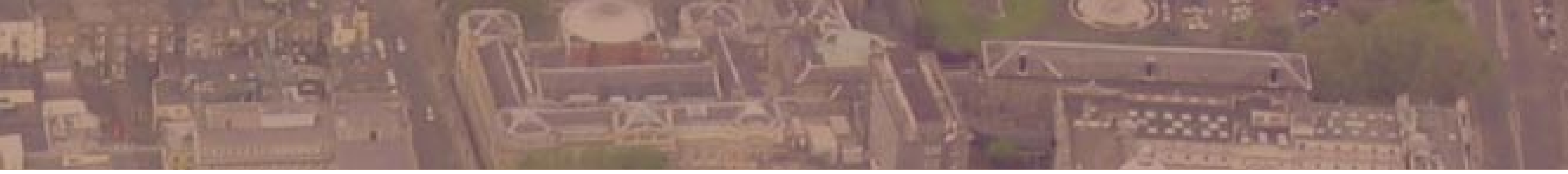
NATIONAL TREASURY MANAGEMENT AGENCY

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004



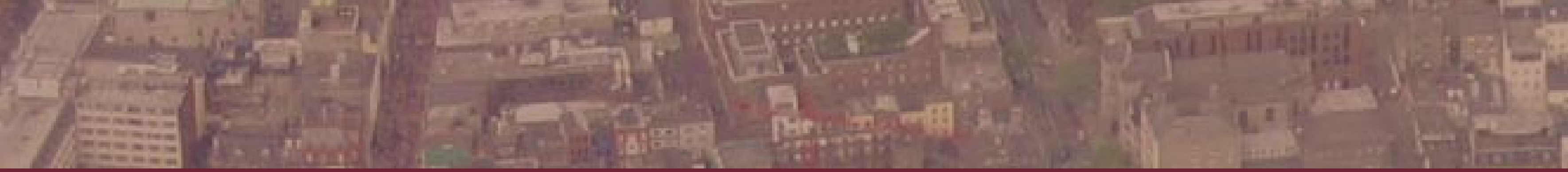
National Treasury Management Agency

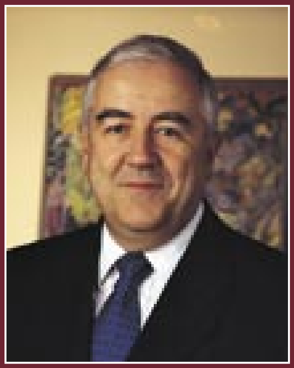
Ireland

Report & Accounts

for the year ended

31 December 2004





Michael J. Somers
Chief Executive

John C. Corrigan

Anne Counihan

Adrian J. Kearns

Brendan McDonagh

Oliver Whelan

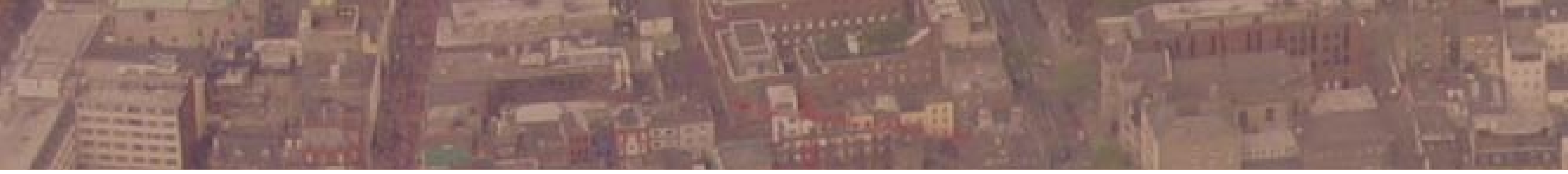
Legal Framework

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, and
- various Finance Acts.



National Treasury Management Agency

22 June 2005

Mr. Brian Cowen, T.D.,

Minister for Finance,

Government Buildings,

Upper Merrion Street,

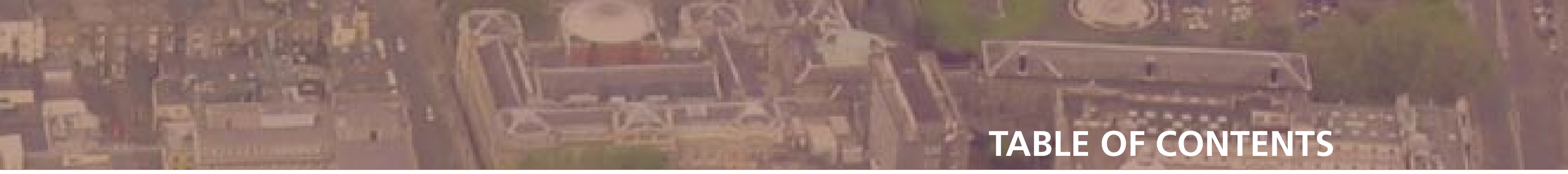
Dublin 2.

Dear Minister,

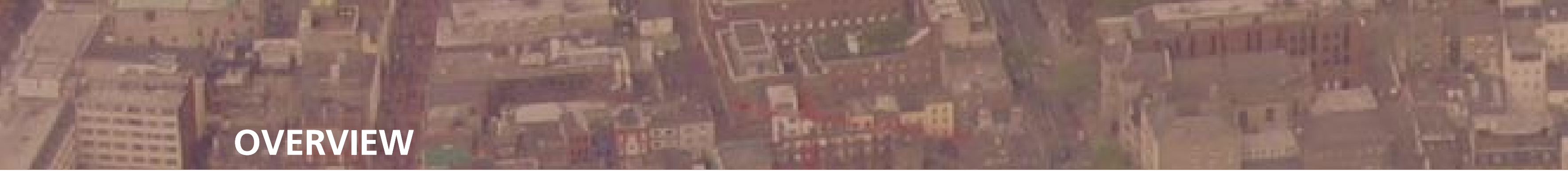
I have the honour to submit to you the Report and Accounts of the National Treasury Management Agency for the year ended 31 December 2004.

Yours sincerely,

Michael J Somers, Chief Executive
National Treasury Management Agency



Contents



Overview

The responsibilities of the NTMA continue to grow, both in range and in magnitude. Its total portfolio – assets and liabilities – exceeds €50 billion while it had a total cashflow of €532 billion in 2004, over four times Ireland's GNP.

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. Its main remit was to arrange the borrowings of the Exchequer and manage the National Debt in the most effective way possible. While the debt has not fallen in cash terms, the 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 2004 this had fallen to 4 per cent.

The National Debt remains at some €38 billion. It 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 that interest costs are held in line with best eurozone rates. Ongoing contact with primary dealers, investment institutions and credit rating agencies assist this process. A significant daily function involves either borrowing funds to place with the Central Bank, 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 all investment decisions are made by an independent Commission, the NTMA is responsible for the implementation of these. As agent for the Commission, the NTMA monitors the Fund's investment managers, who have been allocated defined portions of the Fund, ensuring their compliance with their respective mandates, and meets each of them periodically to review performance. In addition, the NTMA directly manages the Fund's passive bond portfolio, its uninvested cash and its foreign currency hedging operations. In 2004, the Commission announced a significant diversification in the Fund's strategic asset allocation, primarily through an 18 per cent allocation to additional asset classes – property, private equity and commodities.

Since December 2001, the NTMA has acted as the State Claims Agency, managing claims, principally against Government Ministers and the Attorney General, for personal injuries and damage to property. It was subsequently given similar responsibilities for clinical staffs and health care enterprises. To undertake these responsibilities, the NTMA has recruited experienced claims managers, as well as staff with qualifications in law, engineering and medicine. The number of claims managed at any one time is around 3,000. As part of its function in providing advice on how to reduce negligence and minimise claims in the future, it has produced reports on issues ranging from radon gas to Garda road traffic accidents and from school technology rooms to goalposts.

On 1 January 2003, the National Development Finance Agency (NDFA) was established. Its principal function is to advise on the optimal means of financing public investment projects, including Public Private Partnerships. To date it has been involved in providing financial advice on major projects, ranging from motorways and railways to broadband, from prisons to housing developments and water treatment plants. Over 80 projects are currently referred to the NDFA for advice at various stages of development, with a total capital investment of some €15 to €20 billion. To date, the NDFA has completed its advice on thirteen projects with a combined capital of some €1.3 billion. Capital expenditure over the next five years is projected to be up to €36 billion.

On the fund management side, the NTMA is managing the Social Insurance Fund, with assets now of over €2 billion. 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 life 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 under the direct control of the Government which is outside the civil service. It operates with a commercial remit and has the capability 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 – still under 100 – notwithstanding the 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.

We recognise that much of what is in this Report is not easy reading. However, we do try each year to improve its presentation and to set out in language as user-friendly as possible the activities of the NTMA. Much of the information is geared to potential investors in Irish Government paper and to organisations assessing the creditworthiness of the State. The web site – www.NTMA.ie – gives additional information, as does the Ireland Information Memorandum, which we publish each March. 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

Chief Executive

Michael J. Somers

Directors

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

Advisory Committee

John F. Daly (Chairman)
Chairman, IIMC Limited

Gerold W. Brandt
Member of the Supervisory Board
of Adidas-Salomon AG, Munich

Paul Carty
Financial Consultant

Tom Considine
Secretary General, Department of Finance

Lewis L. Glucksman
Private Investor

Joe Moran
Former Chief Executive,
Electricity Supply Board

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

Back row from left to right: Donald C. Roth, Gerold W. Brandt, Tom Considine, Paul Carty. Front row from left to right: Joe Moran, John F. Daly, Lewis L. Glucksman

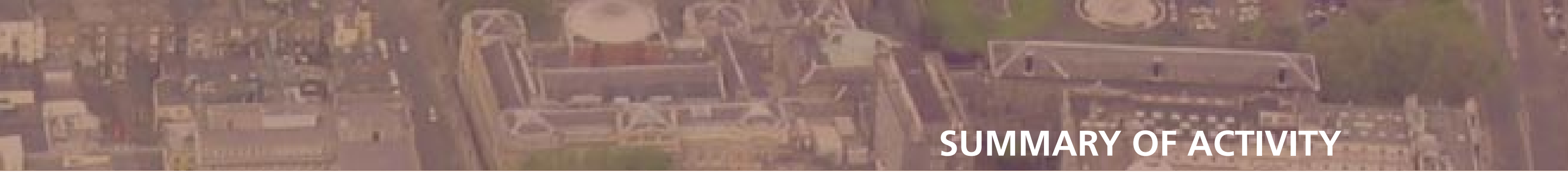
Advisory Committee

The Advisory Committee met formally on four occasions in 2004. Other meetings with members of the Committee took place on a regular basis. An Audit Committee comprising members of the Advisory Committee was established in January 2003 and also met on four occasions in 2004.

The NTMA thanks the Committee members for their advice and assistance during the year and for their commitment of time and effort.

Staff

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



Summary of Activity

The key features of 2004 were:

Overall

- The total asset and liability portfolios managed by the NTMA exceeded €50 billion for the first time.
- Gross cashflows through the NTMA in 2004 amounted to €532 billion.

National Debt

- The National Debt, when account is taken of the National Pensions Reserve Fund and other funds managed by the NTMA, is now equivalent to around 8 months' tax revenue. When the NTMA was established in 1990, it took over three months' tax revenue just to pay interest on the debt.
- The General Government Debt/GDP ratio continued to fall – to 29.9 per cent at end 2004 (32.0 per cent at end 2003) 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 ratio of around 21.5 per cent at end 2004.
- The National Debt at end 2004 was €37.8 billion.
- Interest payments on the Debt were €1,676 million. After adjusting for the impact of the Small Savings Reserve Fund, the cost to the Exchequer was €348 million below budget. This was down to 4 per cent of tax revenue, about a fifth of the figure 10 years ago when the interest bill was 20 per cent of tax revenue. This reduction in the interest burden has freed up substantial resources for other purposes.
- To meet debt repayments and the expected budget deficit, €3.4 billion was raised during 2004, at an average yield of 4.67 per cent, through five bond auctions. The bond auctions were cancelled in the second half of the year because of the emerging strength of the budgetary position.
- To take advantage of low long term interest rates, a new benchmark bond, the 4½% Treasury Bond 2020, was launched in January and investors in the 5% Treasury Bond 2013 were offered terms for switching €2 billion of their holdings into the new longer issue.
- Over 79 per cent of Irish Government bonds are currently held by foreign investors, up from 73 per cent a year ago and sharply up 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 2004 was taken up by foreign investors.
- In February 2005, the NTMA issued US$ 500 million bonds under its Euro Medium Term Note Programme. These bonds have a coupon of 3.875 per cent and mature in July 2010. They were issued at 10 basis points over US Treasuries and the proceeds 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.
- HSBC-CCF became a Primary Dealer in Irish Government bonds in October 2004 and Royal Bank of Scotland in May 2005. This development reflects the continued increase in demand for Irish Government bonds by foreign investors. There are currently nine Primary Dealers, seven of whom are major international banks based overseas.
- Ireland can now 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 Bloomberg and Euroclear as well as the Primary Dealership system has facilitated this process.
- Bond yields

Bond yields	End 2004	17 June 2005
3¼% Treasury Bond 2009	2.95%	2.50%
5% Treasury Bond 2013	3.50%	3.07%
4.6% Treasury Bond 2016	3.75%	3.31%
4½% Treasury Bond 2020	3.99%	3.55%

Summary of Activity continued

- Turnover in Irish Government bonds on the Irish Stock Exchange in 2004, at €72.3 billion, was in line with the average turnover from 2001 to 2003.
- At end 2004, 86 per cent of the National Debt carried a fixed rate of interest, compared with 76 per cent at end 2003. 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, and also the rundown in short term paper balances as a result of the Exchequer surplus of €33 million.
- All of the National Debt is denominated in, or swapped into, euro.
- There was a net inflow of funds into the Government retail savings schemes in 2004 of €356 million.
- Problems in relation to the sale of Prize Bonds arising out of an EU Directive and certain sections of the Finance Act 2004 were largely resolved following strong representations from the NTMA.

Credit Rating

- 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 re-affirmed Ireland's top AAA long term credit rating this year.

Housing Finance Agency Funding

- The NTMA has borrowed on behalf of the Housing Finance Agency since February 2003. The borrowings, which averaged €1.6 billion in 2004, resulted in interest savings of €1.3 million.

Central Treasury Services

- The Central Treasury Service to Local Authorities, Health Boards and Vocational Education Committees continues to provide a competitive alternative to the banking industry to these bodies for both borrowing and lending. An average of €90 million in loans and €25 million in deposits was outstanding during 2004.

Social Insurance Fund

- The NTMA manages the surplus balances of the Social Insurance Fund on behalf of the Department of Social and Family Affairs. The total surplus under management by the NTMA was €1.6 billion at end 2004, up by €300 million from end 2003. Since year end, a further €400 million has been added to bring the Fund to over €2 billion in June 2005.

Dormant Accounts

- The NTMA took on the management of the Dormant Accounts Fund in 2003. In April 2004, the remit of the Fund was widened to include certain life assurance policies. To date €293 million has been transferred to the Fund, of which €58 million has been reclaimed. There have also been disbursements so far of €16 million. Taking account of interest accrued, the balance under management now stands at some €225 million.

Exchequer Account Balances

- The NTMA manages the balance in the Exchequer Account at the Central Bank in support of the European Central Bank's overall liquidity management operations. The 2004 turnover in ECB liquidity management operations was €221.5 billion, while the average transaction daily size was €476 million. Net Exchequer cash on deposit with the Central Bank at end 2004 was €2.1 billion. Total cash under NTMA management at end 2004 was close to €6 billion.

State Claims Agency

- The State Claims Agency (SCA) is currently managing almost 2,600 personal injury claims, with an estimated value of €135 million, comprising:

Employer liability, public liability and property damage	65%
Clinical negligence	35%

- The inflow of non-clinical claims is more than matched by the pace of claims settled or otherwise disposed of.
- The SCA has resolved over 1,100 claims since inception at a cost of approximately €12.5 million.
- The SCA is currently seeking to recover costs from about 500 plaintiffs who brought asbestos-related "worried well" claims.
- Employer Liability/Public Liability risk management initiatives by the SCA during 2004 focused on a wide range of current or potential sources of claims. These included mould, radon gas, road traffic accidents, technical workshops and asbestos.
- In conjunction with its responsibilities to manage clinical claims, the SCA has a role to advise and assist in the design and implementation of a national clinical risk management scheme.
- The ongoing implementation of a clinical web-based incident reporting system (STARSWeb) will, for the first time in Europe, enable data on clinical incidents in hospitals and other healthcare enterprises to be standardised, recorded and analysed in a central national database.

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.
- There are over 80 projects currently referred to the NDFA for advice at various stages of development, with a total capital investment of some €15 to €20 billion.
- To date, the NDFA has completed its advice on thirteen projects with a combined capital value of some €1.3 billion. Six of these projects were Public Private Partnerships (PPPs) involving substantial private finance input. In respect of non-PPPs, the NDFA has organised lending facilities of some €400 million from the European Investment Bank and other financial institutions.

National Pensions Reserve Fund

- In April 2001, the NTMA was appointed for a period of ten years as the Manager of the Fund to act as agent for the National Pensions Reserve Fund Commission.
- The Fund earned a return of €951 million, or 9.3 per cent, in 2004. Its market value at 31 December 2004 was €11,689 million, including the 2004 Exchequer contribution of €1,177 million.
- €1,415 million was invested in global equity markets through the year, effectively completing the "averaging in" market entry approach adopted by the Commission since 2002.
- The Commission decided to invest 18 per cent of the Fund in additional asset classes – property, private equity and commodities.
- In total, the Fund had shareholdings in 1,752 companies across 24 markets at end 2004 and its assets were equivalent to 9.5 per cent of GNP.

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 2004, €16.8 billion of asset covered securities were issued in Ireland under the Act.

Consultancy & International Relationships

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

Human Resources

- In June 2005, the number of staff employed by the NTMA was 98.

