

FINANCE ACCOUNTS

Audited Financial Statements of the Exchequer

For the Financial Year 1st January 2014 to 31st December 2014

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

BAILE ÁTHA CLIATH  
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR  
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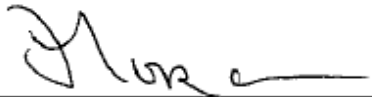
## **PART 2 - FINANCIAL STATEMENTS OF THE NATIONAL DEBT**

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## Statement of Accounting Policies and Principles

1. The Finance Accounts, which are prepared under Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993, contain detailed analysis and classification of the payments into and out of the Central Fund as well as details of the National Debt. They also contain certain other statements and footnoted information. The Finance Accounts have a statutorily specified purpose in relation to providing an annual statement of the transactions, recorded on a cash basis, of the Central Fund. The Finance Accounts do not purport to be a comprehensive financial statement for the State, its assets and liabilities.
2. The maintenance of the Central Fund derives from the Constitutional requirement that "All revenues of the State from whatever source arising shall, subject to such exception as may be provided by law, form one fund, and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law".
3. The Central Fund Account is prepared on a receipts and payments basis and its euro banking transactions are effected through the Exchequer Account maintained at the Central Bank of Ireland and foreign currency clearing accounts managed by the National Treasury Management Agency. Prior year data is provided for comparison purposes.
4. The information contained in the notes is not specified by legislation, but is provided in order to give further details regarding certain transactions on the Central Fund, or other matters. Explanatory notes are not provided where the data relates to the prior year only. The reader should consult the Finance Accounts for the prior year. Loans provided by and repaid to the Central Fund are recorded on a cash basis in Statement 1.7. Share capital acquired in companies is recorded at historical cost, or historical valuation in the case of non-cash capitalisation, as at the date of acquisition. Investments in International Bodies are recorded at historical cost. Shareholdings denominated in U.S. Dollars are stated in Euro at the exchange rates prevailing at the relevant dates, except in the case of the Asian Development Bank and the International Common Fund for Commodities where any repayment of the shares purchased in U.S. Dollars would be made in Euro at the exchange rates prevailing at the time the shares were purchased. Statement 1.11 only records the amounts the Government has guaranteed under specific legislation.
5. The Statements relating to the National Debt and its servicing and cash flow provided by the National Treasury Management Agency (NTMA) are presented in Part Two of these accounts. The accounts of the National Debt form part of the NTMA's annual accounts for which the Chief Executive of the NTMA is the Accounting Officer.
6. Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993, provides for the transmission of the Finance Accounts to the Comptroller and Auditor General not later than 30 June in the year following that to which they relate. The Act provides that following audit, the Comptroller and Auditor General submits the Finance Accounts and a report thereon to the Minister for Finance not later than 31 August in that year. The Accounts are laid before Dáil Éireann not later than 30 September.

7. These Accounts comprise the Central Fund Account, Statements 1.1 to 1.11 and the Financial Accounts of the National Debt including the Accounting Policies.
8. The reporting period is the year ended 31 December 2014.



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Derek Moran  
Secretary General  
Department of Finance  
26 March 2015



## **Comptroller and Auditor General**

### **Report for presentation to the Houses of the Oireachtas**

#### **Finance Accounts**

I have audited the Finance Accounts for the year ended 31 December 2014. The accounts, which have been prepared under the accounting policies set out therein, comprise the Central Fund account, the financial statements of Exchequer receipts and issues and guaranteed liabilities and the financial statements of the national debt. The financial reporting framework that has been applied in their preparation is the format specified by the Minister for Finance in accordance with Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993.

#### **Responsibilities of the Department of Finance**

The Department of Finance is responsible for the preparation of the Accounts in the specified format and for ensuring the regularity of transactions.

#### **Responsibilities of the Comptroller and Auditor General**

My responsibility is to audit the Accounts and report on them in accordance with Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993. My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of Audit of the Accounts**

An audit involves obtaining evidence about the amounts and disclosures in the Accounts, sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the Accounts and
- the overall presentation of the Accounts.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

### **Opinion on the Accounts**

In my opinion, the Accounts properly reflect

- the payments into and out of the Central Fund and the deficit for the year ended 31 December 2014, and
- the capital investment of the Central Fund at 31 December 2014 and the national debt outstanding at that date.

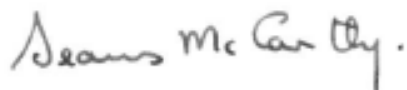
In my opinion, proper books of account have been kept by the Department of Finance. The Accounts are in agreement with the books of account.

### **Matters on which I Report by Exception**

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



Seamus McCarthy  
Comptroller and Auditor General  
30 June 2015



## CENTRAL FUND ACCOUNT

### Account of Receipts and Payments for year ended 31 December 2014

	Statement No.	Page	€000	2013 €000	€000	2014 €000
<b>Current Receipts:</b>						
Tax Revenue	1.1	12		37,805,876		41,282,021
Non-Tax Revenue	1.2	13		<u>2,675,926</u>		<u>2,965,697</u>
				40,481,802		44,247,718
<b>Less Current Payments:</b>						
<b>Issues for Voted Expenditure - Current</b>	1.3	17	40,006,777		39,022,041	
<b>Non-Voted Issues</b>						
Sinking Fund <sup>1</sup>	2.1 (Note 1)	36	624,552		633,177	
Other Service of National Debt	2.1 (Note 1)	36	7,458,612		7,578,556	
Transfer to/(from) Capital Services Redemption Account	2.4	40	139		(48)	
Payments charged to Central Fund in respect of Salaries, Allowances, Pensions etc.	1.4	20	36,588		37,438	
Payments to European Union	1.5	21	1,726,233		1,685,497	
Other non-voted Issues	1.6	22	<u>1,264,113</u>	<u>51,117,014</u>	<u>800,561</u>	<u>49,757,222</u>
<b>Deficit on Current Account</b>				<u>(10,635,212)</u>		<u>(5,509,504)</u>
<b>Capital Receipts:</b>						
Loans Repaid	1.7	24	1,097,594		4,986,677	
Receipts from European Union	1.9	29	91,543		115,148	
Share Capital Disposed	1.8(A)	25	1,300,000		-	
Other Receipts	1.2	13	<u>1,093,347</u>	3,582,484	<u>421,549</u>	5,523,374

<sup>1</sup> The Sinking Fund provision is a transfer from the current account to the capital account to pay principal and interest due on the National Debt.

