2005		NIL
Receipts		
Interest received on stock holdings	NIL	
Proceeds of stock redemption	NIL	
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
- Nominal	NIL	
- Interest	NIL	
Repayment to Exchequer		NIL
Balance at 31 December 2005		NIL
Stock Account		
Balance at 1 January 2005		NIL
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	NIL	
Nominal amount of stock redeemed	NIL	
		NIL
Balance at 31 December 2005		NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

The notes on page 94 form part of these financial statements.

Notes to the Financial Statements

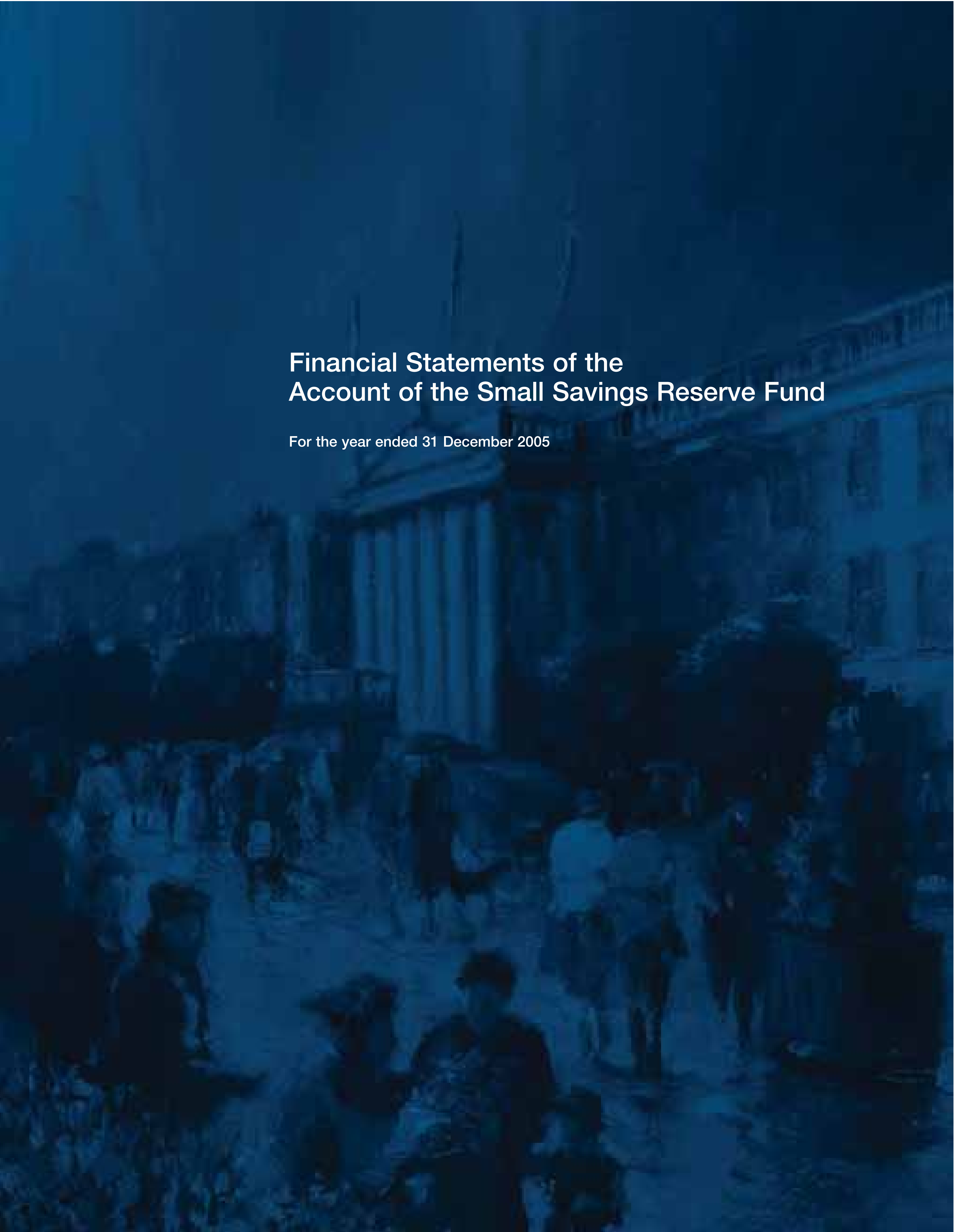
Year ended 31 December 2005

1. Purpose of the Account

This account established under the Finance Act 1954, amended by the Capital Acquisitions Tax Act 1976, is a vehicle for the handling of certain designated Irish Government Bonds which are accepted by the Revenue Commissioners at face value in lieu of death duties. The Irish Government Bonds are received by the Revenue Commissioners and transferred to the Minister for Finance. They are then cancelled and the proceeds (at market value) taken into the account. Any shortfall between this and the liability to the Revenue Commissioners (at face value) is made up by the Exchequer and the Revenue Commissioners are paid in full.