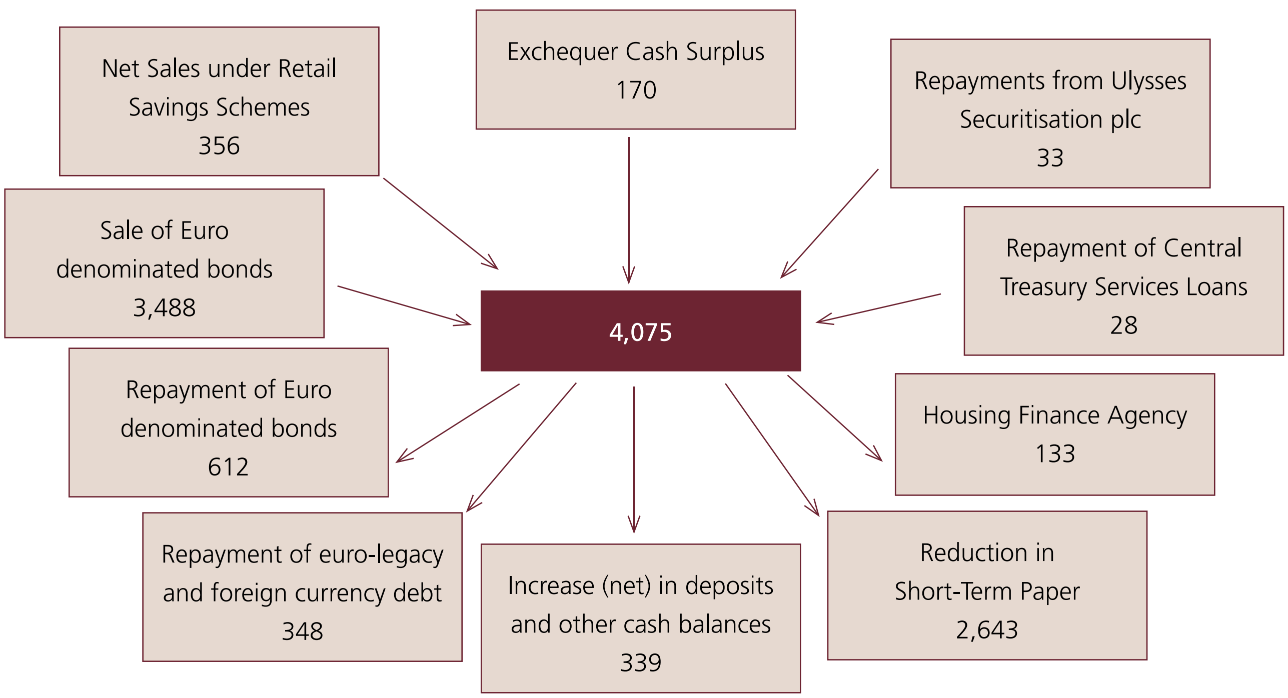
Funding & Debt Management

Most of the funding and debt management activity arises from the ongoing repayment and refinancing of the National Debt, which is close to €38 billion, and the resultant management of liquidity in the international capital markets. This gave rise to cashflows in excess of €532 billion in 2004, which is more than four times greater than Ireland's GNP. The NTMA deals with in excess of one hundred banks and financial institutions in performing its functions.

In 2004, the budget surplus was €33 million. When adjusted for funding purposes, the Exchequer had a cash surplus of €170 million - the adjustments were for €237 million in respect of the carryover of capital allocations not spent in 2004, netted against €100 million in respect of the drawdown from the Small Savings Reserve Account.

During the course of 2004, the Exchequer's funding requirements net of liquidity management operations were:

Sources - € million



Applications - € million

Gross Cashflows NTMA 2004

	€ billion
National Pensions Reserve Fund	48
Social Insurance Fund	25
Capital Services Redemption Account	5
Exchequer Account	382
Foreign Currency Accounts	26
Dormant Accounts Fund	1
Housing Finance Agency	41
Agricultural Commodity Intervention Bills	4
Total	**532**

The National Debt

The National Debt as traditionally measured, which is net of cash balances, was €37.8 billion at end 2004 compared with €37.6 billion at the end of 2003.

Change in National Debt in 2004

	€ million	€ million
National Debt (end 2003)		**37,610**
Plus		
• Exchange Rate Movements	14	
• Net discount on Tranches and Cancellations[1]	255	**269**
Less		
• Exchequer Surplus	-33	**-33**
Change in National Debt		**236**
National Debt (end 2004)		**37,846**

1 Premiums/Discounts arise when bonds are issued/cancelled at other than their par value due to a difference between the coupon on the debt and market yields.

Funding & Debt Management continued

Currency and Duration of the Debt

At the end of 2004, 100 per cent of the National Debt was denominated in, or swapped into, euro.

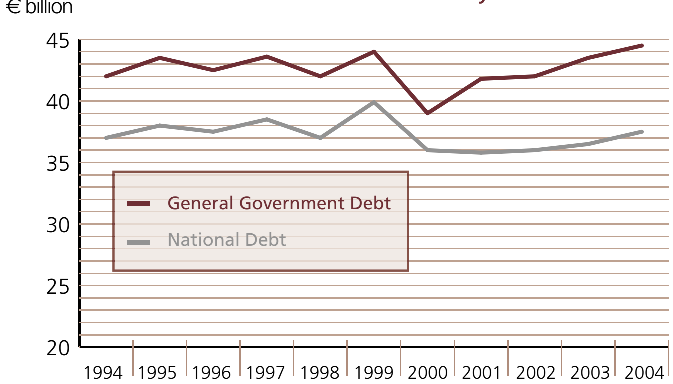
Following long term bond issuance of €3.4 billion which, inter alia, refinanced €2.5 billion in short term paper, the duration of the debt increased from 5.23 to 5.63 years during 2004.

General Government Debt

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

GGD is estimated at €43.7 billion at end 2004 compared to €43.1 billion at end of 2003. While the National Debt increased by €236 million, the increase in Local Authority debt is the main residual factor accounting for the overall increase of €596 million in GGD.

Debt over the last 10 years

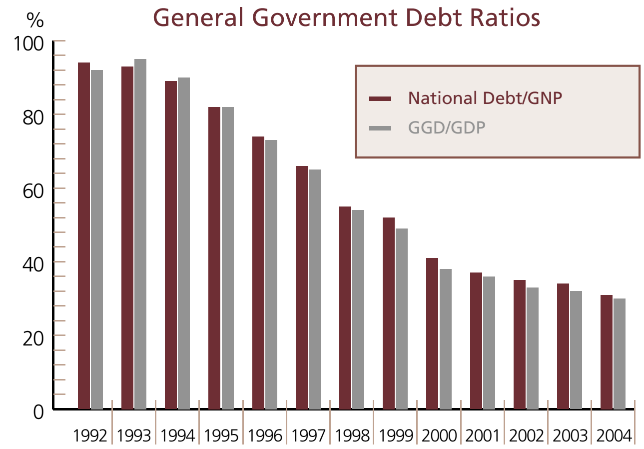


Sources: Eurostat and NTMA

Debt Ratios

The General Government Debt/GDP ratio decreased by just over 2 percentage points during the year to 29.9 per cent at end 2004. The National Debt/GNP ratio decreased by 2.6 percentage points to 31.1 per cent in the same period.

Trend in National Debt & General Government Debt Ratios

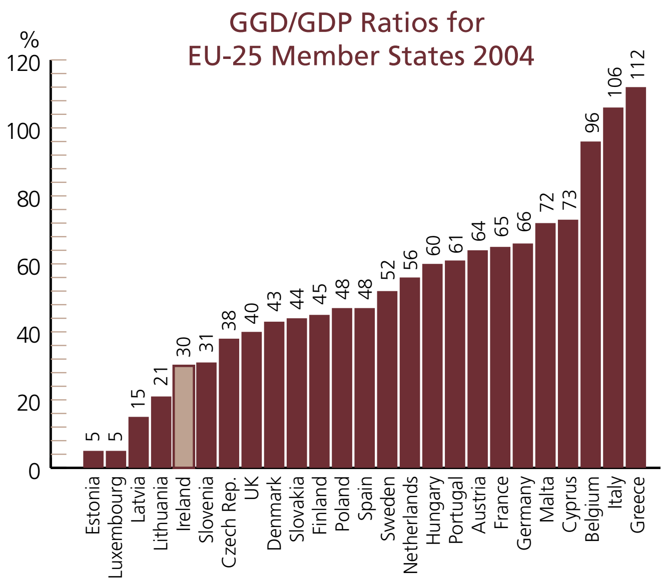


Sources: Eurostat, Department of Finance and NTMA

Ireland's underlying position is in fact much better - when account is taken of the €11.7 billion in the National Pensions Reserve Fund at end 2004, the General Government Debt ratio falls to 21.5 per cent.

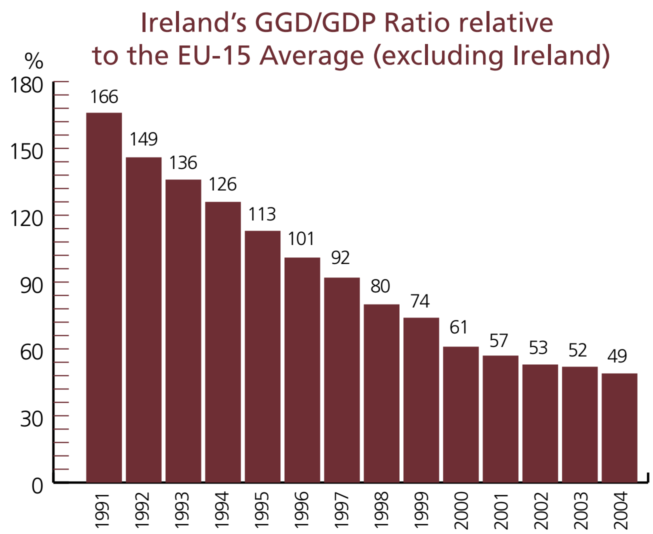
The Government's three-year Budget Plan announced in December 2004 points towards stability in the General Government Debt/GDP ratio over the 2005 to 2007 period – at an average of 30 per cent.

International Comparisons



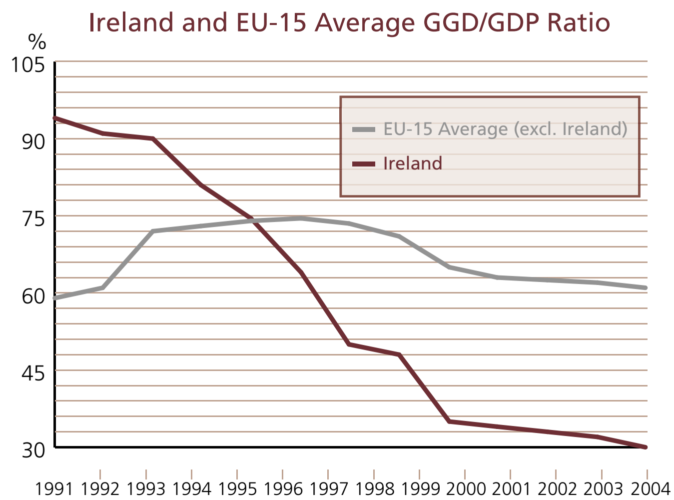
Sources: Eurostat, EU Commission,
2004 estimate for Ireland - Department of Finance.

At end 2004, 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.



Sources: Eurostat, EU Commission,
2004 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 following graph:



Sources: Eurostat, EU Commission,
2004 estimate for Ireland - Department of Finance.

Debt Service Costs

Total debt service costs in 2004 were €2,303 million, €348 million lower than provided for in the Budget. The Exchequer debt service budget for 2004 was €2,381 million. The Exchequer outturn at €2,203 million was lower than budget by €178 million, mainly due to a number of technical factors, including favourable interest rate movements, an improved Exchequer Balance position, as well as certain debt management initiatives.

The 2004 Budget incorporated €525 million (actual outturn: €492 million) for interest payable on investments in Government retail savings schemes maturing in 2004. Of this, €255 million was to be paid from the Exchequer and €270 million from the Small Savings Reserve Fund. Total debt service expenditure for 2004 (including a reduced payment of €100 million from the Small Savings Reserve Fund) was €2,303 million, resulting in an overall debt service saving of €348 million against the combined budget.

Analysis of Debt Service Outturn Relative to Budget (€ million)			
	Outturn	Budget	Variance
Exchequer Debt Service Expenditure	2,203	2,381	178
Plus: Small Savings Reserve Fund payment	100	270	170
Underlying Debt Service Expenditure	2,303	2,651	
Total Favourable Variance from Budget			**348**

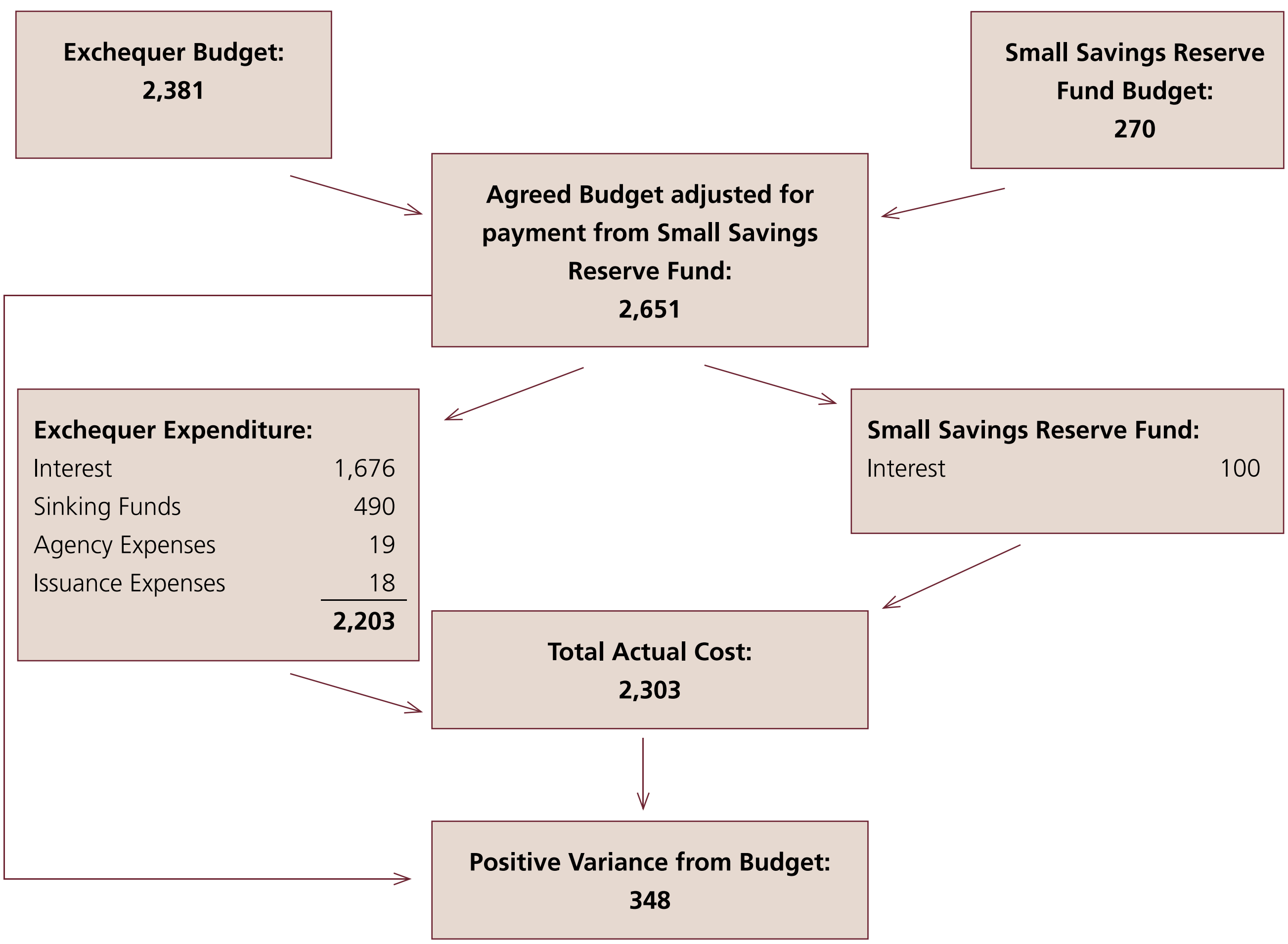
Funding & Debt Management continued

Exchequer debt service costs of €2,203 million include interest payments of €1,676 million, sinking fund payments of €490 million, fees of €18 million and administration expenses of €19 million. The interest payments of €1,676 million include an additional Exchequer payment of €137 million in respect of Government retail savings schemes.

As a result, the Exchequer Balance at end 2004 was better off by €178 million due to the lower than expected debt service expenditure.

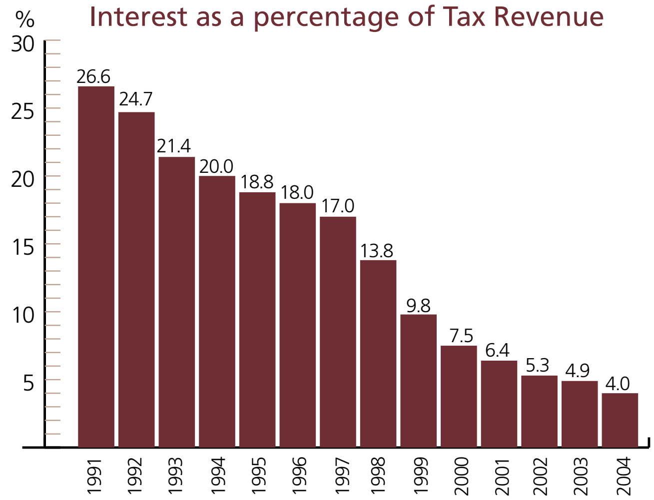
A diagram showing the breakdown of debt service costs is set out below:

Analysis of Debt Service Outturn Relative to Budget - € Million



Only 4 per cent of tax revenue is now needed to pay interest on the National Debt, compared to 26.6 per cent in 1991.