## CENTRAL FUND ACCOUNT

### Account of Receipts and Payments for year ended 31 December 2014 (Continued)

	Statement No.	Page	€000	2013 €000	€000	2014 €000
<b>Less Capital Payments:</b>						
Issues for Voted Expenditure - Capital	1.3	17	3,064,931		3,201,560	
<b>Non-Voted (payments charged directly under particular legislation)</b>						
Loans Issued	1.7	24	1,443,551		4,929,453	
Share Capital acquired in Irish Companies	1.8(A)	25	-		-	
Investment in International Bodies	1.8(B)	28	541,692		272,571	
Other Payments	1.10	30	<u>25,009</u>	<u>5,075,183</u>	<u>432,000</u>	<u>8,835,584</u>
<b>Deficit on Capital Account</b>				<u>(1,492,699)</u>		<u>(3,312,210)</u>
				(12,127,911)		(8,821,714)
Sinking Fund <sup>2</sup>				<u>624,552</u>		<u>633,177</u>
<b>Exchequer Surplus / (Deficit)</b>				<u>(11,503,359)</u>		<u>(8,188,537)</u>
<b>Source and Application of Funds</b>						
Net Debt/ (Borrowing) Repayment and Other Balances	2.3	39	(36,287,560)		653,060	
Increase in Exchequer Balances and Commercial Deposits	2.3 (Note 10)	48	(249, 799)		(8,841,597)	
Payment under Promissory Note Issued to IBRC			25,034,000		-	
<b>Net Total</b>				<u>(11,503,359)</u>		<u>(8,188,537)</u>

<sup>2</sup> The Sinking Fund provision is a transfer from the current account to the capital account to pay principal and interest due on the National Debt.

**PART ONE**  
**FINANCIAL STATEMENTS OF CENTRAL FUND RECEIPTS AND ISSUES AND**  
**GUARANTEED LIABILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

## STATEMENT 1.1

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### Current: Tax Revenue

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	2013	2014
	€000	€000
Income Tax	15,757,908	17,157,467
Value Added Tax	10,336,000	11,152,929
Excise Duty	4,791,105	4,991,147
Corporation Tax	4,270,332	4,614,462
Stamps	1,339,805	1,686,521
Customs	245,526	269,743
Capital Acquisitions Tax	278,632	356,771
Capital Gains Tax	368,769	561,169
Local Property Tax	317,582	491,351
Training and Employment Levy	217	461
Motor Tax Receipts <sup>1</sup>	100,000	-
<b>Total</b>	<u>37,805,876</u>	<u>41,282,021</u>

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<sup>1</sup> These monies were received from the Local Government Fund pursuant to Section 7 of the Motor Vehicle (Duties and Licences) Act, 2013. In 2014 these funds were included in overall €520m receipts from Local Government Fund.

## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital

	Current		Capital	
	2013 €000	2014 €000	2013 €000	2014 €000
Central Bank Surplus Income	1,152,236	1,225,364	-	-
Revenue Commissioners Account Balances at Central Bank	30	55	-	-
National Lottery Surplus <sup>1</sup>	210,000	178,000	-	-
Royalties	4,593	1,998	-	-
NTMA	4,500	-	371	-
Income from Credit Institutions <sup>2</sup>	575,650	178,745	-	-
Interest received on loans	7,382	6,106	-	-
Share Dividends	264,151	475,431	-	-
<b>Receipts collected by Government Departments and Offices <sup>3</sup></b>				
Agriculture, Food and the Marine	1,048	345	3,231	-
Arts, Heritage and the Gaeltacht	-	-	12	7
Communications, Energy and Natural Resources	24,081	9,614	-	10
Defence	214	-	-	-

<sup>1</sup> Allocation of expenditure, which is part-funded by the National Lottery, is shown in the Estimates for Public Services.

<sup>2</sup> Following a Government decision on 26 February 2013, the Minister for Finance announced the ending of the ELG Scheme for new liabilities from midnight 28 March 2013. The liabilities continue to be automatically covered by the ELG Scheme in accordance with its terms and conditions until the date of maturity of the liability (subject to a maximum of 5 years from 28 March 2013). As the liabilities continue to mature, the resulting fees paid to the Central Fund will continue to reduce and this is built into budgetary forecasting.

<sup>3</sup> These are receipts that must be credited directly to the Exchequer and cannot be retained by Departments for their own use.

## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital - Continued

	Current		Capital	
	2013 €000	2014 €000	2013 €000	2014 €000
<b>Receipts collected by Government Departments and Offices <sup>4</sup></b>				
Education and Skills	898	645	723	115
Environment, Heritage and Local Government	43,701	31,695	473	43
Finance Group	59	731	-	-
Foreign Affairs	120	-	-	-
Jobs, Enterprise and Innovation	3,396	2,232	6,461	5,608
Justice and Equality	16,123	14,999	265	-
Property Registration Authority	36,558	46,079	-	-
Office of the Director of Public Prosecutions	56	14	-	-
Office of the Ombudsman	1	160	-	-
Office of Public Works	6	-	1,633	1,868
Office of the Revenue Commissioners	887	1,467	-	-
Office of Minister for Children	708	-	-	-
Public Expenditure and Reform	-	78	-	-
Social Protection	47	12	-	-
Transport	654	530	5,078	1
State Laboratory	17	-	-	-

<sup>4</sup> These are receipts that must be credited directly to the Exchequer and cannot be retained by Departments for their own use.

## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital - Continued

	Current		Capital	
	2013	2014	2013	2014
	€000	€000	€000	€000
<b>Other Receipts</b>				
Monies received under various Acts	1,816	525	-	-
Voluntary salary and pension surrenders	866	529	-	-
Pension Related Deductions <sup>5</sup>	15,848	14,955	-	-
NTMA Public Service Pension	155	157	-	-
Receipts from European Investment Bank	775	755	-	-
Nursing Home Support Scheme	6,833	9,207	-	-
Sale of Mobile Telephony Licences	-	-	59,600	-
Pension Insolvency Scheme Receipts <sup>6</sup>	-	-	5,000	8,897
Receipts from Local Government Fund <sup>7</sup>	-	520,000	-	-
Interest on Contingent Capital Notes in Banks	246,575	200,000	-	-
Recovery from Social Insurance Fund	52,658	38,468	-	-
Sale of Contingent Capital Notes in Bank of Ireland	-	-	1,010,000	-
Sale of Irish Life plc	-	-	500	-

<sup>5</sup> Pension Related Levies received from Central Bank, National Treasury Management Agency, National Asset Management Agency and Houses of the Oireachtas. The figure also includes deductions from certain salaries paid from the Central Fund.

<sup>6</sup> Payments made by trustees of pension schemes on joining the Pension Insolvency Payments Scheme.