2. Stock Account

The Stock Account records transactions at nominal par value. Any balance on this account consists of bonds held by the Minister for Finance but not yet sold by the Minister to discharge a tax liability to the Revenue Commissioners.



Financial Statements of the Account of the Small Savings Reserve Fund

For the year ended 31 December 2005

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

I have examined the account on page 96. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2005 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2006

Small Savings Reserve Fund

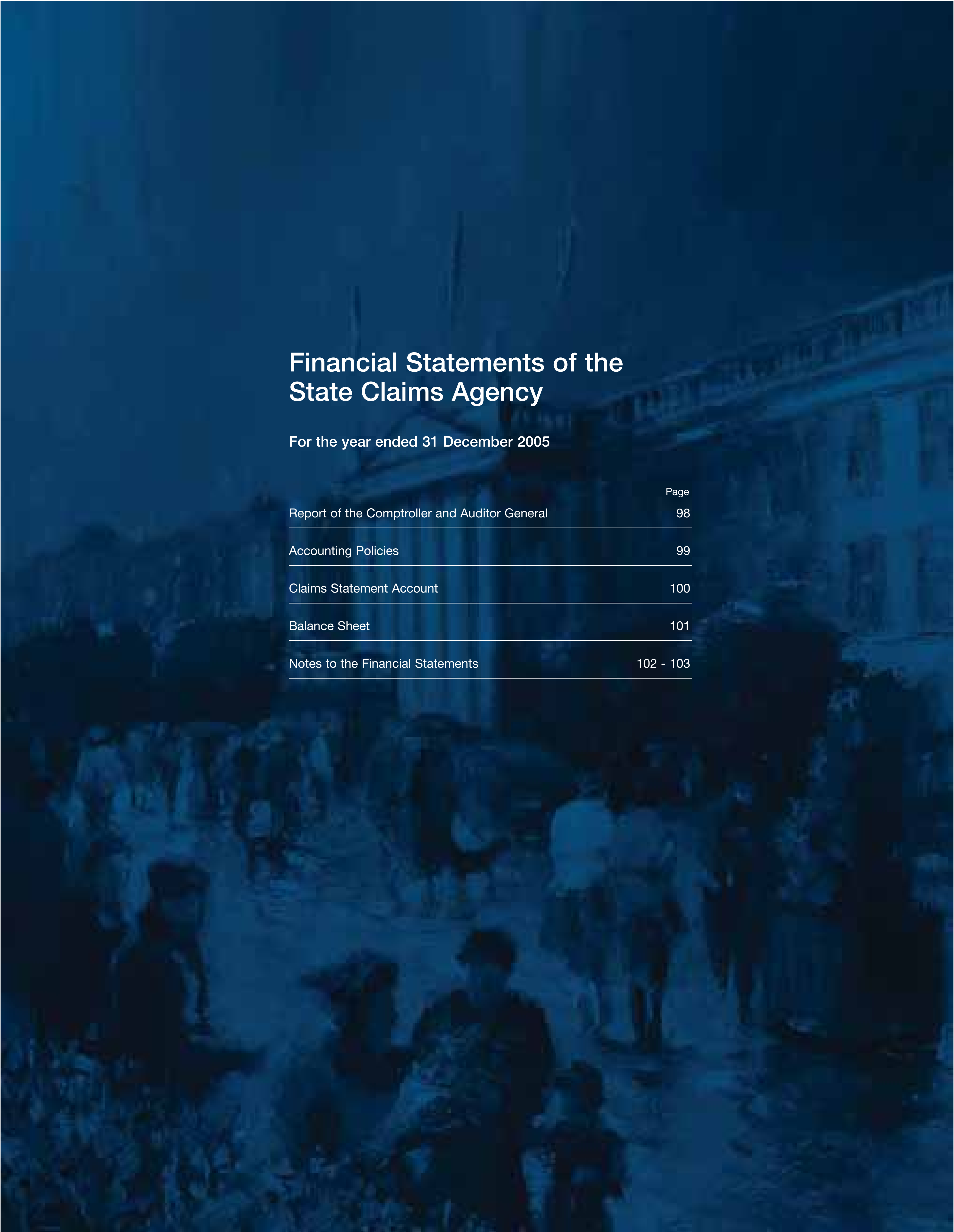
Account of Receipts and Payments	Year ended 31 December 2005 €
Balance at 1 January 2005	969,567,431
Received (paid) from (to) Exchequer	(145,006,547)
Balance at 31 December 2005	824,560,884
Estimated accrued interest at 31 December 2005	1,548,654,080