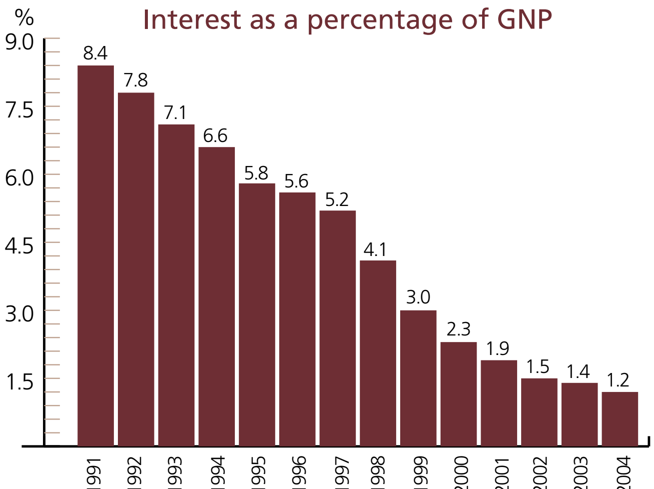
Interest as a percentage of Tax Revenue



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 1.2 per cent in 2004.

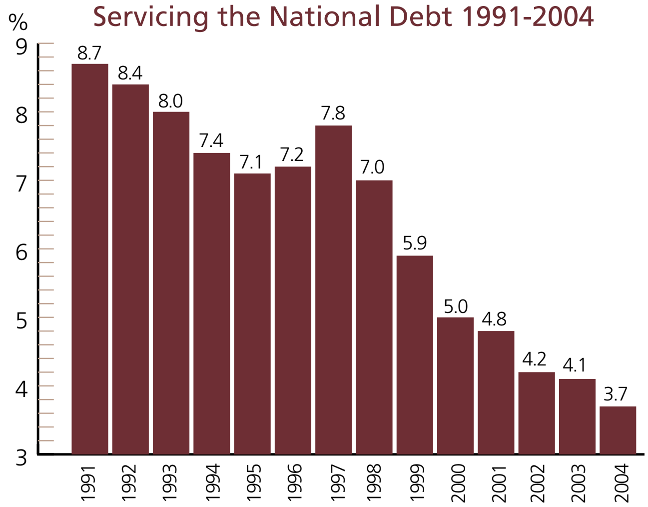
Interest as a percentage of GNP



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 2004, 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 1991-2004



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 2004, the Reserve stood at €969 million, or just over 55 per cent of the accrued interest of €1,749 million.

Debt Composition

	€ million (nominal)	
	31 December 2004	31 December 2003
Bonds denominated in euro	31,260	28,130
Other Medium & Long Term Debt	407	931
Retail Savings Schemes	5,820	5,455
Net Short Term Debt	359	3,094
Total:	**37,846**	**37,610**

Funding & Debt Management continued

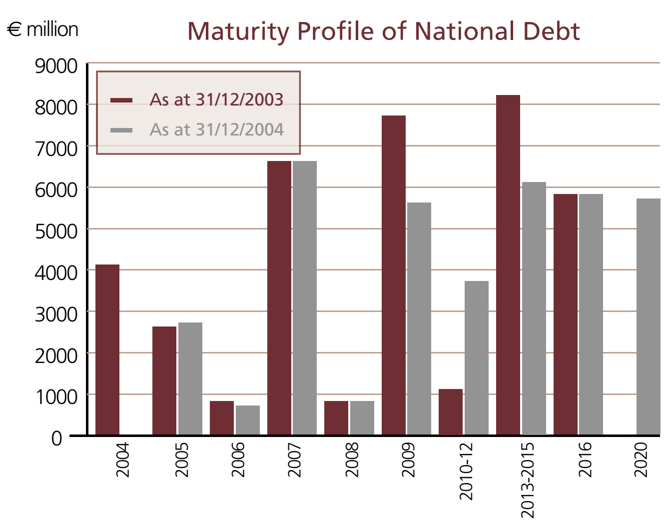
Funding Activity

Five bond auctions raised €3.4 billion in 2004. Some €0.9 billion of this was used to refinance maturing long term debt and to buy back other debt while the balance was used to refinance €2.5 billion of short term debt. The refinancing of short term debt in the bond market was a continuation of the policy of locking in long term funding at historically low yields.

Maturity Profile

Ireland's euro denominated bonds have maturities ranging out to 2020. The five benchmark bonds accounted for 92 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.



Primary Dealer System

The Irish Government bond market has nine Primary Dealers recognised by the NTMA who make continuous two-way prices in designated bonds in minimum specified amounts and within maximum specified spreads. The Primary Dealers account for 95 per cent of turnover in the Irish Government bond market. There are also a number of stockbrokers who match client orders.

The Primary Dealers are:

ABN AMRO, London

AIB Capital Markets, Dublin

Barclays Capital, London

Citigroup Global Markets Limited, London

Calyon Corporate and Investment Bank, Paris

Davy Stockbrokers, Dublin

Deutsche Bank, Frankfurt

HSBC - CCF, Paris*

Royal Bank of Scotland, London*

* HSBC were appointed Primary Dealers in October 2004 and Royal Bank of Scotland in May 2005

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.

Electronic Trading - EuroMTS and MTS Ireland

There are fourteen market makers for benchmark Irish Government bonds on EuroMTS, namely the nine Primary Dealers together with the following five institutions: HVB, Munich; Capitalia, Rome; Dresdner Bank, Frankfurt; Fortis Bank, Brussels and UBS, London.

The five current benchmark Irish Government bonds are also listed on the domestic system, MTS Ireland, in a parallel quotation. All nine Primary Dealers plus HVB and UBS are members of MTS Ireland.

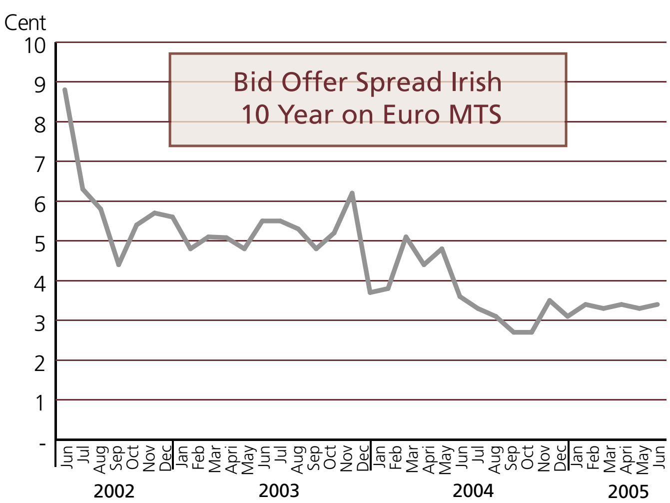
All euro-area sovereign issuers except Luxembourg have their bonds listed on the EuroMTS system. The listing of Irish Government bonds on MTS has greatly enhanced turnover, price transparency and liquidity. The bid to offer spread on the bonds has also narrowed, making them more attractive to investors 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 €m
4.25% Treasury Bond 2007	0.03	10
3.25% Treasury Bond 2009	0.04	10
5.00% Treasury Bond 2013	0.05	10
4.60% Treasury Bond 2016	0.07	10
4.50% Treasury Bond 2020	0.10	5

Increased liquidity has meant that the bid to offer spread on the Irish ten year bond on the EuroMTS system has narrowed gradually to approximately 3 cent. This is comfortably inside the maximum spread within which the market-makers must operate.



Source: EuroMTS

Bond Auction Procedures

During 2004, bond auctions, to which the Primary Dealers have exclusive access, normally took place on the third Thursday of the month. At 10:00 a.m. on the previous Thursday, the NTMA announced, 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. The NTMA makes auction results 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.

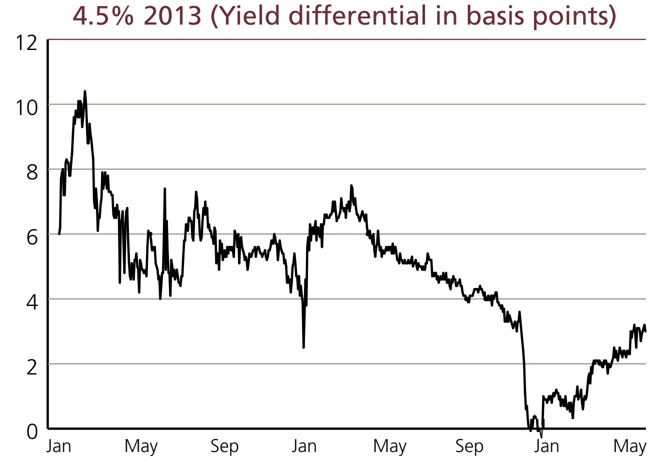
Primary Dealers have the option to take up their non-competitive entitlement until 10:00 a.m. on the second business day following the competitive auction.

Irish Government Bond Yields

Irish bonds yields have converged to the core euro markets and they now trade at rates almost identical to those for similar German and French bonds. The graph below shows the convergence of the Irish ten year yield with the equivalent German yield from 2003 to 2005.

The continued positive outlook for the Irish economy and public finances as well as the AAA credit ratings from all the major rating agencies and the low debt/GDP ratio, together with the MTS listing, have ensured that Irish Government bonds continue to be very attractive relative to the core European markets.

Ireland 5% Treasury Bond 2013 versus German 4.5% 2013 (Yield differential in basis points)



Source: EuroMTS

Funding & Debt Management continued

Bonds and Other Long Term Debt

A liquid benchmark yield curve

Ireland has five major benchmark bonds with maturities across the yield curve from three to fifteen years.

Benchmark Government Bonds

Bond	*Outstanding June 2005 € million*	*ISIN Code*	*Annual Coupon Payment Date*
4.25% Treasury Bond 2007	6,086	IE0031256211	18 October
3.25% Treasury Bond 2009	5,043	IE0032584868	18 April
5.00% Treasury Bond 2013	6,106	IE0031256328	18 April
4.60% Treasury Bond 2016	5,789	IE0006857530	18 April
4.50% Treasury Bond 2020	5,729	IE0034074488	18 April

Irish Government Bond Issuance in 2004

The NTMA held its first ever reverse auction in January 2004, with a view to encouraging investment in a new long term bond. Investors in the 5% Treasury Bond 2013 were offered the opportunity of switching some of their holdings into a new 16 year bond, the 4.5% Treasury Bond 2020. While €4.8 billion of the 2013 bond was offered back by the market, only €2 billion offered at the keenest prices was switched into the new 2020 bond.

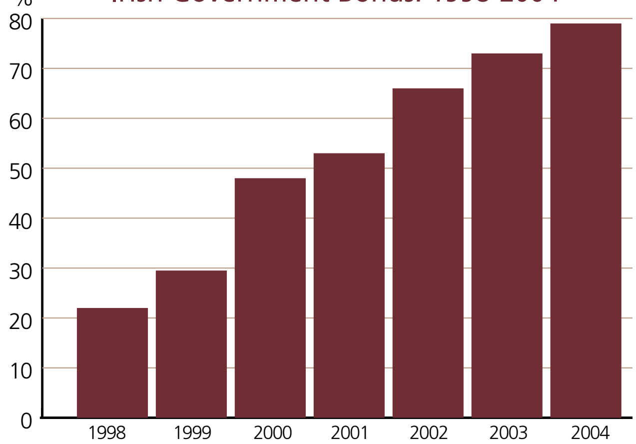
Taking advantage of strong market demand the NTMA continued to issue the new bond in 2004 through auctions held from February to June. These auctions brought the issue size of the new bond up to the €5 billion threshold for trading on EuroMTS.

Auction Date	Bond	Amount Sold in Competitive Auction: €m	Weighted Average Prices and Yields		Bid to Cover Ratio	Amount Sold in Non-Competitive Auction: €m
19 February	4.5 % Treasury Bond 2020	700	98.322	4.651%	3.0	Nil
18 March	4.5 % Treasury Bond 2020	500	100.695	4.439%	3.4	100
15 April	4.5 % Treasury Bond 2020	600	98.239	4.659%	3.3	120
19 May	4.5 % Treasury Bond 2020	750	96.776	4.793%	2.9	Nil
17 June	4.5 % Treasury Bond 2020	500	97.014	4.772%	4.2	100

Diversified holdings of Irish Government bonds

International investment in Irish Government bonds has increased substantially since the introduction of the euro. Non-resident holdings have gone from 22 per cent in 1998 to 79 per cent in 2004, despite an increase of more than 50 per cent in the amount of bonds outstanding over the same period. Almost all of the bonds issued since the introduction of the euro have been taken up by international investors.

Non-resident holding of
Irish Government Bonds: 1998-2004

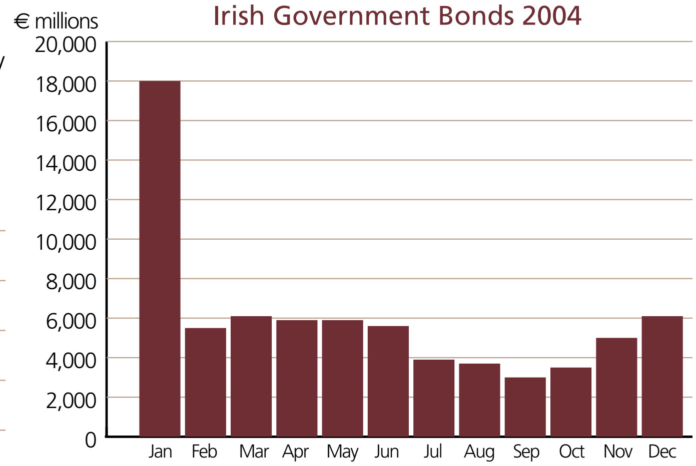


Source: Central Bank of Ireland

Turnover and Liquidity

Turnover in Irish Government bonds on the Irish Stock Exchange in 2004, at €72.3 billion, was in line with the average turnover from 2001 to 2003.

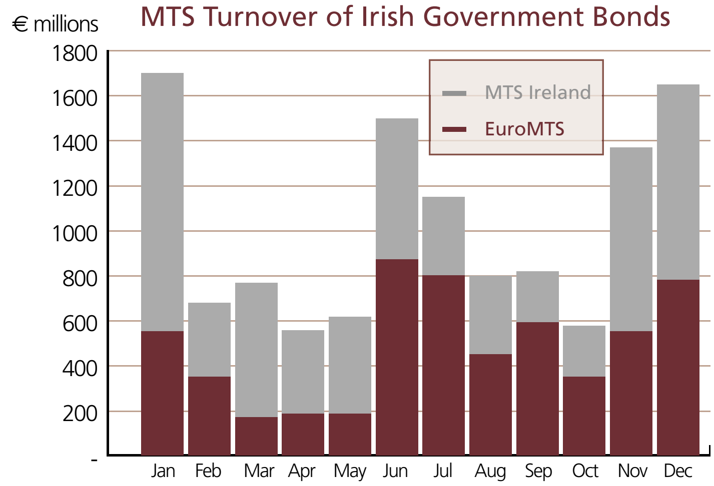
Stock Exchange Turnover
Irish Government Bonds 2004



Source: Irish Stock 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 2004 was €12.3 billion.

MTS Turnover of Irish Government Bonds



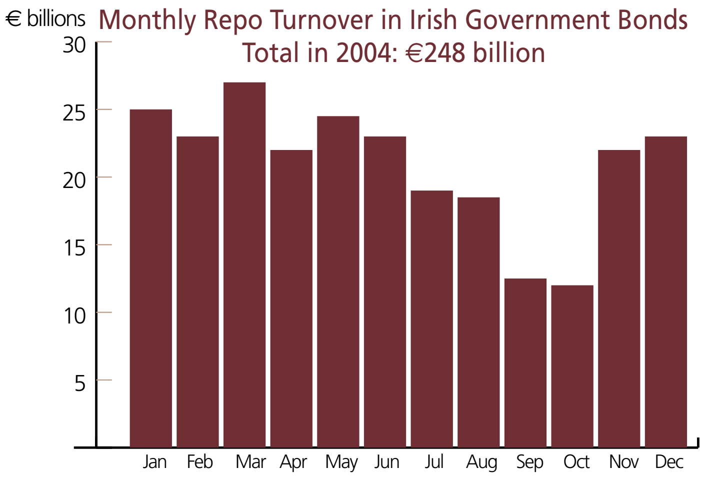
Source: MTS

Funding & Debt Management continued

Repos

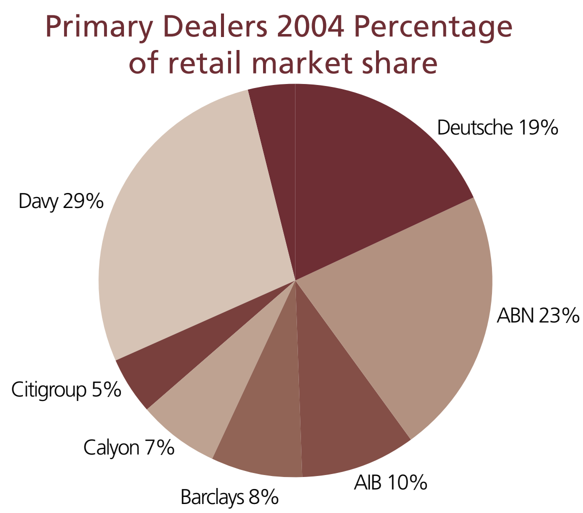
A bond repo and reverse repo facility is provided by the NTMA to the Primary Dealers. This allows them to borrow bonds or cash to cover short positions on a secured basis. The facility is used to ensure the smooth and efficient operation of the bond market and it is a useful source of market intelligence for the NTMA.