<sup>7</sup> The Local Government Act, 1998, as amended by the Local Government Reform Act, 2014 provides for a transfer of up to €600m from the Local Government Fund to the Central Fund upon a request from the Minister for Finance made before the end of each relevant year.

## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital - Continued

	Current		Capital	
	2013	2014	2013	2014
	€000	€000	€000	€000
<b>Other Receipts (continued)</b>				
Sale of National Lottery Licence <sup>8</sup>	-	-	-	405,000
Interest on Capital Contribution to the Credit Institutions Resolution Fund <sup>9</sup>	-	988	-	-
Interest on Convertible Debt Instrument issued by Irish Water <sup>10</sup>	-	148	-	-
Irish Water State Guarantee Fees <sup>11</sup>		4,578		
Miscellaneous	3,284	1,087	-	-
<b>Total</b>	<u>2,675,926</u>	<u>2,965,697</u>	<u>1,093,347</u>	<u>421,549</u>

<sup>8</sup> The amount of €405 million represents the license fee received from the successful applicant (Premier Lotteries Ireland Limited) for the new 20 year National Lottery license. The upfront payment was received in 2014 in two equal instalments of €202.5 million.

<sup>9</sup> The Credit Institution Resolution Fund was constituted as part of the Central Bank and Credit Institutions (Resolution) Act, 2011 (CBCIR). Section 10 (2) of the Act states that the purpose of the Fund is to provide a source of funding for the resolution of financial instability in, or an imminent serious threat to the financial stability of, an authorised credit institution. Pursuant to Section 12 (1) of the Act, the Minister, following consultation with the Bank, may contribute to the Fund such sums as the Minister considers appropriate, from the Central Fund or the growing produce of the Central Fund. Furthermore, pursuant to Section 12 (2) of the Act, the Minister is entitled to be reimbursed from the Fund for all contributions under subsection (1) together with any interest, at the rate determined under section 11(2), that may have accrued on those contributions at the rate determined.

<sup>10</sup> Pursuant to the 2.5% Redeemable Unsecured Convertible Debt Instrument issued by Irish Water and subscribed to by the Minister for Finance, Irish Water shall pay accrued interest on the Convertible Debt on 31 December, 31 March, 30 June and 30 September of each year for so long as the Convertible Debt is outstanding.

<sup>11</sup> In July 2013 Irish Water entered into a €250m loan facility with the Ireland Strategic Investment Fund, which is repayable in September 2015. In November 2014, the Ireland Strategic Investment Fund agreed to increase the amount available under this facility to €300m. The Ireland Strategic Investment Fund required a guarantee for its lending to Irish Water. The Government agreed in June 2013 to the provision of such a guarantee by the Minister for Finance. The fee for the guarantee is two per cent per annum on the amount of the loan facility drawn down by Irish Water and those obligations will cease once the loan is repaid. The NPRF was reconstituted as the Ireland Strategic Investment Fund in December 2014.



## STATEMENT 1.3

### Issues For Voted Expenditure - Current and Capital <sup>1</sup>

Vote No.	Service	Current		Capital	
		2013 €000	2014 €000	2013 €000	2014 €000
1	President's Establishment	3,041	3,190	-	-
2	Department of the Taoiseach	22,143	19,899	-	-
3	Office of the Attorney General	13,580	13,265	-	-
4	Central Statistics Office	36,871	37,467	-	-
5	Director of Public Prosecutions	36,215	36,798	-	-
6	Office of the Chief State Solicitor	28,218	25,714	-	-
7	Office of the Minister for Finance	24,470	22,125	77	22
8	Office of the Comptroller and Auditor General	6,046	5,115	-	-
9	Office of the Revenue Commissioners	309,724	304,127	5,163	3,415
10	Office of the Appeals Commissioner	409	410	-	-
11	Office of the Minister for Public Expenditure and Reform	32,686	30,407	476	1,154
12	Superannuation and Retired Allowances	360,949	337,997	-	-
13	Office of Public Works	257,358	240,929	116,529	112,337
14	State Laboratory	7,669	7,200	-	-
15	Secret Service	635	687	-	-
16	Valuation Office	7,490	6,568	-	-

<sup>1</sup> The figures shown are the amounts *issued* to fund current and capital expenditure on each Vote. Details of voted and *actual* expenditure are contained in the Appropriation Accounts.

## STATEMENT 1.3

### Issues For Voted Expenditure - Current and Capital (Continued)<sup>2</sup>

Vote No.	Service	Current		Capital	
		2013 €000	2014 €000	2013 €000	2014 €000
17	Public Appointments Service	6,501	6,795	-	-
18	Shared Services	6,448	13,218	8,952	8,132
19	Office of the Ombudsman	6,454	6,515	-	-
20	Garda Síochána	1,288,435	1,276,180	33,759	36,650
21	Prison Service	290,559	289,534	16,892	27,080
22	Courts Service	49,606	46,492	8,100	10,115
23	Property Registration Authority	29,252	28,119	166	560
24	Office of the Minister for Justice and Equality	294,858	297,590	1,035	1,061
25	Office of the Minister for Environment, Community and Local Government	422,378	430,939	661,542	324,553
26	Office of the Minister for Education and Skills	7,492,327	7,312,238	417,418	553,398
27	International Co-operation	493,276	470,180	195	142
28	Office of the Minister for Foreign Affairs and Trade	152,866	149,209	3,242	4,722
29	Office of the Minister for Communications, Energy and Natural Resources	64,588	79,265	73,492	109,600
30	Office of the Minister for Agriculture, Food and the Marine	790,687	943,574	175,887	182,776
31	Office of the Minister for Transport, Tourism and Sport	586,125	561,221	679,611	876,577
32	Office of the Minister for Jobs, Enterprise and Innovation	287,338	273,571	450,999	439,609
33	Office of the Minister for Arts, Heritage and the Gaeltacht	209,241	196,909	39,245	61,414

<sup>2</sup> The figures shown are the amounts *issued* to fund current and capital expenditure on each Vote. Details of voted and *actual* expenditure are contained in the Appropriation Accounts.

## STATEMENT 1.3

### Issues For Voted Expenditure - Current and Capital (Continued)<sup>3</sup>

Vote No.	Service	Current		Capital	
		2013 €000	2014 €000	2013 €000	2014 €000
34	National Gallery of Ireland	7,563	7,234	64	858
35	Army Pensions	218,207	219,988	-	-
36	Office of the Minister for Defence	614,229	618,145	7,578	5,420
37	Office of the Minister for Social Protection	12,778,709	11,770,921	9,440	17,694
38	Office of the Minister for Health	201,211	174,681	11,684	14,777
39	Health Service Executive	12,174,859	11,829,112	325,404	365,159
40	Office of the Minister for Children and Youth Affairs	393,556	922,712	17,981	43,836
41	Office of Government Procurement	-	5,801	-	499
<b>Total Exchequer Issues - Voted Current &amp; Capital Expenditure</b>		<u>40,006,777</u>	<u>39,022,041</u>	<u>3,064,931</u>	<u>3,201,560</u>

<sup>3</sup> The figures shown are the amounts *issued* to fund current and capital expenditure on each Vote. Details of voted and *actual* expenditure are contained in the Appropriation Accounts.