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The actual interest cost for 2005 was 16.01 per cent of the interest accrued at the 31 December 2004 €1,749m.

The balance in the Fund is transferred to the Exchequer as repayable ways and means advances. No interest was paid by the Exchequer on such funds advanced.

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006



Financial Statements of the State Claims Agency

For the year ended 31 December 2005

Report of the Comptroller and Auditor General

I have audited the financial statements of the State Claims Agency for the year ended 31 December 2005 under the National Treasury Management Agency Act, 1990 as amended by the National Treasury Management Agency (Amendment) Act, 2000.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Claims Statement Account, the Balance Sheet and the related notes.

Respective Responsibilities of the National Treasury Management Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Treasury Management Agency Act, 1990, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the State Claims Agency's 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 financial statements 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 financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the State Claims Agency's affairs at 31 December 2005 and of its transactions for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

John Purcell
Comptroller and Auditor General

29 June 2006

Accounting Policies

Background

Under the National Treasury Management Agency (Amendment) Act, 2000, the management of personal injury and property damage claims against the State and of the underlying risks was delegated to the NTMA. When performing these functions, the NTMA is known as the State Claims Agency (SCA).

The Act sets out two objectives for the SCA:

- To manage claims so as to ensure that the State's liability and associated legal and other expenses are contained at the lowest achievable level; and

- To provide risk advisory services to State Authorities with the aim of reducing over time the frequency and severity of claims.

In February 2003, the management of clinical negligence claims and associated risks under the Clinical Indemnity Scheme was delegated to the State Claims Agency. The Scheme was established in order to rationalise medical indemnity arrangements for health boards, hospitals and other health agencies. Under the Scheme, the State assumes full responsibility for the indemnification and management of clinical negligence claims.

The significant accounting policies adopted are as follows: -

Reporting Currency

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

Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention. The functions of the Agency relate to the management of claims on behalf of State Authorities who are liable in respect of claims and from whom the Agency recovers the amounts of any awards and associated costs. The financial statements report only on the transactions of the Agency and therefore no amount is included for the value of outstanding claims.

Expenditure

Expenditure on awards and claims settlement expenses are recognised on receipt of a validated approval or the validated settlement of such claims. Lodgements to court are recognised as expenditure on behalf of State Authorities at the date of lodgement.

Amounts Receivable from State Authorities

Amounts are treated as receivable from State Authorities in line with the recognition of the related expenditure.

Contingent Liabilities of State Authorities

No amount is included in these accounts on the contingent value of outstanding claims of state authorities as the Agency is merely managing the claims on behalf of such authorities.

Claims Statement Account

Year ended 31 December 2005

	Notes	2005 €	2004 €
Received and receivable from State Authorities in respect of claims and expenses	1	10,452,767	11,023,215
Costs recovered from Claimants		26,359	—
		10,479,126	11,023,215
Paid and payable in respect of Awards		6,282,235	6,858,027
Lodgements to Court and Tender Payments	2	53,753	87,360
Other expenses	3	4,143,138	4,077,828
		10,479,126	11,023,215

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 102 to 103 form part of these financial statements.