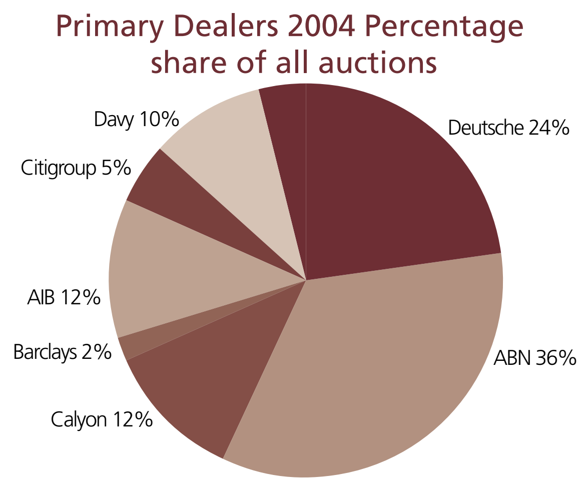
Repos are an important component of liquidity in the bond market and represent three and a half times the turnover in the cash market. They provide a collateralised mechanism for investors to enhance their returns by lending their bond holdings on a short term basis. Repo turnover reported by the Irish Stock Exchange was €248 billion in 2004.



Source: Irish Stock Exchange

Primary Dealers' Activities





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 and Financial Services Authority of Ireland maintains the register of holders of the bonds, the majority of which are in the name of Euroclear Bank. Bond dealings 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 Global Markets Limited - World Government Bond Index
- EuroMTS Euro Area 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 €86 million Irish Government bonds was actively traded during the year to give a turnover figure of €3.5 billion, representing 5 per cent of the turnover in these bonds on the Irish Stock Exchange.

The secondary trading desk has also been mandated to manage assets of €2.8 billion, namely the passive bond portfolio of the National Pensions Reserve Fund (over €1 billion at end 2004), the accumulated surplus of the Social Insurance Fund (€1.6 billion at end 2004) and the assets of the Dormant Accounts Fund (€202 million at end 2004).

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.

US Dollar Bond Issue

In February 2005, the NTMA issued a US$500 million Eurobond under its Euro Medium Term Note Programme, the first such issue in ten years. The bond, with a coupon of 3.875%, matures in July 2010. It was issued at 10 basis points over US Treasuries and the proceeds were swapped into euro at 29.3 basis points below Euribor. Over the five year life of the loan, this represents a saving of €3.5 million when compared with a normal bond auction.

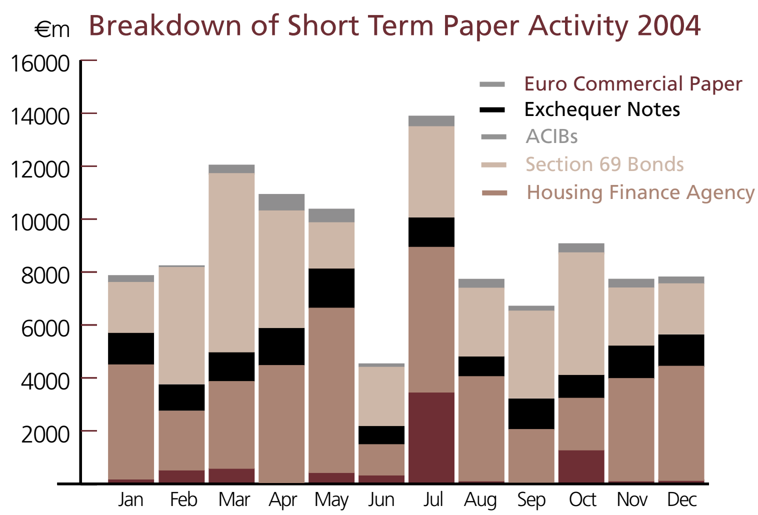
Bids for this deal were received from 15 major international financial institutions and the mandate was awarded to Barclays Capital. Institutional funds bought half the issue and central banks 35 per cent. A total of 56 per cent was placed in Europe and 38 per cent in Asia.

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 Multicurrency 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 2004



Funding & Debt Management continued

Ireland Commercial Paper Programme

Ireland's US$8 billion multi-currency Euro Commercial Paper (ECP) Programme was listed on the Irish Stock Exchange in 2004 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 First Boston (Europe) Limited
- Deutsche Bank AG London
- Goldman Sachs International
- ING Bank NV
- Lehman Brothers International (Europe)
- Royal Bank of Scotland

Issuing Agent: JP Morgan Chase Bank, London

Paying Agent: JP Morgan Chase Bank, London and JP Morgan Bank (Ireland) Plc

Reverse Inquiry: Ireland also accepts reverse inquiry

Typically, trades are in amounts of US$50 million to US$100 million. The preferred tenor is between one and six months. All non-euro borrowings are immediately swapped into euro using foreign exchange contracts. Turnover in 2004 was €9.2 billion.

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 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 HFA 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 2004 was €41 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. Prices are shown on Reuters and Bloomberg, page NTMA. Borrowings are typically for periods of one week to three months. Activity amounted to €13 billion in 2004.

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 €3.9 billion in 2004.

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 €40.3 billion in 2004.

European Central Bank Liquidity Management

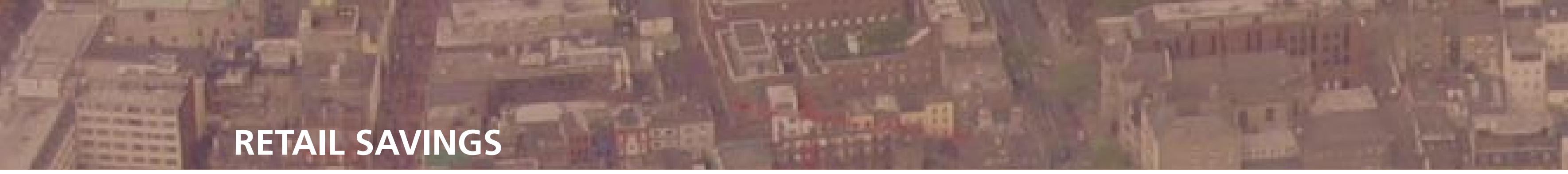
The European Central Bank (ECB) operates a liquidity management system which depends in part on the accurate forecasting of the level of government balances in the national central banks throughout the euro area. In the case of Ireland, the forecast level of balances for each day is reported to the ECB 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, these transactions are tabulated by the NTMA and the effect on liquidity is calculated 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 2004 amounted to €221.5 billion, with an average transaction size of €476 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 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 2004. 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 €17 billion in 2004. The NTMA is also mandated to manage the uninvested cash balances of the NPRF. The average balance in 2004 was €1.1 billion.



Retail Savings

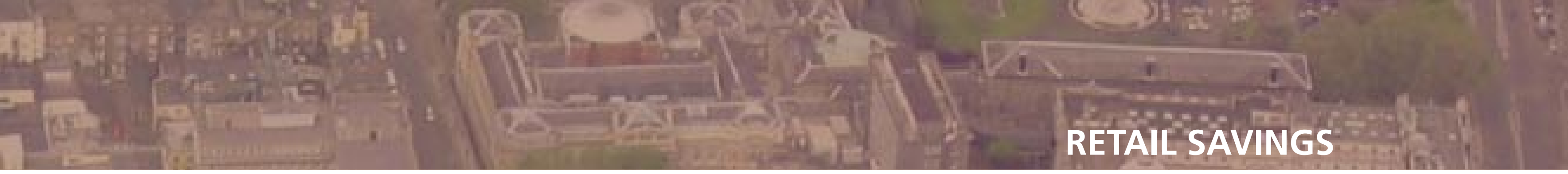
Some 15 per cent of the National Debt is held by personal investors in the Government savings schemes. These schemes, with the exception of Prize Bonds, are operated by An Post on behalf of the NTMA. Prize Bonds are operated by the Prize Bond Company Limited, a joint venture between An Post and FEXCO.

The amount outstanding in the savings schemes at end 2004 was €5,820 million, with a further €1,749 million in accrued interest. Net receipts in 2004 were €356 million, which included €222 million in Savings Bonds, €168 million in the Post Office Savings Bank (of which €93 million was deposited in Special Savings Incentive Accounts) and €52 million in Prize Bonds. There was an outflow of €86 million from Savings Certificates and National Instalment Savings.

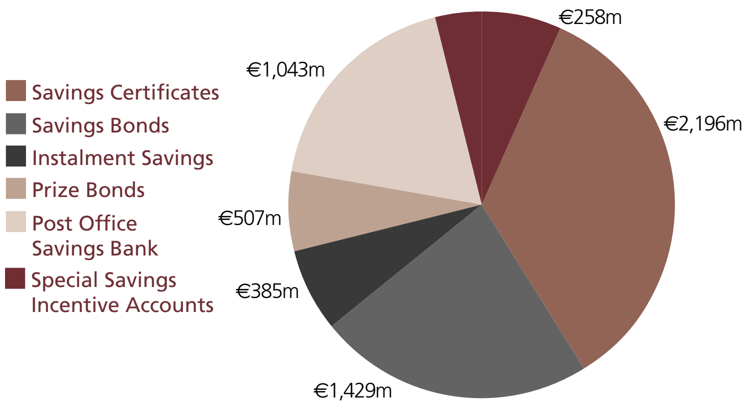
Details of the total amount outstanding at end 2004 and the net amounts raised or repaid in 2004 in each of the savings schemes are as follows:

Savings Schemes	**Total outstanding at end 2004 € million**	**Money raised/repaid in 2004 (net) € million**
Savings Certificates	2,196	-66
Savings Bonds	1,429	222
National Instalment Savings	385	-20
Prize Bonds	507	52
Savings Stamps	2	0
Post Office Savings Bank (POSB)		
Special Savings Incentive Accounts	258	93
Other POSB Accounts	1,043	75
Total Principal Outstanding	**5,820**[1]	**356**
Accrued Interest	**1,749**	**-259**
Total	**7,569**	**97**

1 This figure is included in the National Debt.



Amounts Outstanding in Government Saving Schemes 31 December 2004



Against the sum of €1,749 million outstanding in accrued interest on the savings schemes, there is a total of €969 million in the Small Savings Reserve Fund. This represents 55 per cent of the accrued interest.

Administration Costs

The administration fees paid to An Post and the Prize Bond Company in respect of the savings schemes in 2004 totalled €44.6 million, as detailed below:

Savings Schemes	**€m**
Savings Certificates	4.1
Savings Bonds	2.3
Instalment Savings	2.5
Prize Bonds[1]	6.9
Savings Stamps	1.0
Post Office Savings Bank[2]	27.8
Total:	**44.6**

Negotiations are ongoing with An Post with the objective of reducing the administration costs of these schemes, in particular the Post Office Savings Bank.

Rates Of Return

Interest on Savings Certificates, Savings Bonds and Instalment Savings is exempt from Irish income tax, and the current rates of return are as follows:

- **Savings Certificates:** 16 per cent over a 5½ year period, equivalent to an average annual return of 2.74 per cent 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 an average annual return of 2.6 per cent 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, equivalent to an average annual return of 2.57 per cent. Minimum monthly investment is €25, with a maximum monthly investment limit of €500.

Post Office Savings Bank

The POSB deposit base at end 2004 was €1,301 million, an increase of over 15 per cent during 2004. Included in this figure is the total outstanding in Special Savings Incentive Accounts (SSIAs), amounting to €258 million at end 2004.

There are two SSIA products, one fixed rate and one variable rate. The fixed rate product accounts for over three quarters of all SSIA investments. Both products offered an initial interest rate of 4 per cent per annum. Since July 2003, the variable interest rate has been 2 per cent per annum. The variable interest rate account carries a guarantee that it will not fall more than 1 percentage point below the European Central Bank main refinancing rate.

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%

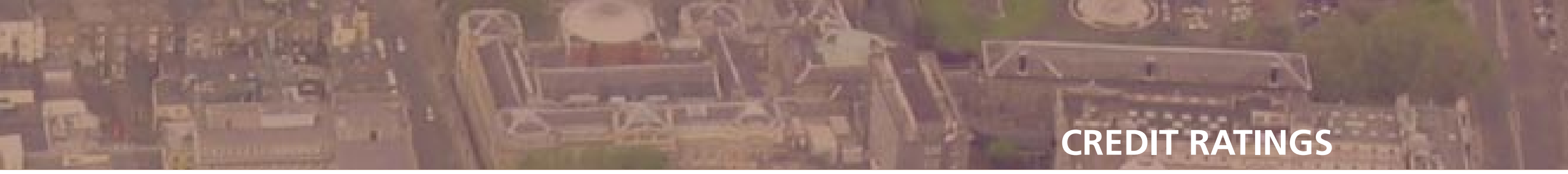
1 These fees were paid to The Prize Bond Company. The other fees are paid directly to An Post.
2 Fees relating to the Post Office Savings Bank (POSB) are paid from the POSB Fund.

Prize Bonds

Net sales of Prize Bonds in 2004 amounted to €52 million, and the total amount outstanding at end 2004 was €507 million. Over 110,000 tax-free prizes, worth €11.2 million, were paid during the year. The rate of interest used in 2004 to determine the prize fund was 2.4 per cent. Prize Bonds, which in effect represent a demand deposit account, provide an attractive potential return compared to other similar investment products.

Unclaimed Prizes

At end 2004, there were over 7,000 Prize Bonds with unclaimed prizes, the aggregate value of which was just over €1 million. Some of these go back to 1957, the year Prize Bonds started. A booklet listing the unclaimed prizes can be obtained from post offices nationwide. This information is also available on the Prize Bond Company's web site www.prizebonds.ie, where Prize Bonds can be purchased online.



Credit Ratings

Ireland's top long term and short term credit ratings from the four major credit rating agencies were reaffirmed during the year.

	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 remain very positive in their assessment of Ireland's credit standing. They point to the diversified and flexible economy which has attracted sizeable foreign direct investment flows over recent years and has achieved the highest growth rate in the EU since 1995. They also emphasise Ireland's success since 1999 in reducing its debt burden by 19 percentage points to under 30 per cent of GDP in 2004. This was the largest debt reduction achieved by any euro area country over the period, giving Ireland the second lowest debt burden in the euro area. A recent report by Standard & Poor's described Ireland as having the highest degree of fiscal flexibility of 21 European countries analysed, demonstrating the country's ability to manage an economic slowdown. Furthermore, the establishment of the National Pensions Reserve Fund is also regarded as a very significant positive factor for Ireland's credit rating. As a result of its establishment and the country's favourable demographic profile, the fiscal impact of the ageing of the population will be felt much later and less severely in Ireland than in other European countries.

Ulysses Securitisation plc

Ulysses Securitisation plc 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 €21.9 million in 2004 (2003: €19.5 million). The accumulated reserves of the company now stand at close to €111.5 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 2006.

National Pensions Reserve Fund

National Pensions Reserve Fund Commission

The National Pension 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 (NPRF) 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. At the end of 2004, the Fund's market value stood at €11,689 million (equivalent to 9.5 per cent of GNP). The Fund earned a return of 9.3 per cent in 2004.

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 Commission is independent of Government in the exercise of its functions. Under the legislation, 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.

Principal NTMA Activities

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

Provision of policy advice to the Commission: This includes advice on issues such as asset allocation and additional asset classes and the preparation of relevant business entry plans.

Selection and Review of Investment Managers: The NTMA monitors and reviews the Fund's investment managers on the Commission's behalf and runs competitions under EU rules for the selection of new managers. Meetings are held with each manager every six months, on which the NTMA reports to the Commission.

Strategy Implementation: The NTMA implements the Commission's investment decisions, including the timing of the investment of cash in the markets.

Property Investment: The NTMA manages the Fund's property investment programme, in accordance with the parameters set out by the Commission.

Monitoring of Fund Controls: The NTMA has developed detailed procedures and acquired and developed information technology systems to manage the risks to the Fund. These procedures include monitoring the positions taken by the Fund against the benchmark portfolio, compliance of investment managers with the provisions of their contracts, investment manager performance and effective execution of trades. In addition, the NTMA manages the activities of the Global Custodian and its interactions with the investment managers.

Portfolio Management: In most cases, the Commission has outsourced the day-to-day management of the Fund to international investment management institutions following a number of EU tender competitions. Certain investment mandates are managed by the NTMA internally. These are the passive bond mandate, the management of the Fund's cash and the centralised currency overlay programme (to hedge 50 per cent of the Fund's foreign currency exposure).

National Development Finance Agency

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 NDFA was established and its Board 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 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, refinancing and insurance of public investment projects to be undertaken by means of Public Private Partnership 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 the major State agencies that undertake infrastructure projects are obliged to seek the NDFA's advice. However, the final decision rests with the State Authority. State Authorities must refer all capital investment projects in excess of €20 million to the NDFA.

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 an amount of €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.

The thirteen projects, with a combined capital value of €1.3 billion, on which the NDFA has completed its advice are as follows:

Project	State Authority
Transport – Roads	
Dundalk Western Bypass	National Roads Authority
Kilcock – Kinnegad	National Roads Authority
Rathcormac – Fermoy Bypass	National Roads Authority
Transport – Rail	
Capital Finance Requirements	C.I.E.
LUAS Credit Facility	Railway Procurement Agency
Housing	
Fatima Mansions	Dublin City Council
Local Authority Loans	
Civic Offices Loan	Kildare County Council
County Hall Refurbishment Loan	Cork County Council
Drainage Scheme and Courthouse Refurbishment Loan	Cork City Council
Civic Offices Loan	North Tipperary County Council
Cliffs of Moher Tourism Project Loan	Clare County Council
New Office Headquarters	Clare County Council
Broadband/Technology	
Metropolitan Area Network	Department of Communications, Marine and Natural Resources

In 2004, NDFA provided financial advice on four PPP projects that have reached contract close and are either under construction or in operation. These projects, with a combined capital value of €470 million, were: Roads – M1 Dundalk Western By-Pass, N8 Rathcormac-Fermoy By-Pass; Housing – Fatima Mansions Redevelopment and Broadband/Technology – Metropolitan Area Network. To date, the NDFA has completed its advice on six PPPs.

The advice provided to date also included organising funding of approximately €400 million in relation to seven non-PPP projects. Of the thirteen projects completed to date, financing has been provided by the following sources: private sector bank debt, European Investment Bank project loans, direct Exchequer contributions and private equity.