## STATEMENT 1.4

### **Current: Payments charged to Central Fund in respect of Salaries, Allowances, Pensions, etc.<sup>1</sup>**

	2013	2014
	€000	€000
Annuities, Pensions, etc. of former Constitutional, Ministerial and Judicial Office-holders <sup>2</sup>	12,431	13,125
Salaries and Allowances <sup>3</sup>	819	819
Judicial Salaries <sup>4</sup>	<u>23,338</u>	<u>23,494</u>
<b>Total</b>	<b><u>36,588</u></b>	<b><u>37,438</u></b>

<sup>1</sup> The breakdown of Central Fund charges in respect of salaries, allowances and pensions is available on the Department of Finance website.

<sup>2</sup> Payments under this heading were as follows: - (a) Pensions to former Presidents of Ireland; (b) Pensions, retirement lump sums and death gratuities relating to judicial services. (Deductions from lump sum payments to Judges relating to Spouses' and Children's contributions were payable to the Superannuation and Retired Allowances Vote (Vote 12)); (c) Pensions to former Ministers, Ministers of State, Attorneys General, Ceann Comhairlí, Leas-Cheann Comhairlí, Cathaoirígh of the Seanad, Leaschathaoirígh of the Seanad and Comptrollers and Auditors General; (d) Pensions to surviving spouses and children of former Presidents, members of the judiciary and office holders listed at (c) above; (e) Severance payments to former office holders. Severance payments are payable to Ministers, Ministers of State and Attorneys General when they cease to hold office: the initial allowance is 75% of the former office holder's salary, declining to zero over a period of at most 2 years; (f) Retirement lump sums and death gratuities relating to Ministers and other office holders listed at (c) above.

<sup>3</sup> Salaries and Allowances relate to the personal remuneration and annual allowance of the President of Ireland and the remuneration of the Comptroller and Auditor General.

<sup>4</sup> Judicial Salaries relate to the remuneration of Judges of the Supreme Court, High Court, Circuit Courts and District Courts.

## STATEMENT 1.5

### Payments to the European Union: Current and Capital

	Current		Capital	
	2013	2014	2013	2014
	€000	€000	€000	€000
<b>To European Union Budget</b>				
Customs Duties <sup>1</sup>	210,618	<b>225,563</b>	-	-
VAT related payments <sup>2</sup>	202,222	<b>202,715</b>	-	-
GNI (Gross National Income) related payments <sup>2</sup>	<u>1,313,393</u>	<u><b>1,257,219</b></u>	=	=
<b>Total</b>	<u>1,726,233</u>	<u><b>1,685,497</b></u>	=	=

<sup>1</sup> Payments to the European Union Budget take into account agreements which Ireland has made under the Single European Authorisation System. This system allows a company to pay its customs duty in Member State A in respect of goods imported into Member State B. In 2014, the net effect of the agreements was to increase Ireland's European Budget customs duties payments by approximately €109 million (€107 million in 2013).

<sup>2</sup> The VAT and GNI related payments are made on the basis of forecast estimates. Adjustments are made in subsequent years, as the estimates are revised, leading to a mixture of additional payments and/or refunds relating to several years. In addition to adjustments made in respect of previous years' contributions, a number of adjustments may be made to Member States' payments in the course of the budget year following the adoption of any Supplementary Amending Budgets. Contained within the GNI related figure are payments towards rebates for certain Member States.

## STATEMENT 1.6

### Current: Other Non-Voted Expenditure

	2013	2014
	€000	€000
Houses of the Oireachtas Commission Acts, 2012	101,179	101,025
Payments to parliamentary leaders of qualifying parties under the Ministerial and Parliamentary Offices Act, 1938, as amended, including most recently by the Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2014. <sup>1</sup>	7,453	7,117
Payments to qualified parties under Section 17 of Electoral Act, 1997	5,456	5,456
Payments to qualifying Independent members under the Ministerial and Parliamentary Offices Act, 1938, as amended, including most recently by the Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2014.	878	813
Returning Officers' Expenses under the Electoral/Referendum Acts (1992 - 2001)	11,484	15,392
Election Expenses of candidates under the Electoral Act, 1997	26	1,091
Election Postal Charges	1,695	11,252
Payments to International Development Association <sup>2</sup>	29,070	16,020
Payments to PSE Kinsale Energy Ltd <sup>3</sup>	5,470	3,259
Asian Development Fund <sup>4</sup>	1,020	1,800
Payments under National Development Finance Agency Act, 2002	5,039	542
Council of Europe Development Bank	17	11

<sup>1</sup> Details of annual allowances to parliamentary leaders of qualifying parties under Section 1 of the Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2001 are available on the Department of Finance website.

<sup>2</sup> Payments were made under the International Development Association Act, 1960 towards the replenishment of the resources of the Association, which is the concessionary lending body of the World Bank Group.

<sup>3</sup> Remittance to PSE Kinsale Energy Ltd of a proportion of tax and royalties paid to the State. Partial remittance is provided for under Article X of a 1959 Agreement between Marathon Petroleum and the State covering the exploration and development of the Kinsale gas field and the Finance Act, 1992. PSE Kinsale Energy Ltd is a subsidiary of PETRONAS who acquired Marathon Petroleum Ireland in 2009.

<sup>4</sup> Ireland is contributing a total of €20m over a nine year period to the current replenishment of the Asian Development Fund (ADF XI). The contribution is being made in instalments amounting to €5m annually in each of four years in which the replenishment is operative from 2013 to 2016, consisting of cash payments and a promissory note for the balance of the €5m in each year. In 2014, a cash payment of €1.8m was paid and a promissory note issued for €3.2m. The promissory notes will be encashed on an agreed phased basis over the years 2017 to 2021 inclusive.