Balance Sheet

As at 31 December 2005

	Notes	2005 €	2004 €
Assets			
Debtors	4	1,702,044	595,631
Cash		551,969	214,701
		2,254,013	810,332
Liabilities			
Borrowings from Post Office Savings Bank Fund	5	2,077,425	677,425
Creditors	6	176,588	132,907
		2,254,013	810,332

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 102 to 103 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2005

1. Income

	2005 €	2004 €
Received from State Authorities	8,758,493	10,435,804
Receivable from State Authorities	1,694,274	587,411
	10,452,767	11,023,215

2. Lodgement to Court/Tender Payment

The Agency, as defendant, may make a payment into court (a lodgement) or an offer of payment (a tender) in an action for damages. If the plaintiff refuses to accept the amount of the lodgement or tender in settlement of the claim, the case proceeds to trial. If, at trial, the plaintiff succeeds in his claim but is not awarded more than the lodgement or tender, the defendant is entitled to his costs against the plaintiff from the date of the lodgement or tender.

3. Other Expenses

	2005 €	2004 €
State Claims Agency expenses		
- Legal fees	2,263,488	947,819
- Medical fees	245,384	167,410
- Engineers' fees	92,809	98,624
- Other fees	132,582	114,968
- NTMA Administration expenses recovered	10,523	—
	2,744,786	1,328,821
Plaintiff expenses		
- Legal fees	1,385,367	2,745,066
- Other expert fees	7,972	753
- Travel expenses	1,270	1,485
	1,394,609	2,747,304
Witness expenses	3,743	1,703
	4,143,138	4,077,828

4. Debtors

	2005 €	2004 €
Receivable from State Authorities	1,694,274	587,211
Other	7,770	8,420
	1,702,044	595,631

5. Borrowings from POSB

Under Section 16 of the National Treasury Management Agency Act (Amendment) 2000, the Minister for Finance may advance moneys from the Post Office Savings Bank Fund to the Agency for payment of the amount of any costs, charges and expenses in respect of the services of professional and other expert advisers, the amount of any award or settlement to be paid to a claimant in respect of a delegated claim, and the amount of interest (if any) payable thereon.

6. Creditors

	2005 €	2004 €
Payable in respect of awards	—	759
Payable in respect of expenses	4,801	63,514
Professional Services Withholding Tax due to Revenue Commissioners	31,002	60,017
Amount due to NTMA Administration account	131,167	—
Other	9,618	8,617
	176,588	132,907

7. Administration Expenses

The administration expenses of the State Claims Agency are all charged to the National Treasury Management Agency Administration account and are paid out of the Central Fund

The State Claims Agency may recover administration expenses it has incurred from unsuccessful claimants. When such expenses are recovered, they are transferred to the National Treasury Management Agency Administration account.

Financial Statements of the Dormant Accounts Fund

For the year ended 31 December 2005

Statement Of Agency's Responsibilities

The Agency is required by the Dormant Accounts Act, 2001("The Principal Act") as amended by the Dormant Accounts (Amendment) Act 2005 and the Unclaimed Life Assurance Policies Act, 2003 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

The Agency is responsible for keeping in such form as may be approved by the Minister all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Fund.

The Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

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

I have audited the financial statements of the Dormant Accounts Fund for the year ended 31 December 2005 under the Dormant Accounts Act, 2001.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Investment and Disbursement Account, the Reserve Account, the Balance Sheet and the related notes.

Respective Responsibilities of the National Treasury Management Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the Dormant Accounts Act, 2001, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's 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 financial statements 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 financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Dormant Accounts Fund's affairs at 31 December 2005 and of its transactions for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

John Purcell
Comptroller and Auditor General

29 June 2006

Accounting Policies

Background

The Dormant Accounts Act, 2001("The Principal Act") as amended by the Dormant Accounts (Amendment) Act 2005, provides for a scheme to transfer dormant funds in banks, building societies and An Post to the care of the State, while guaranteeing a right of reclaim to those funds. It further provides for the introduction of a scheme for the disbursement, for charitable purposes, or purposes of societal and community benefit, of funds which are not likely to be reclaimed.

The Unclaimed Life Assurance Policies Act, 2003 provided for the transfer of unclaimed life assurance polices to the State, and amended the Dormant Accounts Act, 2001 where necessary to extend the legislation to life assurance policies.

The Dormant Accounts Fund consists of a Reserve Account from which reclaims and various expenses are paid and an Investment and Disbursements Account from which investments and disbursements are made.