There is a long lead-in time for delivering public capital infrastructure projects due to the lengthy nature of the procurement process, particularly in relation to PPP projects. Many projects referred to the NDFA are currently in procurement and the NDFA has been providing financial advice on an ongoing basis. These include a number of major capital investment projects being undertaken by the State such as the National Conference Centre, the Criminal Courts Complex, the redevelopment of Mountjoy Prison and Luas Line B extension. Other projects include roads, social housing and utilities such as waste and water.

Social Insurance Fund

Social insurance contributions are paid into the Social Insurance Fund, while payments in respect of items including unemployment and disability benefits, retirement pensions and contributory old age pensions are made from it.

The NTMA commenced management of the accumulated surplus in the Fund in July 2001, with the performance being measured against a benchmark agreed with the Minister for Finance. At end 2003, the Fund was valued at €1,275 million. In the course of 2004, €300 million was transferred to the Fund from the Department of Social and Family Affairs bringing total assets under management to €1.6 billion at the end of the year. A further €400 million has been added to date in 2005, bringing the total under NTMA management to over €2 billion.

The investment return achieved by the Fund in 2004, taking account of investment guidelines issued by the Minister for Finance, was 2.13 per cent.

Central Treasury Service

A Central Treasury Service (CTS) is offered by the NTMA to certain public sector bodies - Local Authorities, health boards and vocational education committees. The concept follows best practice in the private sector whereby related companies pool their borrowings and surplus cash in a central treasury unit with a view to achieving cost savings. The NTMA offers these bodies both deposit and loan facilities at competitive rates, with the aim of providing an alternative to their current treasury arrangements and thus achieving savings for the Exchequer.

During 2004, lending to designated bodies, both long term and short term, varied between €70 million and €98 million. There were also 297 deposits placed with the CTS during the year.

State Claims Agency

State Claims Agency

The NTMA is designated as the State Claims Agency (SCA) for the purpose of 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 reducing 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 formally delegated to the SCA.

Current Position

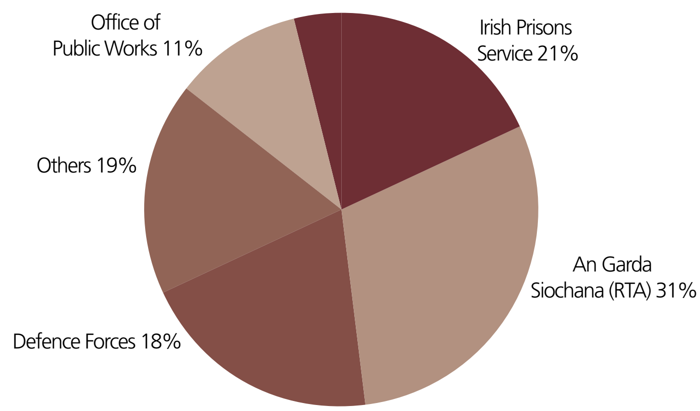
The SCA currently manages almost 2,600 claims, with a total potential Exchequer cost (reserve) of approximately €135 million. Of these claims, 35% are clinical; the remaining 65% are Employer Liability/Public Liability/Property Damage (EL/PL/PD).

Employer Liability, Public Liability and Property Damage claims management

Of the claims in this category, 44% are employer liability claims, 35% are claims made by members of the public and the remainder are claims arising from damage to property.

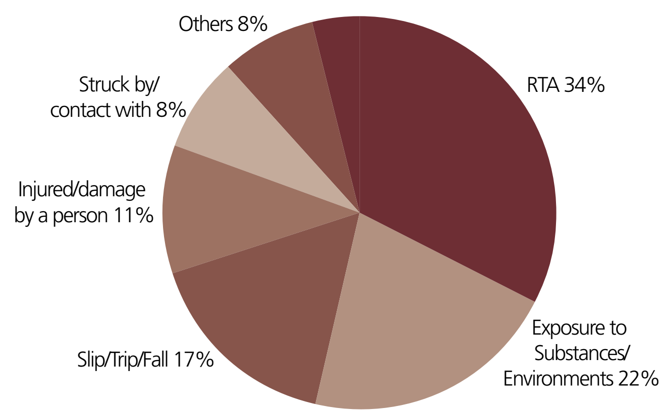
70% of these claims involve the Prison Service, Garda Síochána and Defence Forces.

EL/PL/PD Claims by Authority



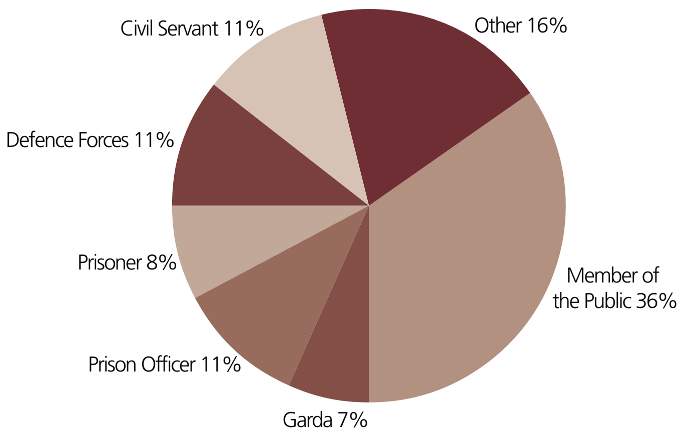
The primary causes of EL/PL claims are alleged exposure to hazardous substances (22%), road traffic accidents (RTAs) (34%) and slips, trips and falls (17%).

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.

EL/PL/PD Claims by Claimant Category



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, to date, the State has been 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. Following a further judgement of the Supreme Court on 31 January 2005, the SCA is now actively pursuing the recovery of the State's costs.

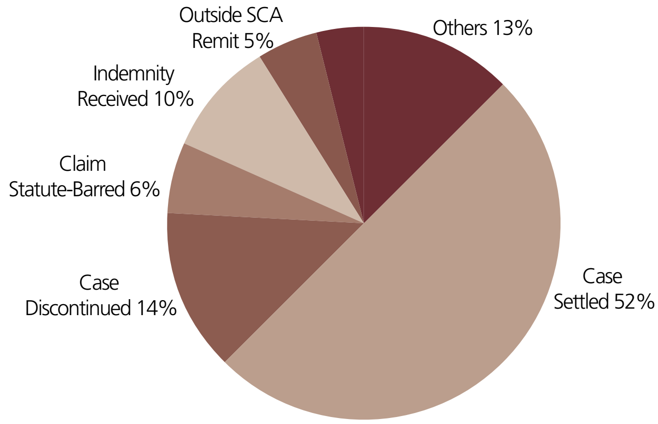
Personal Injuries Assessment Board

The Personal Injuries Assessment Board (PIAB) commenced operations in July 2004. From that date, all claims for personal injury (excluding medical negligence) must be submitted to PIAB prior to the commencement of legal proceedings no matter what the date of the accident. Up to the 31 December 2004, the State Claims Agency has received 11 PIAB notifications. Of these, the SCA consented to assessments in three cases. The remaining were rejected for assessment having regard to liability issues in those cases.

Claims resolved

Since its establishment in December 2001, over 1,100 claims have been resolved by the SCA at a cost of approximately €12.5 million, the majority of these through out-of-court settlement. These costs are recoverable from the various State Authorities.

Claims Resolved by Case Outcome

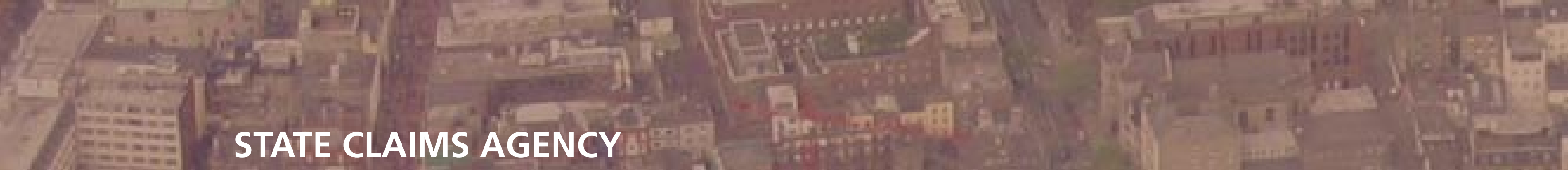


Employer Liability, Public Liability & Property Damage Risk Management

The SCA has a statutory brief to advise and assist State Authorities in relation to risks which, if not addressed adequately, may give rise to personal injury/ property damage litigation. It provides advice and recommendations so that preventative measures can be put in place.

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 almost 4,600 adverse EL/PL incident notifications.

Early reporting of incidents is critical to successful claims and risk management. It enables the SCA to conduct an early and detailed investigation of the more serious incidents so that the question of liability can be determined in advance of any litigation. Data on adverse incidents also enables the SCA to identify any patterns or clusters which might point to weaknesses in existing health and safety procedures.



State Claims Agency continued

The SCA also conducts risk reviews, which seek to identify the risks being run by each authority based on its activities and the premises occupied by it. 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 progressed in 2004:

Toxic moulds

A small number of toxic mould claims have been submitted to the SCA. In order to establish a scientific basis for the defence of any similar claims that may arise in the future, the SCA commissioned a study to establish the prevalence of such moulds in State buildings.

Based on the survey findings, the SCA developed and provided State Authorities with technical guidelines to enable them to put the necessary risk controls in place.

Radon Gas

Radon is a naturally occurring radioactive gas which, if allowed to accumulate in enclosed spaces, gives a radiation dose which can eventually lead to lung cancer. There is a statutory duty on all employers – including State Authorities – to assess radon risk and take appropriate remedial measures where necessary.

The SCA, in conjunction with the Radiological Protection Institute of Ireland (RPII), held an information seminar for State Authorities on radon, urging them to initiate a programme of measuring radon levels, prioritising buildings that are located in geographical areas of higher risk.

To date there has been a satisfactory response by the State Authorities and the programme of measurement and remediation is ongoing, particularly in areas of higher risk.

Defence Forces

A detailed risk review of the management of occupational health and safety risk in the Defence Forces was carried out. The review found that the Defence Forces had a professional approach to the management of safety. However, some areas were mutually identified for improvement.

A detailed risk review of thirty-six workshops from a sample of five garrisons was carried out. This included wood, metal, ordnance, armoury and signals workshops. Recommendations have issued to the Defence Forces.

An Garda Síochána - Road Traffic Accidents

Road Traffic Accidents (RTAs) involving Garda vehicles is the largest category of claims associated with An Garda Síochána. The SCA has completed and sent to the Garda authorities a review identifying measures to be taken to reduce the number of RTAs involving gardaí.

Technology Rooms in Post-Primary Schools

The SCA, in conjunction with the Department of Education and Science, carried out a detailed review of safety standards in technical rooms (woodwork, metalwork and technology rooms) in post-primary schools. This review included an intensive site survey of some sixteen randomly selected schools (incorporating 58 workshops) and the issue of questionnaires to more than one hundred other schools.

Based on the review findings, comprehensive recommendations issued to school authorities and the Department of Education and Science aimed at improving the approach to the management of occupational health and safety risk, and in particular those risks associated with the technologies.

The report incorporated general guidance on occupational health and safety risk management practices and procedures, including a template for assessing and reporting on workshops. This will facilitate the assessment of workshops in all relevant schools.

Goalposts

Following a survey of a sample of Community and Comprehensive Schools, the SCA issued *Guidelines on Goalpost Safety in Schools.* The SCA wrote to all Community and Comprehensive Schools requesting that they report on the action they have taken since receipt of the guidelines. All of the respondent schools have assessed their goalposts and repaired/replaced them, as necessary.

The SCA also contacted the National Standards Authority of Ireland, following which a committee was established to draft a national standard for goalpost design, manufacture and use. The committee is comprised of representatives from the SCA, IRFU, FAI, GAA, relevant Government Departments, manufacturers, suppliers and technical experts.

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

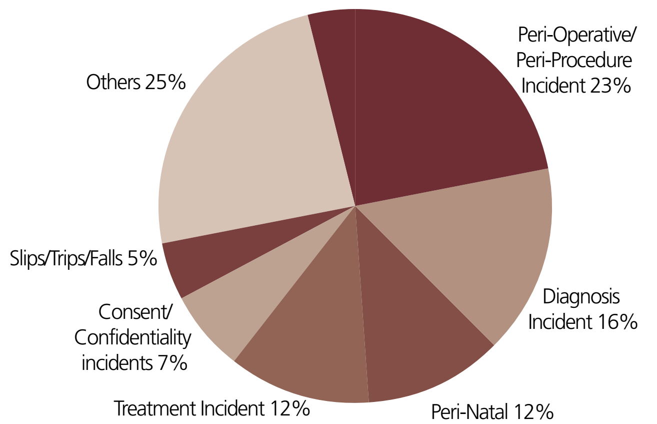
With effect from February 2004, the scope has been extended to cover the public practice of hospital consultants and their private practice in public hospitals. It does not cover private hospitals. Special funding arrangements are being put in place in respect of the obstetric/gynaecological facilities in Mount Carmel Hospital, Dublin and the Bons Secours Hospital, Cork. The SCA manages clinical 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 Negligence Claims

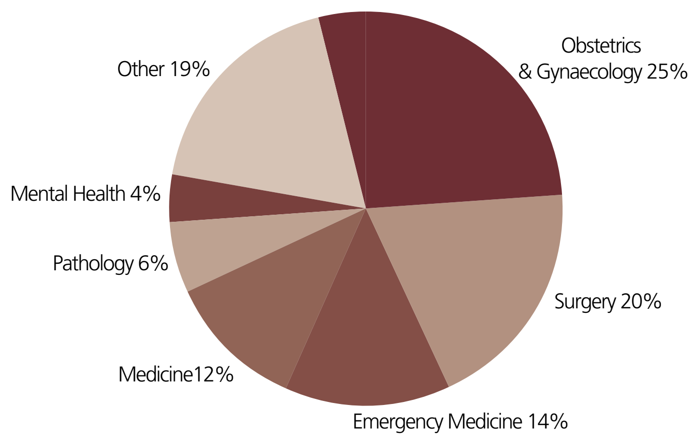
Since the establishment of the CIS, the SCA has received approximately 930 claims alleging clinical negligence. The number of such claims now under SCA management is over 750, including 50 serious incidents expected to give rise to claims at a later stage.

CIS Claims by General Type of Incident



The clinical reporting internet system known as STARSWeb has now been implemented at 15 major sites and is currently being installed at all participating CIS enterprises. Data on approximately 14,000 less serious incidents were transmitted by enterprises, via a secure internet link, to the SCA during 2004.

CIS Claims by Speciality



State Claims Agency continued

Clinical Risk Management

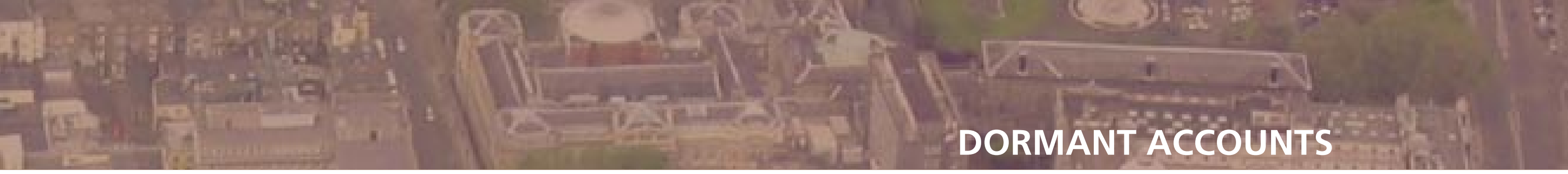
The SCA's role is to advise and assist in the design and implementation of a national clinical risk management scheme.

In addition to adverse clinical incidents and claims, the STARSWeb system had been designed to record data on 'near misses' and non-clinical incidents and claims. The SCA will have access to all clinical data and will use it to identify areas of significant risk (e.g. adverse trends or localised clusters of sub-standard practice). It will provide a robust basis for the launch of risk management initiatives.

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, which met four times during 2004, is as follows:

- 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.
- Anne Marie Hayes – Group Financial Accountant, Musgraves.
- Margaret Lane – Claims and Insurance Manager, Bord Gáis.
- Frank Martin – former Judge of the Circuit Court.
- Anne Nolan – Principal Officer, Department of Finance.



Dormant Accounts

The Dormant Accounts Act 2001 provided that balances on dormant accounts in certain financial institutions be remitted to the State and used for charitable purposes or purposes of societal or community benefit. The period for determining dormancy is 15 years since the last customer-initiated transaction. Notwithstanding that accounts may be declared dormant, the Act guarantees the right of account holders to reclaim their moneys at any time from the financial institutions.

The dormant balances are transferred not later than 30 April each year. The first such transfer took place in April 2003 when a total of €196 million was transferred to the Dormant Accounts Fund from financial institutions. In April 2004, an amount of €23 million representing the net encashment value of certain life assurance policies was transferred to the Fund, under the Unclaimed Life Assurance Policies Act 2003.

The NTMA is obliged to determine the amount to be paid into the Reserve Account of the Fund to meet repayments and expenses. This reserve has been set at 15 per cent of the total amount of the Fund with the approval of the Minister for Community, Rural and Gaeltacht Affairs, with the consent of the Minister for Finance.

A total of €293 million has been transferred into the Dormant Accounts Fund by the financial institutions to date; of this, €58 million has been reclaimed by financial institutions in respect of reactivated dormant accounts. Disbursements from the Dormant Accounts Fund are made on the direction of the Dormant Accounts Fund Disbursements Board. Disbursements of €16 million have been made to date. Taking account also of interest accrued, the balance in the Fund now stands at some €225 million. Pending disbursement, moneys in the Fund will be invested by the NTMA, in accordance with the Fund's investment plan.