## STATEMENT 1.6

### Current: Other Non-Voted Expenditure - Continued

	2013	2014
	€000	€000
Payments in respect of prevesting day pensions for Eircom and An Post	110	288
Pension Insolvency Payments Scheme (PIPS) <sup>5</sup>	4,864	5,373
Central Bank Coin Issue	2,003	-
Suspense Account for Social Insurance Fund <sup>6</sup>	52,658	38,468
Payments under Credit Institutions (Financial Support) Act, 2008 <sup>7</sup>	1,035,191	74,573
Securities Market Programme Payment <sup>8</sup>	-	31,000
Transfer of monies equivalent to Local Property Tax collected to Local Government Fund <sup>9</sup>	-	483,580
Sugar Levies <sup>10</sup>	-	2,889
Irish Fiscal Advisory Council <sup>11</sup>	500	612
<b>Total</b>	<b><u>1,264,113</u></b>	<b><u>800,561</u></b>

<sup>5</sup> Ongoing payments to pensioners accepted into the Pension Insolvency Payments Scheme (PIPS) under Section 22 of the Social Welfare and Pensions Act, 2009. Associated capital receipts are recorded in Statement 1.2.

<sup>6</sup> This arose from a drawdown from the Paymaster General Supply Account by the Social Insurance Fund in order to meet its payments arising ahead of the receipt of PRSI revenue, which is normally towards month end. Due to a delay in repayment by the Social Insurance Fund in November 2014, the balance at that point on the Supply Account was attributed to the Fund. The balance was subsequently repaid by the Social Insurance Fund - See Statement 1.2 "Other Receipts" which includes similar repayments made in 2013.

<sup>7</sup> In December 2009 the Government introduced a new guarantee scheme to follow the Credit Institutions (Financial Support) Scheme 2008 to provide for the guarantee of bank liabilities beyond 29 September 2010 – the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009. The Minister for Finance appointed the NTMA as the ELG Scheme Operator. As a result of the appointment of a Special Liquidator to IBRC on 7 February 2013, derivative counterparties terminated their outstanding derivative transactions with Irish Bank Resolution Corporation. In cases where any negative derivative valuations were not already covered by collateral at the date of termination, counterparties are entitled to submit a claim for any shortfall under the Deed of Guarantee. In March 2013 the Government delegated to the NTMA the functions of verifying claims for payment in respect of the Deed of Guarantee made by the Minister for Finance on 29 November 2010 and for paying out amounts due and payable under the deed of Guarantee.

<sup>8</sup> This payment relates to the Securities Market Programme (SMP) measure for Greece. Section 2 of the Central Bank Act, 2014 enables a payment to be made out of the Central Fund to an account established on behalf of the Euro area Member States to receive payments for the purpose of providing financial assistance to the Hellenic Republic (Greece). The total amount to be transferred is the budgetary equivalent of the income related to the Central Bank of Ireland's holdings under the SMP of Greek Government Bonds, covering both coupon payments and amortisation of principal. For Ireland the total payment will amount to €126 million. This will be paid over the period 2014-2026. This 2014 payment is the first such payment.

<sup>9</sup> In 2014 and subsequent years, Local Property Tax receipts are collected by the Revenue Commissioners and deposited into the Central Fund (Exchequer). The Minister for Finance will then pay into the Local Government Fund an amount equivalent to the local property tax paid into the Central Fund during that year, in accordance with section 157 of the Finance (Local Property Tax) Act, 2012.

<sup>10</sup> Repayment of Sugar Levies and Interest due to Sugar Manufacturers and Beet Producers under Council Regulation (EU) No.1360/2013 and of Article 4 S.I. 329 of 1972 issued pursuant to section 3 of the European Communities Act, 1972.

<sup>11</sup> The Irish Fiscal Advisory Council is an independent statutory body established on a non-statutory basis in July 2011 and on a statutory basis on 31 December 2012 under the Fiscal Responsibility Act, 2012. The role of the Council is to independently assess, and comment publicly on, whether the Government is meeting its own stated budgetary targets and objectives. The Fiscal Responsibility Act, 2012 provides for a ceiling of €800,000 for the Fiscal Council in 2012. This sum is to be adjusted by the annual percentage change in the Harmonised Index of Consumer Prices published by the Central Statistics Office for each subsequent year.

## STATEMENT 1.7

### Capital: Loan Transactions

Body/Fund	Outstanding at 31 December 2013 €000	Loans Issued 2014 €000	Loans Repaid 2014 €000	Outstanding at 31 December 2014 €000
<b>Department of Agriculture, Food and the Marine</b>				
FEOGA Guarantee	715,000	677,000	715,000	677,000
<b>Department of Finance</b>				
EU Stability Support to Greece <sup>1</sup>	345,702	-	-	345,702
Insurance Compensation Fund <sup>2</sup>	933,300	-	100,000	833,300
Advances to PMG Supply Account under section 3 of Appropriation Act, 2014 and for salaries and pensions payable from the Fund <sup>3</sup>	152,751	198,453	152,751	198,453
Advances to Irish Water <sup>4</sup>	-	54,000	-	54,000
<b>Office of Public Works</b>				
Local Loans Fund	12,136	-	3,926	8,210
<b>Department of Social Protection</b>				
Social Insurance Fund <sup>5</sup>	15,000	4,000,000	4,015,000	-
<b>Department of Transport, Tourism and Sport</b>				
Coras Iompair Éireann	<u>12,511</u>	=	=	<u>12,511</u>
<b>Total</b>	<u>2,186,400</u>	<u>4,929,453</u>	<u>4,986,677</u>	<u>2,129,176</u>

<sup>1</sup> This represents Ireland's contribution to the bilateral loan facility for Greece which was put in place in May 2010. Ireland ceased to participate in the facility when the EU/IMF Programme of Financial Support for Ireland was put in place at the end of 2010.

<sup>2</sup> The purpose of the Insurance Compensation Fund is to provide a certain minimum level of protection for insurance policy holders should an insurance company go into liquidation. The Fund also allows administrators to apply to the High Court for funding where necessary in order to enable them to meet their financial obligations as they arise. The Central Bank has responsibility under Section 6 of the 1964 Insurance Act to carry out an annual assessment of the needs of the Fund and where it is of the opinion that the state of the Fund is such that financial support should be provided for it, it is allowed determine an appropriate contribution to be paid to the Fund by each insurer or insurer authorised in another Member State in relation to insured risks in the State. However, because it is not pre-funded, there is provision Section 5 of the 1964 Insurance Act, which allows the Minister for Finance to provide the necessary monies in the form of a repayable loan where there are insufficient funds available to enable payments out of the Fund to be made expeditiously.

<sup>3</sup> Due to the unavailability of banking systems on 1 January 2015, provision was made under Section 3 of the Appropriation Act, 2014 for advances from the Central Fund in December 2014 to the Paymaster General Supply Account in order to fund commercial banks in respect of net salaries due on 1 January 2015. The advance of €198.453m was repaid to the Central Fund in January 2015.