The National Treasury Management Agency is responsible, under sections 17 and 18 of the Principal Act, for establishing, managing and controlling the Dormant Accounts Fund and has all powers (including the power to charge fees, payable from the Fund, in relation to the management and control of the Fund) that are necessary to the performance of its functions. These functions include:

- the making of disbursements in accordance with the directions of the Disbursements Board[1]
- the maintenance of the Reserve Account
- the defraying of the fees, costs and expenses incurred by the Agency and the Disbursements Board[1]
- the defraying of the remuneration, fees and expenses of the authorised inspectors
- the repayment of moneys transferred to the Fund
- the preparation of the annual investment plan, having regard to the disbursement plan and any direction from the Minister for Community, Rural and Gaeltacht Affairs
- the investment of any moneys standing to the credit of the Fund that are not, for the time being, required for the purpose of meeting the liabilities of the Fund
- the keeping of proper accounts of all moneys received and expended by the Agency
- the submitting of annual accounts to the Comptroller and Auditor General and the presentation of a copy of accounts so audited to the Minister for Finance and the Minister for Community, Rural and Gaeltacht Affairs.

The significant accounting policies adopted are as follows: -

Reporting Currency

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

Reporting Period

The reporting period is the year ended 31 December 2005.

Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention.

[1] The Disbursements Board was replaced by the Dormant Accounts Board by the Dormant Accounts (Amendment) Act 2005. Further information is set out in note 10 to the Accounts.

Investment and Disbursements Account

Year ended 31 December 2005

	Notes	2005 €	2004 €
Interest on investments		3,863,581	3,595,505
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	1	40,815,461	56,024,667
Amount transferred to Reserve Account	2	(36,215,548)	(21,027,259)
Disbursements	3	(14,400,000)	(14,000,000)
		(5,936,506)	24,592,913
Balance at start of period		180,003,619	155,410,706
Balance at end of period		174,067,113	180,003,619

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

The notes on pages 112 to 116 form part of these financial statements.

Reserve Account

Year ended 31 December 2005

	Notes	2005 €	2004 €
Transfer from Investment and Disbursements Account	2	36,215,548	21,027,259
Interest on investments		632,150	553,268
Repayment of moneys transferred to the Fund	1	(22,916,079)	(21,080,854)
Interest on repayment of moneys transferred to the Fund	1	(434,431)	(345,925)
Other expenses	4	(1,678,125)	(1,051,081)
Movement for the year		11,819,063	(897,333)
Balance at start of period		18,523,341	19,420,674
Balance as at end of period		30,342,404	18,523,341

Michael J Somers, Chief Executive
National Treasury Management Agency

23 June 2006

The notes on pages 112 to 116 form part of these financial statements.

Balance Sheet

As at 31 December 2005

	Notes	2005 €	2004 €
Assets			
Financial Assets			
- Investments at cost	9	171,500,000	176,000,000
Current Assets			
- Cash	5	32,549,683	22,232,202
- Debtors		364,462	294,758
Liabilities			
- Creditors		(4,628)	—
Net Assets	6	204,409,517	198,526,960
Represented by:			
Investment and Disbursements Accounts		174,067,113	180,003,619
Reserve Account		30,342,404	18,523,341
		204,409,517	198,526,960

Michael J Somers, Chief Executive

National Treasury Management Agency

23 June 2006

The notes on pages 112 to 116 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2005

1. Amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies

Banks - Dormant Accounts

Institution	Opening Balance 1/1/05 €	Transferred €	Reclaimed €	Closing Balance 31/12/05 €	Interest Paid €
ABN AMRO	—	356	—	356	—
ACC Bank plc	3,311,965	970,042	406,234	3,875,773	2,716
Allied Irish Bank plc	34,255,038	2,623,051	849,424	36,028,665	3,030
AIB Finance Limited	727,952	256,307	35,340	948,919	279
Anglo Irish Bank Corporation plc	212,668	98,439	12,328	298,779	24
Barclays Bank plc	316,076	5,116	0	321,192	—
BNP Paribas	17,918	49,569	0	67,487	—
Bank of America	154,778	0	0	154,778	—
Bank of Ireland	30,212,319	3,461,120	952,711	32,720,728	346
Bank of Ireland Treasury & International Banking	1,729,862	459,031	298,686	1,890,207	19,868
Bank of Scotland (Ireland)	334,509	102,489	0	436,998	—
EBS Building Society	5,700,344	1,581,790	1,230,378	6,051,756	1,812
First Active	4,473,022	0	66,272	4,406,750	71
ICS Building Society	1,002,145	364,469	205,827	1,160,787	32
Investec - Bank (UK) Limited (Irish Branch)	348,628	7,123	227	355,524	—
Irish Nationwide Building Society	2,518,020	387,839	422,402	2,483,457	—
JP Morgan Ireland plc	48,897	0	0	48,897	
National Irish Bank Limited	3,023,852	296,194	65,776	3,254,270	81
An Post - National Instalment Schemes	1,122,789	765,724	680,016	1,208,497	51,944
An Post-National Instalment Schemes (Capitalised interest)	4,958,421	2,653,471	2,592,038	5,019,854	—
Permanent TSB	18,400,421	1,727,503	916,041	19,211,883	6,905
An Post - Post Office Savings Bank	25,826,012	881,610	519,937	26,187,685	1,624
An Post - Savings Bonds (Capitalised interest)	2,406,452	1,347,776	636,656	3,117,572	—
An Post - Savings Bonds	1,115,502	902,847	337,915	1,680,434	—
An Post - Savings Certs (Capitalised interest)	31,135,441	10,203,999	8,898,567	32,440,873	—
An Post - Savings Certs	4,871,032	3,112,695	2,221,977	5,761,750	345,452
Scotiabank (Ireland) Limited	1,003,127	0	0	1,003,127	—
Ulster Bank Ireland Limited	6,333,294	842,450	72,744	7,103,000	247
WestLB – Ireland plc	71,764	0	0	71,764	—
TOTAL	**185,632,248**	**33,101,010**	**21,421,496**	**197,311,762**	**434,431**

1. Amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies (Continued)

Assurance Companies - Unclaimed Assurance Policies

Institution	Opening Balance 1/1/05 €	Transferred €	Reclaimed €	Closing Balance 31/12/05 €	Interest Paid €
Specified Term					
Alba Life	—	35,113	—	35,113	—
Ark Life	—	11,326	4,977	6,349	—
Caledonian Life	104,474	—	—	104,474	—
Canada Life	63,896	12,856	—	76,752	—
Eagle Star	27,343	10,633	502	37,474	—
Friends First	181,263	519,724	170,670	530,317	—
Hibernian Life	384,722	141,689	5,214	521,197	—
Irish Life	784,437	859,601	155,216	1,488,822	
Royal Liver	2,355,632	176,869	57,945	2,474,556	—
Royal & SunAlliance	371,391	229,217	—	600,608	—
Scottish Legal Life	120,459	30,943	3,918	147,484	—
Standard Life	292,813	—	—	292,813	—
Sun Life Financial of Canada	76,351	—	2,442	73,909	—
No Specified Term					
Alba Life	—	15,033	—	15,033	—
Caledonian Life	18,850	—	—	18,850	—
Canada Life	241,554	861,309	68,595	1,034,268	—
Eagle Star	238,804	161,391	69,588	330,607	—
Friends First	244,154	1,253,152	240,363	1,256,943	—
Hibernian	811,620	330,794	49,502	1,092,912	—
Irish Life	3,936,505	565,630	172,633	4,329,502	—
New Ireland	5,183,786	1,395,010	147,409	6,431,387	—
Royal & SunAlliance	3,358	—	196	3,162	—
Royal Liver	5,333,836	388,407	31,432	5,690,811	—
Scottish Legal Life	158,501	7,544	12,934	153,111	—
Scottish Provident Ireland	63,291	-	0	63,291	—
Standard Life	507,358	693,245	301,047	899,556	—
Sun Life Financial of Canada	13,434	14,965	0	28,399	—
TOTAL	**21,517,832**	**7,714,451**	**1,494,583**	**27,737,700**	**—**
GRAND TOTAL	**207,150,080**	**40,815,461**	**22,916,079**	**225,049,660**	**434,431**

The amounts transferred to the Fund included accounts denominated in currencies other than Euro. The effect of revaluing these accounts at the year end exchange rates would be to reduce the total amount transferred to the Fund and not yet reclaimed by €802 from €225,049,462 to €225,048,660.

Notes to the Financial Statements (continued)

Year ended 31 December 2005

2. Transfers to the Reserve Account

Under Section 17 (4) of the Dormant Accounts Act 2001, the National Treasury Management Agency pays into the Reserve Account, from time to time, an amount determined by the Agency, with the approval of the Minister for Community, Rural and Gaeltacht Affairs given with the consent of the Minister for Finance, for the purposes of making repayments from the Fund and of defraying various fees and expenses of the Agency, the Board and the authorised inspectors. Accordingly, a transfer is made at the beginning of each quarter by the Agency to maintain the balance in the Reserve Account at a currently approved 15% of the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The balance in the Reserve account may drop below 15% in the intervening period between the quarterly rebalancing dates.