Asset Covered Securities

The Asset Covered Securities Act 2001 provides that, in the event of default by an issuer of securities under the Act, the NTMA must, in the following order:

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

The Act further provides that the NTMA should have priority with respect to expenses incurred in the performance of its functions and will derive an annual commitment fee in return for accepting its functions under this Act. The Irish Financial Services Regulatory Authority has approved an annual commitment fee of one tenth of one basis point of the nominal amount of asset covered bonds issued. During 2004, €16.8 billion of asset covered securities were issued in Ireland under the Act, up substantially from 2003 (€12.5 billion).

Consultancy & International Relationships

A number of sovereign borrowers – mainly from EU applicant countries – have consulted the NTMA with respect to debt management issues. In 2004, the NTMA hosted the EU Accession Countries Debt Management Group as part of the activities of the Irish EU Presidency.

Also during 2004, the NTMA provided advice and assistance to:

- Chinese State Pension Fund
- Ontario Finance Authority
- Bulgarian Finance Ministry
- UK National Audit Office
- South African Asset and Liability Management Division
- French National Pensions Reserve Fund
- Hungarian Department of Transport
- UK Treasury.

To date in 2005, advice and assistance has been provided to:

- Bulgarian Finance Ministry
- South African Asset and Liability Management Division
- Turkish Treasury
- New Zealand Superannuation Fund
- OECD Superannuation Fund.

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 €50 billion with cash throughput exceeding €532 billion.

The development of the NTMA's businesses in recent years has placed additional demands. 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 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.

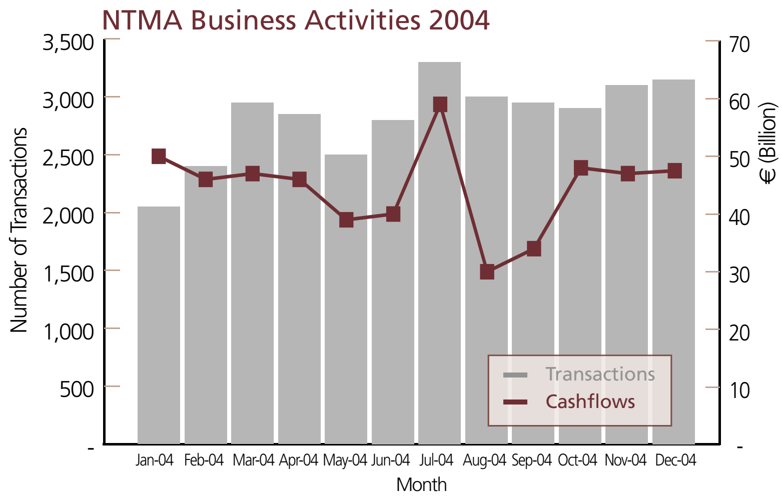
Financial Control continues to work with ABN AMRO Mellon, the Global Custodian for the National Pensions Reserve Fund, to ensure activities of Fund are planned and implemented effectively.

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 2004 has led to further growth in the volume of transactions to 34,000 with an average monthly cashflow of €44 billion.



Information Technology

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

Additional systems were developed and implemented in 2004 to cater for the needs of the new business areas, principally the NPRF and the State Claims Agency where a third-party internet-based system continued to be

rolled out to healthcare enterprises nationally to record clinical incidents and claims and provide risk information to hospitals and health care enterprises.

In 2004, the NTMA business recovery plan was further enhanced, including the acquisition of advanced hardware and software to provide for online business recovery of key systems to our hotsite in the event of our premises becoming unavailable.

Risk

In managing the National Debt and certain fixed interest asset portfolios, the NTMA has to deal with 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 2004, the measurement of performance against the Benchmark and the results achieved were audited by PricewaterhouseCoopers. €28.4 million value added was achieved by the NTMA in 2004.

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.

Finance, Technology and Risk continued

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, which performs internal audit work. During 2004, the NTMA held a competitive tender process under EU Tender rules to select and appoint an internal auditor; PricewaterhouseCoopers were re-appointed.

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 2004.

During 2004, 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

Legal

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.

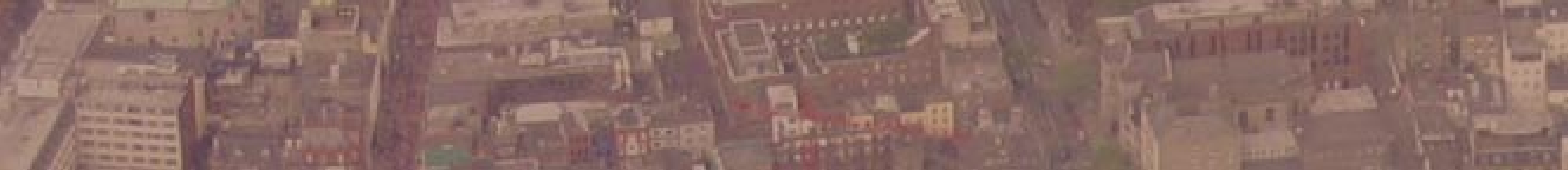
During 2004, the legal unit provided advice to the National Development Finance Agency on a range of issues including financing opinions, finance documents and public procurement law and procedures and to the National Pensions Reserve Fund on a range of public procurement issues related to the appointment of investment managers and specialist advisors. Most recently, the legal unit has taken on the management of legal due diligence for the Fund's property investment programme. Advice was provided to the four boards associated with the NTMA on the application to them of the Ethics in Public Office Act rules and procedures.

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 other procedures associated with best practice and ethics.

Human Resources

The development of the NTMA's businesses, in particular the National Pensions Reserve Fund, the State Claims Agency and the National Development Finance Agency, has given rise to the addition of new staff with specialist knowledge appropriate to each of these activities. In June 2005, the number of staff employed numbered 98 and is likely to increase further by the end of the year as a result of the NTMA's increased responsibilities.

Employee health, safety and welfare issues are matters of paramount importance. It is the NTMA's policy to protect the health and welfare of its staff by maintaining a safe and healthy working environment in line with its Safety Statement.



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 2004

Contents

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

15 June 2005

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 2004, 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

15 June 2005

Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have audited the financial statements on pages 57 to 68 under Section 12 of the National Treasury Management Agency Act, 1990.

Respective Responsibilities of the Agency and the Comptroller and Auditor General

The accounting responsibilities of the Agency are set out on page 53. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me and to report on them.

I review whether the statement on internal financial control on pages 54 and 55 reflects the Agency's compliance with applicable guidance on corporate governance 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.

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 auditing standards 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 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 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, proper books of account have been kept by the Agency and the financial statements, which are in agreement with them, properly present the results of the Agency's operations for the year ended 31 December 2004 and its balances at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

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 58 to 68 are for the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Basis of Accounting

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

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

Reporting Period

The reporting period is for the year ended 31 December 2004.

Reporting Currency

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

Receipts and Payments

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

Liability Valuation

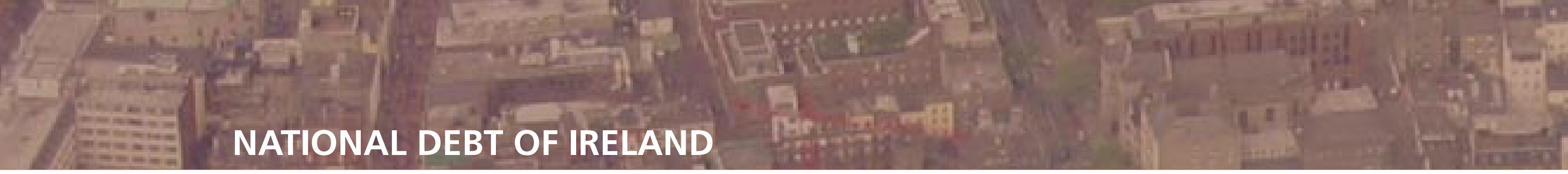
Debt balances are recorded at redeemable par value.

Derivatives

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

Foreign Currencies

Receipts and payments in foreign currencies are translated into 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 2004

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

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

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

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 62 to 68 form part of these financial statements.

National Debt Statement

31 December 2004

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

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

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

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 62 to 68 form part of these financial statements.

Cash Flow Statement

Year Ended 31 December 2004

Movement in Exchequer balances:	2004 €'000	2003 €'000
Opening Balance in Exchequer Account (note 10)	1,724,208	1,529,536
Commercial Deposits	0	0
Borrowing Activity (see below)	305,163	1,173,692
	2,029,371	2,703,228
Exchequer Surplus/(Deficit)	32,927	(979,020)
Closing Balance in Exchequer Account (note 10)	2,062,298	1,724,208

	Receipts €'000	Payments €'000	2004 Net €'000	2003 Net €'000
Borrowing Activity				
Irish Government Bonds listed on The Irish Stock Exchange	31,515,344	(28,640,311)	2,875,033	5,780,433
Other Irish Government Public Bond Issues	-	(153,626)	(153,626)	(625,400)
Private Placements	-	(23,004)	(23,004)	(563,560)
European Investment Bank Loans	-	(59,862)	(59,862)	(77,719)
Medium Term Notes	-	(111,508)	(111,508)	(192,848)
Miscellaneous Debt	473,801	(473,891)	(90)	(371,810)
Commercial Paper	104,530,160	(107,173,283)	(2,643,123)	(2,993,379)
Savings Certificates	422,604	(488,449)	(65,845)	(89,128)
Savings Bonds	505,060	(283,208)	221,852	163,143
National Instalment Savings	72,351	(92,319)	(19,968)	(22,127)
Prize Bonds	126,778	(74,554)	52,224	79,395
Borrowings from Ministerial Funds	78,567,034	(78,333,954)	233,080	86,692
Total Borrowing Activity	216,213,132	(215,907,969)	305,163	1,173,692
Commercial Deposit Activity	36,374,703	(36,374,703)	-	-
Total Activity	252,587,835	252,282,672	305.163	1,173,692
Exchequer Account	247,952,177	(246,002,626)	1,949,551	2,531,763
Foreign Currency Clearing Accounts (Note 14)	4,635,658	(6,280,046)	(1,644,388)	(1,358,071)
	252,587,835	(252,282,672)	305,163	1,173,692

Michael J Somers, Chief Executive
National Treasury Management Agency
15 June 2005

The notes on pages 62 to 68 form part of these financial statements.

Statement of Movement in National Debt

Year Ended 31 December 2004

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

Michael J Somers, Chief Executive
National Treasury Management Agency
15 June 2005

The notes on pages 62 to 68 form part of these financial statements.

Notes to the Financial Statements

Year Ended 31 December 2004

1. Total Service Cost

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

2. Interest on Medium/Long Term Debt

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

3. Interest on Short Term Debt

	Total Cost 2004 €'000	Total Cost 2003 €'000
Commercial Paper	63,768	144,772
Borrowings from Funds under the control of the Minister for Finance	52,444	47,854
	116,212	192,626

4. Interest on National Savings Schemes

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

Payments for Interest on National Savings Schemes in 2004 include transfers to the Dormant Accounts Fund in respect of accumulated capitalised interest on certain accounts deemed dormant by An Post under the Dormant Accounts Act 2001. The net interest amounts transferred in 2004 are as follows:

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

Notes to the Financial Statements

Year Ended 31 December 2004

5. Other Movements

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

6. Sinking Fund Payments

Under Finance Act 1950 specified amounts were provided for the redemption of debt. The sums provided and applied in 2004 were as follows:

	2004 €'000
Capital Services Redemption Account (Note 13)	489,529
	489,529

7. Fees and Expenses

	Total Cost 2004 €'000	Total Cost 2003 €'000
Expenses of Savings Certificates	4,006	3,916
Expenses of Prize Bonds	6,896	6,426
Expenses of Savings Bonds	2,298	2,077
Expenses of National Instalment Savings	2,502	2,581
Expenses of Savings Stamps	1,042	1,042
Expenses of Loans	845	1,733
	17,589	17,775

8. Medium/Long Term Debt

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

	As at 31 December 2004 € millions	As at 31 December 2003 € millions
Debt due for repayment within 1 year	1,632	723
Debt due for repayment between 2 and 5 years	11,441	8,318
Debt due for repayment in more than 5 years	18,791	20,176
	31,864	29,217

9. National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of €4.4 million (2003:€4.8 million) being cash balances held by An Post, TSB Bank and the Prize Bond Company. An Post and the Prize Bond Company act as the registrars for the respective schemes.

As these financial statements are prepared on a cash basis the liabilities do not include the sum of €1,749 million (2003:€2,008 million), being the estimate of the amount of accrued interest at 31 December 2004 in respect of Savings Bonds, Savings Certificates and National Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The actual interest cost for 2004 was 19.55 per cent of the interest accrued at the 31 December 2003 of €2,008m. The Minister decided that a net amount of €100m would be withdrawn from the fund in 2004.

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

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

10. Liquid Assets

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

Notes to the Financial Statements

Year Ended 31 December 2004

11. Derivatives

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

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

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

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

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

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

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

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

12. National Debt

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

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

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

13. Capital Services Redemption Account

This account is used to record;

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

(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.

Notes to the Financial Statements

Year Ended 31 December 2004

14. Foreign Currency Clearing Accounts

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

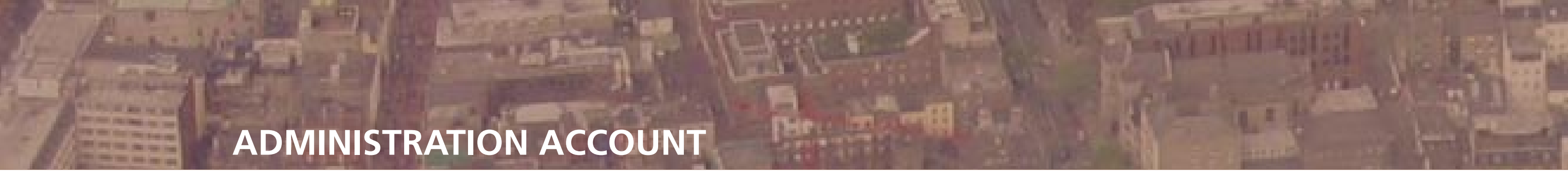
15. Borrowings from Funds under the control of the Minister for Finance

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

	As at 31 December 2004 € million	As at 31 December 2003 € million
Post Office Savings Bank Fund	1,009	945
Small Savings Reserve Fund	969	1,069
Ulysses Securitisation plc	307	273
Deposit Monies Investment Account	935	700
	3,220	2,987

Financial Statements of National Treasury Management Agency - Administration Account

FOR THE YEAR ENDED 31 December 2004



ADMINISTRATION ACCOUNT

Contents

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 53 to 68. Financial information covering the Agency itself is set out on pages 71 to 79.

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

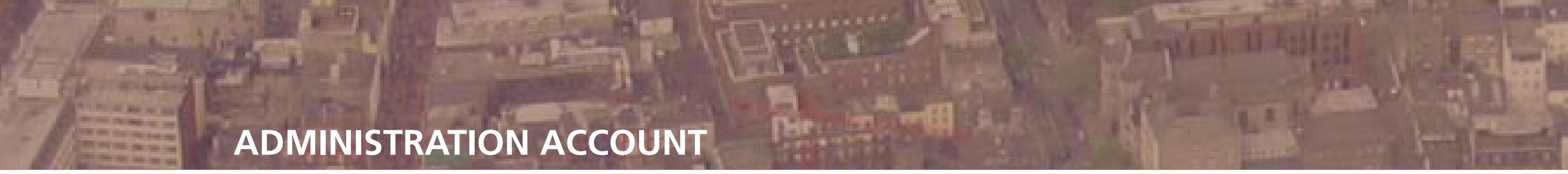
Rentals under the operating lease are charged to the income and expenditure account on an accruals basis.

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 2004

	Notes	2004 €	2003 €
Income			
Central Fund	9	18,394,907	14,945,897
Other income		483,319	322,431
Transfer (to)/from capital account		(256,144)	(117,177)
		18,622,082	15,151,151
Expenditure	1	(18,622,082)	(15,151,151)
Net income/(expenditure)		NIL	NIL

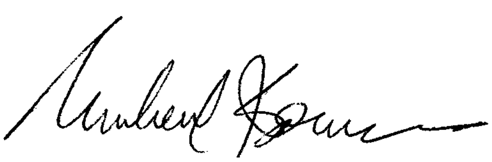
Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 74 to 79 form part of these financial statements.

Balance Sheet
31 December 2004

	Notes	2004 €'000	2003 €'000
Fixed Assets			
Fixed assets	2	1,589,739	1,322,614
Financial Assets	8	25	11,006
Current Assets			
Cash at bank and in hand		546,304	121,765
Debtors	3	2,388,129	2,592,111
Total Current Assets		2,934,433	2,713,876
Current Liabilities			
Creditors	4	2,934,433	2,713,876
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities		1,589,764	1,333,620
Representing:			
Capital account	5	1,589,764	1,333,620
		1,589,764	1,333,620



Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 74 to 79 form part of these financial statements.

Notes to the Financial Statements
31 December 2004

1. Expenditure

	Year Ended 31 December 2004 €	Year Ended 31 December 2003 €
Salaries and superannuation	12,540,213	9,700,837
Establishment expenses	1,067,641	1,046,786
Operating expenses	4,408,245	3,944,463
Depreciation	598,126	451,208
Amortisation (Note 8)	7,857	7,857
Total expenses	18,622,082	15,151,151

2. Fixed Assets

	Property €	Furniture, Equipment & Motor Vehicles €	Total €
Cost:			
Opening balance at 1 January 2004	1,216,038	3,288,916	4,504,954
Additions at cost	102,250	828,331	930,581
Disposals	-	(424,865)	(424,865)
Balance at 31 December 2004	1,318,288	3,692,382	5,010,670
Accumulated depreciation:			
Opening balance at 1 January 2004	784,329	2,398,011	3,182,340
Depreciation for the period	65,914	532,212	598,126
Disposals	-	(359,535)	(359,535)
Balance at 31 December 2004	850,243	2,570,688	3,420,931
Net book value at 31 December 2004	468,045	1,121,694	1,589,739
Net book value at 31 December 2003	431,709	890,905	1,322,614

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 €861,866 per annum.