<sup>4</sup> Under Section 37 of the Water Services (No. 2) Act, 2013 Irish Water issued a 2.5% redeemable Unsecured Convertible Debt instrument which was subscribed to by the Minister for Finance in November 2014.

<sup>5</sup> Under Section 9 (as amended) of the Social Welfare Consolidation Act, 2005, the Minister for Finance may advance moneys from the Central Fund to the Social Insurance Fund for cashflow support.



## STATEMENT 1.8(A)

### Capital: Share Capital acquired in Companies

Department/Body	Shareholding at 31 December 2013 €000	Shares acquired 2014 €000	Shares disposed 2014 €000	Shareholding at 31 December 2014 €000
<b>Agriculture, Food and the Marine</b>				
Coillte Teoranta	795,060	-	-	795,060
Irish National Stud Company Ltd	13,769	-	-	13,769
Fastnet Mussels Ltd	19	-	-	19
Kush Seafarms Ltd	19	-	-	19
<b>Communications, Energy and Natural Resources</b>				
An Post <sup>1</sup>	68,239	-	-	68,239
Bord na Móna plc <sup>2</sup>	78,664	-	-	78,664
EirGrid <sup>3</sup>	38	-	-	38
Irish National Petroleum Corporation	0.003	-	-	0.003
National Oil Reserves Agency	0.001	-	-	0.001

<sup>1</sup> The State has a 20% shareholding in An Post National Lottery Company, a subsidiary of An Post.

<sup>2</sup> Taken from Financial Statements for year ended 27 March 2014. The shareholding at Bord na Mona stood at 95% on 27 March 2014.

<sup>3</sup> Taken from Financial Statements for year ended 30 September, 2014.

## STATEMENT 1.8(A)

### Capital: Share Capital acquired in Companies - Continued

Department/Body	Shareholding at 31 December 2013	Shares acquired 2014	Shares disposed 2014	Shareholding at 31 December 2014
	€000	€000	€000	€000
<b>Environment, Community and Local Government</b>				
Housing Finance Agency plc.	39	-	-	39
National Building Agency Ltd <sup>4</sup>	0.2	-	-	0.2
<b>Finance</b>				
Irish Bank Resolution Corporation Ltd (formerly Anglo Irish Bank – in liquidation) <sup>5</sup>	4,123,000	-	-	4,123,000
Irish Life and Permanent <sup>6</sup>	2,300,000	-	-	2,300,000
Strategic Banking Corporation of Ireland (SBCI) <sup>7</sup>	-	-	-	10,000

<sup>4</sup> Taken from Financial Statements for year ended 31 December 2013.

<sup>5</sup> S.I. 36/2013 of 7 February 2013, pursuant to Section 4 of the Irish Bank Resolution Corporation Act, 2013, provided for the winding up of Irish Bank Resolution Corporation Limited (IBRC). The liquidation is ongoing and liquidation accounts will be filed in the Company Registration Office after the first two years of the liquidation.

<sup>6</sup> The Minister invested €2.3 billion in Irish Life and Permanent in July 2011 in return for 36,249,014,972 Ordinary Shares (issue price of €0.06345 per share). The State shareholding in Irish Life and Permanent stood at 99.24% on 31 December 2014.

<sup>7</sup> The initial shareholding of the Strategic Banking Corporation of Ireland of 10 million shares, at a face value of one euro each, was paid for by a transfer under order of the Minister from the then NPRF (now ISIF) directed portfolio. Accordingly, no Central Fund contribution is involved.

## STATEMENT 1.8(A)

### Capital: Share Capital acquired in Companies - Continued

Department/Body	Shareholding at 31 December 2013	Shares acquired 2014	Shares disposed 2014	Shareholding at 31 December 2014
	€000	€000	€000	€000
<b>Transport, Tourism and Sport</b>				
Dublin Airport Authority plc.	186,337	-	-	186,337
Shannon Group <sup>8</sup>	183,560	-	-	183,560
Cork Airport Authority	38	-	-	38
Aer Lingus Group plc. <sup>9</sup>	6,705	-	-	6,705
Irish Aviation Authority	22,675	-	-	22,675
Drogheda Port	8,237	-	-	8,237
Dublin Port Company	14,464	-	-	14,464
Dun Laoghaire Harbour Company	14,540	-	-	14,540
Galway Harbour Company	8,927	-	-	8,927
New Ross Port Company	4,672	-	-	4,672
Port of Cork Company <sup>10</sup>	19,699	-	-	22,518
Port of Waterford Company	18,676	-	-	18,676
Shannon Foynes Port Company	22,187	-	-	22,187
Wicklow Port Company	1,964	-	-	1,964
<b>Total</b>	<u>7,891,528</u>	=	=	<u>7,904,347</u>

<sup>8</sup> Following the establishment of Shannon Group in accordance with the State Airports (Shannon Group) Act, 2014, the shareholding of €38,100 in Shannon Airport was transferred to Shannon Group with effect from 5 September 2014. On the same date the shareholding of €183.522m in Shannon Commercial Enterprises (formerly Shannon Development) also transferred to Shannon Group. The share capital for Shannon & Cork airports was established at €38,100 each under Section 10 of the State Airports Act, 2004. Following the enactment of the State Airports (Shannon Group) Act, 2014, Shannon Airport Authority re-registered as a private limited company in accordance with Section 30 of the State Airports (Shannon Group) Act, 2014. Shannon Commercial Enterprises will re-register as a private limited company in due course. Accordingly, the shareholdings for Shannon Airport Authority and Shannon Free Airport Development Company Ltd (formerly under the remit of the Department of Jobs, Enterprise and Innovation) have been amalgamated and shown under Shannon Group.

<sup>9</sup> Aer Lingus was floated on the Irish and UK Stock Exchanges during 2006. The nominal value of shares in the Company is €0.05 each. The State's percentage shareholding remained at 25.11% at 31 December 2014.

<sup>10</sup> The Minister for Transport, Tourism and Sport made a decision on 7th May 2013 that the transfer of Bantry Bay Harbour Commissioners' assets and trade to the Port of Cork Company should proceed on 01 January 2014. Port of Cork Company issued €2.819m of ordinary shares in return for receipt of the net assets and trade of Bantry Bay Harbour Commissioners based on the assessed fair value. Accordingly, no Central Fund contribution is involved.