3. Disbursements

The following disbursements were made from the Fund on the direction of the Dormant Accounts Disbursement Board, under section 41 of the Dormant Accounts Act 2001 during the period.

	2005 **€**	**2004** **€**
Pobal (formerly ADM, Service provider and agent of the Dormant Accounts Disbursements Board)	8,000,000	4,000,000
Dormant Accounts Disbursement Board (for payment to the Department of Community, Rural & Gaeltacht Affairs for the Rural Social Scheme)	6,400,000	10,000,000
	14,400,000	14,000,000

4. Other Expenses

	2005 **€**	**2004** **€**
Expenses of the Disbursement Board		
- Board Fees	43,171	43,171
- Board Expenses	1,777	1,785
- Fees of service provider (Pobal)	1,452,458	918,410
- Other Expenses	99,936	87,715
Inspectors' Fee	80,783	—
	1,678,125	1,051,081

5. Cash

This figure represents the cash balance held at the Central Bank of Ireland.

6. Contingent Exchequer Liability

The net assets figure differs from the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The difference is explained as follows:

	€	€
Net Assets		204,409,517
Total dormant funds received by the Fund and not yet reclaimed (see note 1)		(225,049,462)
Contingent Exchequer liability at 31/12/2005		(20,639,945)
Represented by:		
Interest on investments	4,495,731	
Interest on repayments of moneys transferred to the Fund (see note 1)	(434,431)	
Disbursements (see note 3)	(14,400,000)	
Other expenses (see note 4)	(1,678,125)	
Surplus/(Deficit) for the year		(12,016,825)
Contingent Exchequer liability at 1/1/2005		(8,623,120)
Contingent Exchequer liability at 31/12/2005		(20,639,945)

This figure represents the potential residual liability to be met by the Exchequer, in the event that all monies in dormant accounts were to be reclaimed.

Under section 17(7) of the Dormant Accounts Act 2001, whenever the moneys in the Investment and Disbursement Account are insufficient to meet the deficiency in the Reserve Account, a payment can be made out of the Central Fund into the Reserve Account of an amount not exceeding the deficiency. The moneys are repaid to the Central Fund, as soon as practicable, from surplus moneys remaining in the Fund after providing for any liabilities or contingent liabilities of the Fund.

7. Expenses of the National Treasury Management Agency

Under section 45 (1)(c) of the Dormant Accounts Act, 2001, the Agency is required to report to the Disbursements Board certain specified information including a separate account of the administration fees and expenses incurred by the Agency in the operation of the Fund. These are detailed below:

	2005 €	2004 €
General Administration	150,000	150,000
Total	150,000	150,000

This is an estimate, included in the Notes to the accounts only, as the NTMA has decided not to charge this amount to the Disbursements Board.

Notes to the Financial Statements (continued)

Year ended 31 December 2005

8. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act, 2001, the Agency is required to report to the Disbursements Board the investment return achieved by the Fund. The annualised return on the Fund for the period covered by the investment plan was 2.14 % (2004: 2.07%).

9. Investment Assets

The Investment Assets are commercial deposits with financial institutions.

10. Revised disbursement arrangements

The Government has reviewed arrangements in relation to Dormant Accounts in the light of the emerging scale of the fund, the need to ensure appropriate capacity to evaluate and process applications, and so as to secure maximum transparency on disbursements. As provided for in the Dormant Accounts (Amendment) Act 2005, the Minister for Community, Rural and Gaeltacht Affairs established the Dormant Accounts Board on 4th January 2006. It replaces the Dormant Accounts Fund Disbursements Board which was dissolved on the same date. While the Dormant Accounts Board has a mainly monitoring and advisory role, it is also empowered to direct the National Treasury Management Agency (Agency) to make disbursements from the Dormant Accounts Fund resulting from grant applications approved by the former Dormant Accounts Fund Disbursements Board before its dissolution (section 11(3) of the Dormant Accounts (Amendment) Act 2005 refers).

Morning Light on Foster Place (Back inside cover)

The Last Show - Olympia Theatre

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