3. Debtors

	2004	2003
	€	€
Central Fund	540,430	1,008,488
Prepayments	848,339	702,154
Other debtors	999,360	881,469
	2,388,129	2,592,111

4. Creditors

	2004	2003
	€	€
		-
Creditors	777,940	607,921
Accruals	2,156,493	2,105,955
	2,934,433	2,713,876

5. Capital Account

			2004	2003
			€	€
Opening balance			1,333,620	1,216,443
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets	930,582			
- Financial Assets repayment (note 8)	(3,125)	927,457		
Amortisation of capital funding				
- Amortisation in line with depreciation	(598,126)			
- Net amount released on asset disposal	(65,330)			
- Amortisation of Financial Assets	(7,857)	(671,313)	256,144	117,177
Closing balance			1,589,764	1,333,620

Notes to the Financial Statements continued
31 December 2004

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefits 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 2004 amounted to €3,409,910 (2003: €1,253,582) to the defined benefit scheme. This amount of €3,409,910 included a contribution of €2 million approved by the Minister for Finance.

Liabilities arising under the 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, as and when benefits fall due for payment in the normal course, in respect of former civil servants employed by the Agency. No provision has been made for funding the payment of such entitlements.

The Agency also contributed €92,817 (2003: €45,598) to Personal Retirement Savings Accounts (PRSAs) for a number of employees who are not members of the defined benefit scheme in 2004.

7. FRS17 Retirement Benefits

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 as at 31 December 2004 and 31 December 2003 were as follows:

	31 Dec 2004	31 Dec 2003
Valuation method	**Projected Unit**	**Projected Unit**
Discount rate	4.75%	5.25%
Inflation rate	2.25%	2.25%
Salary increases	4.25%	4.25%
Pension increases	2.25%/4.25%	2.25%/4.25%

The market value of the assets and liabilities in the pension scheme for 2003/2004 and the expected rate of return of the scheme liabilities at 31 December 2003 and 31 December 2004 were:

	Expected Return 31-12-2004	Expected Return 31-12-2003	Value at 31-12-2004 €'000	Value at 31-12-2003 €'000
Equities	7.30%	7.75%	13,178	9,591
Bonds	3.80%	4.75%	1,622	1,684
Property	5.30%	5.75%	943	892
Other	2.00%	3.00%	855	311
Total market value of assets			16,598	12,478
Present value of accrued scheme liabilities			(29,486)	(24,330)
Surplus/(Deficit)*			(12,888)	(11,852)
Related deferred tax credit			(0)	(0)
Net pension liability			(12,888)	(11,852)

The financial assumptions used to calculate the components of the defined benefit cost for the year ended 31 December 2004 were as follows:

Valuation method	**Projected Unit**
Discount rate	5.50%
Inflation rate	2.25%
Salary increases	4.5%
Pension increases	2.25%/3.50%

Notes to the Financial Statements continued

7. FRS17 Retirement Benefits continued

Analysis of the amount that would be charged to operating profit is as follows:

	€'000
Current Service Cost	(916)
Past Service Cost	-

Analysis of the amount that would be credited to other finance income is as follows:

	€'000
Interest on scheme liabilities	(1,314)
Expected return on scheme assets	917
Net return	(397)

Statement of Total Recognised Gains and (Losses) is as follows:

	€'000
Actual return less expected return on scheme assets	252
Experience gains and losses	(842)
Changes in assumptions	(2,543)
Actuarial loss that would be recognised in STRGL	(3,133)

Analysis of the movement in surplus (deficit) during the year is as follows:

	€'000
Surplus/(Deficit) at beginning of year	(11,852)
Current service cost	(916)
Contributions	3,410
Past service costs	-
Other finance income	(397)
Actuarial gain/(loss)	(3,133)
Surplus/(Deficit) at end of year	(12,888)

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 pay €63,487, which was apportioned as follows:

- 20 ordinary IR£1 (€1.27) shares purchased at par
- €24,178.82 as a loan repayable over the period commencing on 30 September 1999 and ending on 30 September 2003. The final amount of €3,125 was repaid by IRIS Ltd on 29 January 2004.
- €39,282.70 as a non-repayable, irrevocable and unconditional capital contribution to the company. This has been amortised over 5 years.

The position at 31 December 2004 was:	€
Opening balance	11,006
Amortisation	(7,857)
Loan repayment received	(3,124)
Closing balance	25

9. Central Fund Income

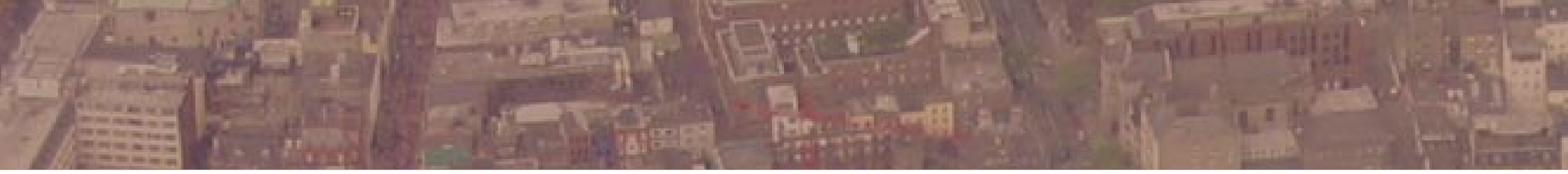
This is an accrual figure whereas the expenses of NTMA which appear on the Service of Debt Statement is cash drawn from the Central Fund. These figures are reconciled as follows;

	2004 €	2003 €
Central Fund Income per Service of Debt Statement	18,862,965	14,916,769
Movement in Central Fund Debtors (note 3)	(468,058)	29,128
Income from Central Fund per Income and Expenditure Account	18,394,907	14,945,897

The Central Fund income of €18,862,965 excludes €30,000 Board fees of the National Development Finance Agency.

10. Expenses of NTMA as Manager

The costs incurred by the NTMA as Manager to the National Pensions Reserve Fund amounted to €3.4 million (2003: €3.16 million.) The costs incurred by the NTMA to fulfil its functions to the National Development Finance Agency amounted to €1.8 million (2003: €1.53 million). These costs are included in the Income and Expenditure account.



Financial Statements of Post Office Savings Bank Fund

FOR THE YEAR ENDED 31 December 2004

Contents

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

I have examined in accordance with auditing standards the financial statements set out on pages 84 to 90 which are in the form approved by the Minister for Finance.

I obtained all the information and explanations that I required for the purpose of my audit.

In my opinion proper books of account have been kept by the National Treasury Management Agency in respect of the Fund and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Fund at 31 December 2004 and of its transactions for the year then ended.

John Purcell
Comptroller and Auditor General

20 June 2005

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 2004

	Notes	2004 €	2003 €
Investment income	1	38,738,230	35,483,429
Interest paid and payable	2	9,697,956	7,699,408
Other expenses	3	27,823,442	25,529,387
		37,521,398	33,228,795
		1,216,832	2,254,634
Balance at beginning of year		9,725,414	7,470,780
Balance at end of year		10,942,246	9,725,414

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 87 to 90 form part of these financial statements.

Balance Sheet

31 December 2004

	Notes	2004 €	2003 €
Assets			
Advances	4	1,009,900,488	945,511,899
Investments in Bonds	5	83,625,032	81,328,444
Debtors	7	9,596,196	4,896,993
Central Treasury Loans		70,157,016	98,071,599
Commercial Paper	10	132,571,619	-
Cash		9,180,041	5,838,486
		1,315,030,392	1,135,647,421
Liabilities			
Post Office Savings Bank Deposits	8	1,300,732,101	1,125,231,773
Creditors	9	3,356,045	690,234
Accumulated Reserves		10,942,246	9,725,414
		1,315,030,392	1,135,647,421

Michael J Somers

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 87 to 90 form part of these financial statements.

Notes to the Financial Statements

1. Investment Income

	2004	2003
	€	€
Interest received and receivable	35,647,819	34,788,288
Profit/(Loss) on sale of investments	3,090,411	695,141
	38,738,230	35,483,429

2. Interest Paid and Payable

	2004	2003
	€	€
Interest paid and credited to depositors of Post Office Savings Bank	9,697,956	7,699,408
	9,697,956	7,699,408

3. Other Expenses

	2004	2003
	€	€
Management expenses	27,823,442	25,529,387
	27,823,442	25,529,387

The management expenses are paid to An Post in respect of its administration of the Post Office Savings Bank.

4. Advances

	2004	2003
	€	€
Advances to Exchequer	1,009,223,063	944,434,474
Advances to State Claims Agency	677,425	1,077,425
	1,009,900,488	945,511,899

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

Notes to the Financial Statements continued

5. Investments

	2004 €	2003 €
Bonds		
At cost	83,625,032	81,328,444
At market value	84,831,259	81,492,630

Schedule of Investment Holdings:

Nominal €	Stock	Cost €
510,312	3.5% Treasury Bond 2005	516,132
25,000	12.5% Capital Stock 2005	29,995
172,767	8% Treasury Bond 2006	191,144
173,531	9% Capital Stock 2006	193,176
52,068	4.25% Treasury Bond 2007	54,376
296,276	6% Treasury Bond 2008	329,045
24,698	8.25% Capital Stock 2008	29,427
18,077,483	3.25% Treasury Bond 2009	18,267,725
156,503	4% Treasury Bond 2010	162,577
43,015	8.5% Capital Stock 2010	55,204
26,000	8.75% Capital Stock 2012	34,874
27,214,258	5% Treasury Bond 2013	30,263,928
83,460	8.25% Treasury Bond 2015	113,532
11,619,611	4.6% Treasury Bond 2016	11,986,351
21,000,000	4.5% Treasury Bond 2020	21,397,546
79,474,982		83,625,032

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

	2004	2003
	€	€
Dividends and interest receivable	3,520,888	2,461,540
Outstanding Bond settlements	-	437,136
Cash balances held by An Post	6,075,308	1,998,317
	9,596,196	4,896,993

8. POSB Deposits

	2004	2003
	€	€
Deposits from Post Office Savings Bank	1,300,732,101	1,125,231,773
	1,300,732,101	1,125,231,773

The deposits include €257,665,348 (2003: €164,622,921) 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 €7,333,383 (2003: €4,383,480) 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 2004 €1,670,924 (2003: €26,249,053) was transferred from the Post Office Savings Bank Fund to the Dormant Accounts Fund under the Dormant Accounts Act 2001. At 31 December 2004 following account reactivations of €902,720 (2003: €1,194,159) and interest (net of DIRT) capitalised of €26,513 there was a balance of €25,878,177 (2003: €25,083,460) due to Depositors from the Dormant Accounts Fund. The Deposits from Post Office Saving Bank liability figure of €1,300,732,101 (2003: €1,125,231,773) does not include this Dormant Accounts Fund liability.

9. Creditors

	2004	2003
	€	€
Net funds due under Sale and Repurchase Agreements	3,187,137	29,138
Outstanding Bond settlements	3,257	-
DIRT due to An Post	119,541	620,312
Management Expenses due to An Post	46,110	40,784
	3,356,045	690,234

Notes to the Financial Statements continued

10. Commercial Paper

	2004	2003
	€	€
HFA Commercial Paper	132,571,619	Nil
	132,571,619	Nil

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

Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have examined the account on pages 92 to 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 2004 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

Capital Services Redemption Account

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

Account of Receipts and Payments		Year ended 31 December 2004 €
Balance at 1 January 2004		771,356
Receipts		
Amounts received from Central Fund		
under Finance Act 1950, Section 22 as amended:		
- Interest	1,420,799,424	
- Sinking Fund	489,528,773	1,910,328,197
Amounts received under Finance Act 1988 [S 67 (8)]		2,382,313,120
Other amounts received under specific borrowing transactions		8,724,194
Deposit interest received		59,015,171
Other interest received		21,207
		4,361,173,245
Payments		
Amounts applied in the redemption of National Debt:		
Irish Government Bonds Listed on Irish Stock Exchange	113,362,915	
Other Irish Government Public Bond Issues	87,702,102	
Swap Driven Issues	288,463,756	489,528,773
Amounts applied in meeting interest on National Debt (note 2)		1,456,187,079
Amounts applied in respect of liabilities under Finance Act 1970, [S 54 (7)]		2,414,572,461
Balance at 31 December 2004		884,932
		4,361,173,245

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

Notes to the Account

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.

Capital Services Redemption Account continued

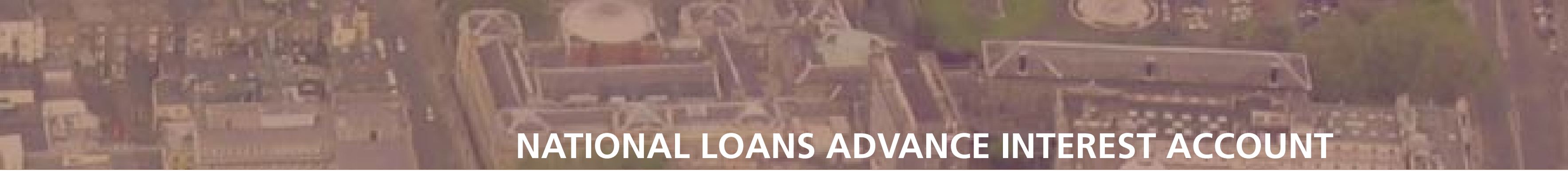
(Finance Act, 1950 Section 22 (No 18 of 1950 as amended))

Notes to the Account continued

2. Amounts applied in meeting interest on National Debt:

	Year ended 31 December 2004
12.5% Capital Stock 2005	1,869,502
8% Treasury Bond 2006	7,108,835
9% Capital Stock 2006	7,609,335
8.25% Capital Stock 2008	103,626
6% Treasury Bond 2008	1,933,670
3.25% Treasury Bond 2009	132,958,841
4% Treasury Bond 2010	41,737,715
8.5% Capital Stock 2010	777,912
8.75% Capital Stock 2012	3,303,272
8.25% Treasury Bond 2015	725,463
5% Treasury Bond 2013	274,104,880
4.6% Treasury Bond 2016	260,197,295
4.5% Treasury Bond 2020	30,439,658
4.25% Treasury Bond 2007	203,000,000
Commercial Paper Programmes	2,439,402
Small Savings	437,706,702
Cash Management Borrowings	5,382,853
Other Euro Borrowings	28,611,806
Swap Driven Issues*	15,055,856
EIB Loans	1,100,000
Other Interest	20,456
Total	1,456,187,079

** 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*



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 2004 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

National Loans Advance Interest Account

Account of Receipts and Payments		Year ended 31 December 2004 €
Balance at 1 January 2004		68,101,513
Accrued interest received on National Loans		
- Tranches and Auctions	20,323,671	
- Cancellations	4	20,323,675
Accrued interest paid on National Loans		(79,484,038)
Balance at 31 December 2004		
- Cash with Central Bank of Ireland		8,941,150

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

15 June 2005

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

I have examined the account on pages 98 to 99. 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 2004 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

National Loans (Winding Up) Account

Account of Receipts and Payments	Notes	Year ended 31 December 2004 €
Balance at 1 January 2004		4,342,755
Receipts from Exchequer	1	12,802,638
Receipts from Central Bank		102,426
Payments to Central Bank		(139,447)
Payments for redemption of National Loans	2	(9,487,374)
Balance at 31 December 2004 - Cash with Central Bank of Ireland		7,620,998

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

Note to the Account

1. 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 2004

	€
National Bonds 1966/77	571
11% Exchequer Stock 1977	300
11% Conversion Stock 1979	889
5% National Savings Bond 1971/81	381
9% Conversion Stock 1980-82	762
5.25% National Development Loan 79-84	3,809
6% Exchequer Stock 1980-85	508
7.5% National Loan 1981-86	344
14% National Loan 1985-90	2,476
5.75% National Loan 1982-87	15,360
9.75% National Loan 1984-89	7,706
5.75% Exchequer Stock 1984-89	4,063
6% Exchequer Stock 1985/90	9,650
14% National Loan 1985/90	4,347
11.5% Exchequer Stock 1990	8,479
6.75% National Loan 1986/91	30,685
7% National Loan 1987/92	136,878
7.5% Development Stock 88/93	4,712
9.25% National Loan 89/94	1,524
13% Exchequer Stock 1994	635
9.5% Conversion Bond 1995	264
9.25% Exchequer Loan 91/96	17,284
9.75% National Development Loan 92/97	9,777
11% National Loan 1993-98	24,115
11.5% Development Loan 97/99	278
13% Finance Stock 1997/02	850
6.50% Exchequer Stock 00/05	73,530
9.25% Capital Stock 2003	224,306
8.25% Treasury Bond 2003	73,335
14.75% Development Stock 2002/04	5,180
6.25% Treasury Bond 2004	8,824,376
	9,487,374

Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have examined the account on pages 101 and 102. 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 the transactions for the year ended 31 December 2003 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

NATIONAL TREASURY MANAGEMENT AGENCY (UNCLAIMED DIVIDENDS) ACCOUNT

Account of Receipts and Payments	Notes	Year ended 31 December 2004 €
Balance at 1 January 2004		1,870,883
Receipt of unclaimed dividends		210,897
Payment of unclaimed dividends	2	(38,328)
Balance at 31 December 2004		
- Cash with Central Bank of Ireland	1	2,043,452

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

Notes to the Account

1. 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	35,471
Foreign Bonds administered by Commerzbank AG	2,857
	38,328

Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have examined the account on page 104. 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 2004 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

DEPOSIT MONIES INVESTMENT ACCOUNT

Account of Receipts and Payments	Year ended 31 December 2004 €
Balance at 1 January 2004	699,769,000
Ways and Means Advances paid to Exchequer	15,664,131,000
Ways and Means Advances repaid by Exchequer	(15,428,436,000)
Balance at 31 December 2004 - Ways and Means Advances to Exchequer	935,464,000

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

15 June 2005

Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have examined the account on pages 106 to 107. 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 2004 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

ACCOUNT OF STOCK ACCEPTED IN PAYMENT OF INHERITANCE TAX AND DEATH DUTIES

Account of Receipts and Payments

		Year ended 31 December 2004 €
Balance at 1 January 2004		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 2004		NIL

Stock Account

Balance at 1 January 2004		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 2004		NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

Notes to the Account

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. During 2003, in accordance with section 22, Finance Act 1954, the Agency repaid €66,144 out of this account back to the Exchequer as there has been no movement on this account for over 2 years.