## STATEMENT 1.8 (B)

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

	Shareholding at 31 December 2013 <sup>1</sup>	Cost of Shares Acquired in 2014	Disposal of Shares in 2014	Shareholding at 31 December 2014 <sup>1</sup>
	€000	€000	€000	€000
Payments under Bretton Woods Agreement Acts, 1957 – 1999 <sup>1</sup>	30,009	2,962	-	36,894
Payments under International Finance Corporation Act, 1958 <sup>2</sup>	935	-	-	1,063
European Bank for Reconstruction and Development <sup>2</sup>	18,780	-	-	18,780
European Investment Bank <sup>3</sup>	94,295	14,184	-	108,479
International Common Fund for Commodities <sup>2</sup>	529	-	-	529
Multilateral Investment Guarantee Agency <sup>2</sup>	679	-	-	771
European Financial Stability Facility <sup>2, 4</sup>	453	-	-	453
European Stability Mechanism <sup>5</sup>	1,019,008	254,752	-	1,273,760
Council of Europe Development Bank <sup>2</sup>	15,261	-	-	15,261
Development Banks Act, 2005 - Asian Development Bank <sup>6</sup>	<u>9,350</u>	<u>673</u>	=	<u>10,023</u>
<b>Total</b>	<u>1,189,299</u>	<u>272,571</u>	=	<u>1,466,013</u>

<sup>1</sup> All shareholding amounts represent the actual shareholdings at the relevant dates. Shareholdings denominated in US dollars are stated in Euro at the exchange rates prevailing at the relevant dates except in the case of the Asian Development Bank and the International Common Fund for Commodities where any repayment of the shares purchased in US Dollars would be made in Euro at the exchange rates prevailing at the time the shares were purchased.

<sup>2</sup> There were no new shares acquired in these institutions in 2014. Any changes in value relate to exchange rate fluctuations.

<sup>3</sup> In 2012 the Board of Governors of the European Investment Bank agreed to increase the capital of the Bank. The 2014 payment represents 25% of Ireland's contribution to the increased capital.

<sup>4</sup> The European Financial Stability Facility (EFSF) was set up as an entity incorporated in Luxembourg to issue bonds to Member States which require assistance. Section 3 of the European Financial Stability Act, 2010 provides for the payment from the Central Fund of sums not exceeding €7.5 billion in aggregate for the purpose of enabling the State to fulfill its obligations under the EFSF Agreement between Eurozone Member States, including contributions to the capital and other costs of the EFSF and any other expenses incurred in relation to the Agreement. In November 2010, Ireland became a borrower from the EFSF as part of the EU-IMF Programme and under the terms of the Agreement stepped out of the Facility.

<sup>5</sup> The European Stability Mechanism (ESM) had an authorised capital stock of €702 billion at end-2014 (the accession of the Republic of Lithuania to the ESM on 3 February 2015 means this is now €704.8 billion). Ireland's share of this authorised capital amounts to €11.15 billion in total, and this does not change following accessions. This sum is based on an agreed contribution key, which is based on the ECB capital contribution key. For Ireland the key at end-2014 was 1.5878% of the authorised capital (following Lithuania's accession it is now 1.5814%). The total for the ESM's paid-in capital at end-2014 was €80.2 billion, of which Ireland's share (based on the contribution key) was €1,273,760,000. This contribution was paid in five instalments, each of €254.752 million between October 2012 and April 2014. The European Stability Mechanism Act 2012, Section 3, provides for these payments.

<sup>6</sup> In June 2011, Ireland subscribed to the Fifth General Capital Increase of the Asian Development Bank (ADB) which will cost approximately €8.3m and will be paid over a ten-year period. The subscription is being made in five equal annual instalments each of which consists of a cash payment and a promissory note. A payment of €673,361 and a promissory note for €1,010,041 were issued to the ADB in 2014. The promissory notes will be encashed sequentially on an annual basis in the period 2016-2020 following the final cash payment in 2015.

## STATEMENT 1.9

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### Capital: Receipts from the European Union

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	2013	2014
	€000	€000
European Regional Development Fund	80,645	<b>114,870</b>
Cohesion Fund	10,389	-
Trans European Network	476	<b>245</b>
Turkish Aid Protocol <sup>1</sup>	33	<b>33</b>
<b>Total</b>	<u>91,543</u>	<u><b>115,148</b></u>

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<sup>1</sup> Ireland's share of repayments of EU loans under the Association Agreement with that country.

## STATEMENT 1.10

### Capital: Other Non-Voted Expenditure <sup>1,2</sup>

	2013		2014	
	€000	€000	€000	€000
<b>Promissory Notes</b>				
AIB/EBS <sup>3</sup>	<u>25,000</u>	25,000	<u>25,000</u>	<u>25,000</u>
<b>Payments under other Acts</b>				
Insurance Acts, 1953-1988	4		-	
Convention of Lomé Act, 2007	5		-	
Capital Contribution to Irish Water under the Water services (No. 2) Act 2013 <sup>4</sup>	=	<u>9</u>	<u>407,000</u>	<u>407,000</u>
<b>Total</b>		<u>25,009</u>		<u>432,000</u>

<sup>1</sup> There were no payments from the Exchequer to the National Pensions Reserve Fund / Ireland Strategic Investment Fund in 2013 or 2014.

Year	Market Value of NPRF/ISIF	Discretionary Portfolio	Directed Portfolio
2013	€19.9 bn	€6.8 bn	€13.1 bn
2014	€22.2 bn	€7.2 bn	€15.0 bn

The Ireland Strategic Investment Fund (ISIF) was established on 22 December 2014 with a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State. The assets of the National Pensions Reserve Fund (NPRF) became assets of the ISIF on the ISIF's establishment (except for assets governed by foreign law which remain NPRF assets until their transfer). The National Treasury Management Agency (NTMA) has advised that the Discretionary Portfolio (the Fund excluding the public policy investments in Allied Irish Banks and Bank of Ireland) was valued at €7.2 billion as at 31 December 2014. The Directed Portfolio (public policy investments in Allied Irish Banks and Bank of Ireland made at the direction of the Minister for Finance) was valued at €15.0 billion at 31 December 2014. The Total Fund size at 31 December 2014 was €22.2 billion (this is a preliminary unaudited figure).

<sup>2</sup> An actuarial valuation was carried out in 2014, using data as at 31 December 2012, by the Department of Public Expenditure and Reform to update the accrued liability in respect of Public Service occupational pensions. Further information can be found at <http://www.per.gov.ie/public-service-pensions-accrued-liability/>.

<sup>3</sup> In 2010, as part of the process of bank capitalization, the Minister for Finance issued promissory notes to the value of €250 million to the Educational Building Society (EBS), which was subsequently taken over by AIB. Under the terms of the notes, annual payments will continue until the principal amount and all of the accrued interest has been paid. The value at the 31 December 2014 was €200,778,950 million. There were no payments from the Exchequer to the National Pensions Reserve Fund / Ireland Strategic Investment Fund in 2013 or 2014.