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.

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

I have examined the account on page 109. 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 2004 and the balance at that date.

John Purcell
Comptroller and Auditor General

20 June 2005

Account of Receipts and Payments

	Year ended 31 December 2004 €
Balance at 1 January 2004	1,069,567,431
Paid to Exchequer	(100,000,000)
Balance at 31 December 2004	969,567,431

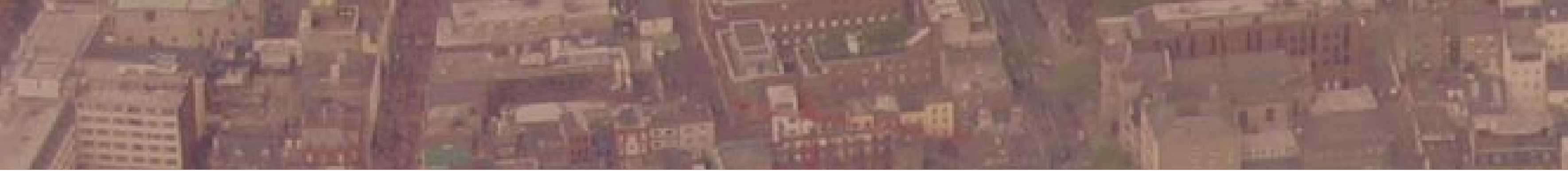
Estimated accrued interest at 31 December 2004: €1,748,521,573

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The actual interest cost for 2004 was 19.55 per cent of the interest accrued at the 31 December 2003 (€2,008m).

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.

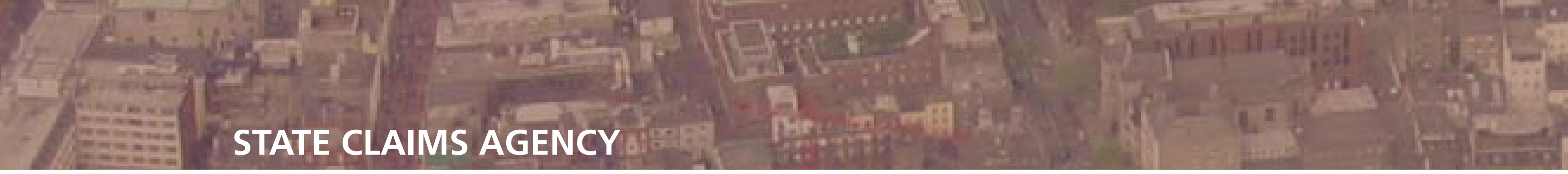
Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

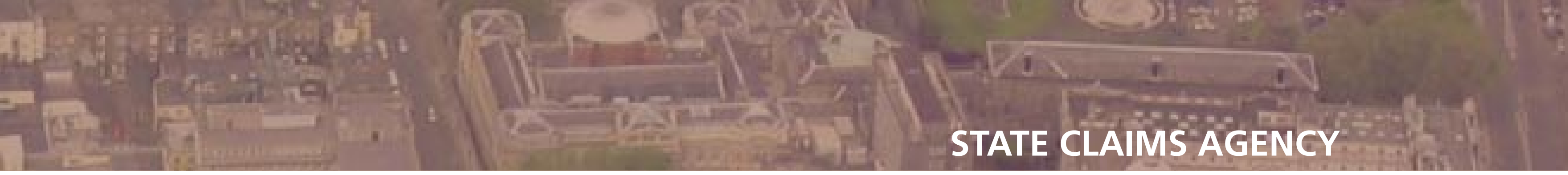


Financial Statements of State Claims Agency

FOR THE YEAR ENDED 31 December 2004



Contents



Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have examined in accordance with auditing standards the financial statements set out on pages 114 to 118 which are in the form approved by the Minister for Finance.

I obtained all the information and explanations which I required for the purpose of my audit.

In my opinion proper books of account have been kept by the Agency and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Agency at 31 December 2004 and of its transactions for the year then ended.

John Purcell
Comptroller and Auditor General

20 June 2005

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

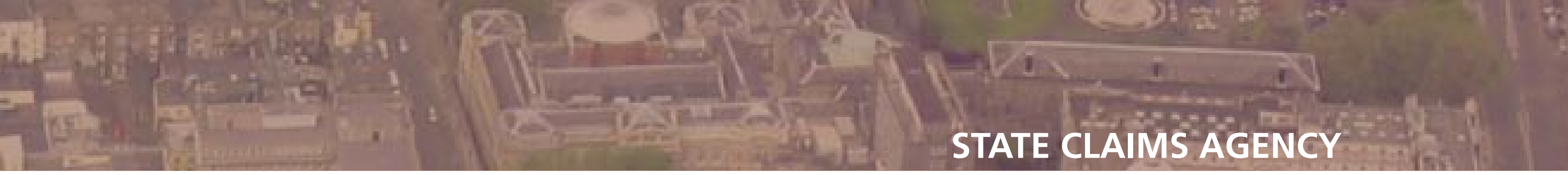
Expenditure on awards and claims settlement expenses are recognised on receipt of a validated approval or the validated settlement of such claims. Lodgements to court are recognised as expenditure on behalf of State Authorities at the date of lodgement.

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

	Notes	Year ended 31 December 2004 €	Year ended 31 December 2003 €
Received and receivable from State Authorities in respect of claims and expenses	1	11,023,215	7,838,056
Paid and payable in respect of Awards		6,858,027	5,982,915
Lodgements to Court and Tender Payments	2	87,360	170,717
Other expenses	3	4,077,828	1,684,424
		11,023,215	7,838,056

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 117 to 118 form part of these financial statements.

Balance Sheet

	Notes	Year ended 31 December 2004 €	Year ended 31 December 2003 €
Assets			
Debtors	4	595,631	1,234,229
Cash		214,701	42,730
		810,332	1,276,959
Liabilities			
Borrowings from Post Office Savings Bank Fund	5	677,425	1,077,425
Creditors	6	132,907	199,534
		810,332	1,276,959

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 117 to 118 form part of these financial statements.

Notes to the Financial Statements

1. Income

	2004	2003
	€	€
Received from State Authorities	10,435,804	6,603,827
Receivable from State Authorities	587,411	1,227,194
Receivable from Revenue Commissioners in respect of Professional Services Withholding Tax	-	7,035
	11,023,215	7,838,056

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

	2004	2003
	€	€
State Claims Agency expenses		
- Legal fees	947,819	365,583
- Medical fees	167,410	200,796
- Engineers' fees	98,624	107,266
- Other fees	114,968	89,932
	1,328,821	763,577
Plaintiff expenses		
- Legal fees	2,745,066	915,196
- Other expert fees	753	750
- Travel expenses	1,485	4,402
	2,747,304	920,348
Witness expenses	1,703	499
	4,077,828	1,684,424

Notes to the Financial Statements

4. Debtors

	2004	2003
	€	€
Receivable from State Authorities	587,211	1,227,194
Professional Services Withholding Tax due from Revenue Commissioners	-	7,035
Other	8,420	-
	595,631	1,234,229

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

	2004	2003
	€	€
Payable in respect of awards	759	108,199
Payable in respect of expenses	63,514	91,335
Professional Services Withholding Tax due to Revenue Commissioners	60,017	-
Other	8,617	-
	132,907	199,534

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.

Financial Statements of Dormant Accounts Fund

FOR THE YEAR ENDED 31 December 2004

Contents

Statement of Agency's Responsibilities

The Agency is required by the Dormant Accounts Act, 2001 and 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

15 June 2005

Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have audited the financial statements on pages 123 to 132 under Section 46 of the Dormant Accounts Act, 2001.

Respective Responsibilities of the Agency and the Comptroller and Auditor General

The Agency's accounting responsibilities are set out on page 121. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me and to report on them.

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 auditing standards 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 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 circumstances of the Fund, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary 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, proper books of account have been kept by the Agency in respect of the Fund and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Dormant Accounts Fund at 31 December 2004 and of its transactions for the year then ended.

John Purcell
Comptroller and Auditor General

20 June 2005

Accounting Policies

Background

The Dormant Accounts Act, 2001 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 policies 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 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
- the maintenance of the Reserve Account
- the defraying of the fees, costs and expenses incurred by the Agency and the Disbursements Board
- 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 Community, Rural and Gaeltacht Affairs.

The functions of the Dormant Accounts Fund Disbursements Board, under section 31 of the Act, are:

- to prepare a plan for the disbursement of moneys from the Fund and to direct the Agency to make disbursements
- to report to the Minister for Community, Rural and Gaeltacht Affairs, as directed under section 45 of the Act.

The establishment date of the Dormant Accounts Disbursement Board was 5 June 2002. The Dormant Accounts Act, 2001 provided for the first transfer of moneys to the Fund in respect of dormant accounts to be made not later than 30 April 2003. A number of financial institutions started making transfers to the Fund from 1 April 2003.

Accounting Policies continued

The Unclaimed Life Assurance Policies Act, 2003 provided for the first transfer in respect of unclaimed life assurance policies to be made no later than 30 April 2004. A number of life assurance companies started making transfers to the Fund from 1 April 2004.

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 2004. The comparative period was the period from 1 April to 31 December 2003.

Basis of Accounting

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

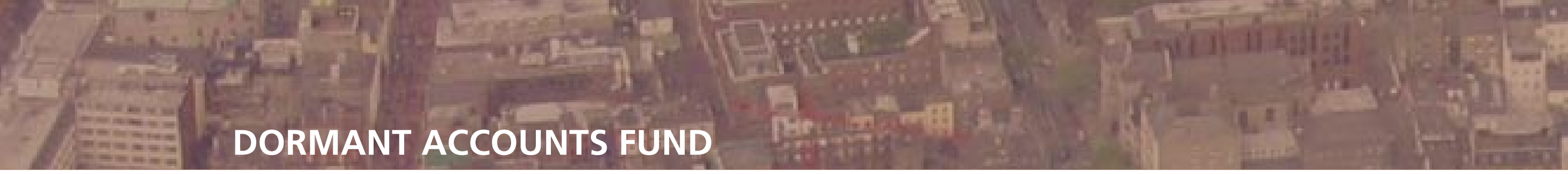
Investment and Disbursements Account
Year ended 31 December 2004

	Notes	2004 €	2003 €
Interest on investments		3,595,505	2,541,676
Moneys transferred to the Fund in respect of dormant			
accounts and unclaimed assurance policies	1	56,024,667	196,209,141
Amount transferred to Reserve Account	2	(21,027,259)	(43,340,111)
Disbursements	3	(14,000,000)	Nil
		24,592,913	155,410,706
Balance at start of period		155,410,706	Nil
Balance at end of period		180,003,619	155,410,706

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 128 to 132 form part of these financial statements.



Reserve Account
Year ended 31 December 2004

	Notes	2004 €	2003 €
Transfer from Investment and Disbursements Account	2	21,027,259	43,340,111
Interest on investments		553,268	420,543
Repayment of moneys transferred to the Fund	1	(21,080,854)	(24,002,874)
Interest on repayment of moneys transferred to the Fund	1	(345,925)	(184,181)
Other expenses	4	(1,051,081)	(152,925)
Movement for the year		(897,333)	19,420,674
Balance at start of period		19,420,674	NIL
Balance at end of period		18,523,341	19,420,674

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2004

The notes on pages 128 to 132 form part of these financial statements.

Balance Sheet
Year ended 31 December 2004

	Notes	2004 €	2003 €
Assets			
Financial Assets			
- Investments at cost	9	176,000,000	152,000,000
Current Assets			
- Cash	5	22,232,202	22,553,098
- Debtors		294,758	283,159
Liabilities			
- Creditors		-	4,877
Net Assets	6	198,526,960	174,831,380
Represented by:			
Investment and Disbursements Accounts		180,003,619	155,410,706
Reserve Account		18,523,341	19,420,674
		198,526,960	174,831,380

Michael J Somers, Chief Executive
National Treasury Management Agency

15 June 2005

The notes on pages 128 to 132 form part of these financial statements.

Notes to the Financial Statements

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

Banks – Dormant Accounts Institution	Opening Balance €	Transferred €	Reclaimed €	Closing Balance €	Interest Paid €
ACC Bank plc	3,237,824	537,172	463,031	3,311,965	0
Allied Irish Banks plc	30,602,550	4,437,577	785,090	34,255,037	413
AIB Finance Limited	599,371	401,421	272,839	727,953	1,212
Anglo Irish Bank Corporation plc	22,158	260,690	70,180	212,668	72
Barclays Bank plc	313,473	2,603	0	316,076	0
BNP Paribas	9,780	8,138	0	17,918	0
Bank of America	154,778	0	0	154,778	0
Bank of Ireland	25,867,107	5,303,944	958,732	30,212,319	484
Bank of Ireland Treasury & International Banking	1,160,903	571,184	2,225	1,729,862	3
Bank of Scotland (Ireland)	344,888	0	10,379	334,509	92
EBS Building Society	4,873,675	826,669	0	5,700,344	0
First Active	4,671,684	0	198,662	4,473,022	129
ICS Building Society	784,197	288,257	70,309	1,002,145	17
Investec Bank (UK) Limited (Irish Branch)	310,110	49,518	11,000	348,628	154
Irish Nationwide Building Society	1,870,706	647,314	0	2,518,020	0
JP Morgan Ireland plc	48,897	0	0	48,897	0
National Irish Bank Limited	2,859,076	370,686	205,910	3,023,852	4,341
An Post - National Instalment Savings	894,738	818,921	590,870	1,122,789	51,810
An Post - National Instalment Savings (Capitalised interest)	4,112,776	3,416,940	2,571,295	4,958,421	0
Permanent TSB	16,245,165	3,732,087	1,576,831	18,400,421	4,573
An Post - Post Office Savings Bank	25,056,231	1,670,924	901,143	25,826,012	1,577
An Post - Savings Bonds (Capitalised interest)	2,070,602	993,868	658,018	2,406,452	0
An Post - Savings Bonds	869,313	547,511	301,322	1,115,502	0
An Post - Savings Certificates (Capitalised interest)	33,727,412	5,534,894	8,126,865	31,135,441	0
An Post - Savings Certificates	4,902,303	1,659,202	1,690,473	4,871,032	278,949
Scotiabank (Ireland) Limited	1,003,127	0	0	1,003,127	0
Ulster Bank Ireland Limited	5,521,659	950,344	138,709	6,333,294	2,099
WestLB Ireland plc	71,764	0	0	71,764	0
TOTAL	172,206,267	33,029,864	19,603,883	185,632,248	345,925

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

Insurance Companies – Unclaimed Assurance Policies Institution	Opening Balance €	Transferred €	Reclaimed €	Closing Balance €	Interest Paid €
Specified Term					
Caledonian Life	0	137,968	33,494	104,474	0
Canada Life	0	63,896	0	63,896	0
Eagle Star	0	44,761	17,418	27,343	0
Friends First	0	192,507	11,244	181,263	0
Hibernian Life	0	406,783	22,061	384,722	0
Irish Life	0	984,658	200,221	784,437	0
Royal Liver	0	2,361,810	6,178	2,355,632	0
Royal & SunAlliance	0	376,013	4,622	371,391	0
Scottish Legal Life	0	120,459	0	120,459	0
Standard Life	0	292,943	130	292,813	0
Sun Life Financial of Canada	0	88,046	11,695	76,351	0
No Specified Term					
Caledonian Life	0	18,850	0	18,850	0
Canada Life	0	297,859	56,305	241,554	0
Eagle Star	0	445,443	206,639	238,804	0
Friends First	0	244,154	0	244,154	0
Hibernian	0	901,388	89,768	811,620	0
Irish Life	0	4,422,518	486,013	3,936,505	0
New Ireland	0	5,427,408	243,622	5,183,786	0
Royal & SunAlliance	0	3,358	0	3,358	0
Royal Liver	0	5,354,352	20,516	5,333,836	0
Scottish Legal Life	0	158,501	0	158,501	0
Scottish Provident Ireland	0	63,291	0	63,291	0
Standard Life	0	574,403	67,045	507,358	0
Sun Life Financial of Canada	0	13,434	0	13,434	0
TOTAL	0	22,994,803	1,476,971	21,517,832	0
GRAND TOTAL	172,206,267	56,024,667	21,080,854	207,150,080	345,925

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 €157,260 from €207,150,080 to €206,992,820.

Notes to the Financial Statements continued

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.

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

No disbursements were made from the Fund during the prior period.

4. Other Expenses

	2004	2003
	€	€
Expenses of the Disbursement Board		
- Board Fees	43,171	68,009
- Board Expenses	1,785	3,111
- Fees of service provider (ADM)	918,410	-
- Other Expenses	87,715	81,805
	1,051,081	152,925

There were no payments relating to remuneration, fees or allowances in respect of inspectors under section 17(4)(a)(ii) of the Dormant Accounts Act 2001 during the period or during the prior period.

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		198,526,960
Total dormant funds received by the Fund and not yet reclaimed (see note 1)		(207,150,080)
Difference		(8,623,120)
Represented by:		
Interest on investments	4,148,773	
Interest on repayments of moneys transferred to the Fund (see note 1)	(345,925)	
Disbursements (see note 3)	(14,000,000)	
Other expenses (see note 4)	(1,051,081)	
Surplus/(Deficit) for the year		(11,248,233)
Contingent Exchequer asset at start of period		2,625,113
Contingent Exchequer liability at end of period		(8,623,120)

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.

Notes to the Financial Statements continued

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:

	2004	2003
	€	€
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.

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 2.07 % (2003: 2.06%).

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. Draft legislation is being prepared to give effect to the proposed arrangements.