<sup>4</sup> Pursuant to Section 37 of the Water Services (No. 2) Act, 2013 and relevant Government Decisions, a direct contribution totaling €407 million was made from the Central Fund to Irish Water in July (€185m) and December 2014 (€222m).

## STATEMENT 1.11

### Guaranteed Liabilities

At 31 December 2014, the Government had guaranteed, under specific legislation, the due payment of obligations in respect of liabilities of which the principal or capital value outstanding was €28.53 billion. The individual amounts represent capital raised and commitments entered into in accordance with the relevant statutes.

Relevant Department and Nature of Liability	Amounts Outstanding at 31 December 2013 €000	Changes in Guaranteed Liabilities in 2014 €000	Amounts Outstanding at 31 December 2014 €000
<b>Finance</b>			
ACP-EEC Convention of Lomé (contracts of Guarantee between State and European Investment Bank) Act, 1976	4,598	369	4,967
Credit Institutions (Financial Support) Act, 2008 Eligible Liabilities Guarantee <sup>1</sup>	20,091,000	(9,843,000)	10,248,000
National Asset Management Agency <sup>2</sup>	34,618,000	(21,028,000)	13,590,000
Strategic Banking Corporation of Ireland <sup>3</sup>	-	200,000	200,000
<b>Transport, Tourism and Sport</b>			
Córas Iompair Éireann	6,135	(4,174)	1,961

<sup>1</sup> The total liability under the Bank Guarantee Scheme at the 31 December 2014 was €10 billion. Under Section 6 of the Credit Institutions (Financial Support) Act, 2008, all financial support arising under the Scheme is, as far as possible, recouped from the credit institutions to which support is provided. The Act does, however, provide (Section 4) that expenditure not met under Section 6 will be met from the Central Fund. Under the Credit Institutions (Eligible Liabilities Guarantee) (ELG) Scheme 2009 (S.I. 490 of 2009), a credit institution that avails of the guarantee is liable to pay a charge for the guarantee which is credited to the Central Fund (see Statement 1.2). Following a Government decision on 26 February 2013, the Minister announced the ending of the ELG Scheme for new liabilities from 28 March 2013. The liabilities continue to be automatically covered by the ELG Scheme in accordance with its terms and conditions until the date of maturity of the liability.

<sup>2</sup> The securities are Floating Rate Notes denominated in Euro, which were issued and used by NAMA as consideration (95%) for the loan portfolios acquired from each of the Participating Institutions. NAMA redeemed €9.1bn in Senior Bonds in 2014, leaving €13.59bn in outstanding Senior Bonds. In 2014, the guaranteed liability included the acquisition by NAMA from the Central Bank of a loan facility deed and floating charge over the assets of IBRC (in liquidation) through the issue of government guaranteed debt securities. In 2013, NAMA issued government guaranteed senior debt securities to the value of €12.9 bn as consideration for the acquisition of a loan facility deed and floating charge over certain assets of IBRC (in liquidation) as part of its funding arrangements with the Central Bank of Ireland. Prior to this, Ministerial guarantees were provided as collateral for the drawdown of Exceptional Liquidity Assistance by IBRC from the Central Bank. All debt securities were fully redeemed in 2014.

<sup>3</sup> The Strategic Banking Corporation (SBCI) is a company limited by shares and wholly owned by the Minister for Finance. Section 18 of the SBCI Act, 2014 gives the Minister for Finance the authority to guarantee any moneys borrowed by the SBCI up to a maximum of €4 billion.

## STATEMENT 1.11

### Guaranteed Liabilities - Continued

Relevant Department and Nature of Liability	Amounts Outstanding at 31 December 2013 €000	Changes in Guaranteed Liabilities in 2014 €000	Amounts Outstanding at 31 December 2014 €000
<b>Jobs, Enterprise and Innovation</b>			
Insurance Acts, 1953-1988 <sup>4</sup>	328	45	373
Credit Guarantee Act, 2012 <sup>5</sup>	514	165	679
<b>Environment, Community and Local Government</b>			
Housing Finance Agency plc. <sup>6</sup>	4,382,748	(205,344)	4,177,404
Irish Water <sup>7</sup>	<u>161,903</u>	<u>146,680</u>	<u>308,583</u>
<b>Total</b>	<u>59,265,226</u>	<u>(30,733,259)</u>	<u>28,531,967</u>

<sup>4</sup> The increase in guaranteed liability is solely due to currency fluctuations. There were no new guaranteed liabilities in 2014.

<sup>5</sup> This represents 7.5% of the principal amount of loans approved under the scheme as at 31 December 2014. The Minister for Jobs, Enterprise and Innovation's liability in respect of any loan is capped at 75% of the principal amount of the loan. Section 4 of the Act further provides that claims under the Scheme shall be payable up to a maximum of 10% of the aggregate of all loans made under the guarantee scheme, the aggregate not exceeding €150 million in any one year. Section 8 of the Act provides for an annual premium of 2% to be charged by the Minister to participating borrowers in respect of loans guaranteed under the Scheme. Any payout under the guarantee would be from the Vote and not from the Central Fund.

<sup>6</sup> Housing Finance Agency guaranteed debt held by the NTMA is included in the Financial Statements of the National Debt – see Page 48.

<sup>7</sup> Pursuant to Section 13(1) of the Water Services Act, 2013, the Minister for Finance has guaranteed a term loan facility of €300 million which the Strategic Investment Fund Ireland has made available to Irish Water. The guarantee also covers all interest and commitment fees accrued to the loan facility and all the associated reasonable costs, claims, liabilities and expenses incurred. The guarantee shall terminate two years and six months after the date of the first utilisation of the facility. Irish Water's obligations to the SIFI pursuant to the loan facility amounted to €308,582,563 at 31 December 2014.



**PART TWO**  
**FINANCIAL STATEMENTS OF THE NATIONAL DEBT OF IRELAND**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

## NATIONAL DEBT OF IRELAND

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### Accounting Policies

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#### a) Background

Under the National Treasury Management Agency Act, 1990, The National Treasury Management Agency (“the Agency”) performs borrowing and National Debt Management functions on behalf of the Minister for Finance.

Pages 36 to 55 set out the financial statements of 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.

The financial statements of the National Debt include a full disclosure note in relation to the Capital Services Redemption Account (“CSRA”) in accordance with section 99(1)(f) of the Finance Act, 2014, which states the CSRA is to be reported as part of the National Debt for 2014 and each subsequent year. This account was presented separately prior to the 2014 financial statements.

The financial statements of the National Debt also include disclosure notes in relation to the National Loans Advance Interest Account, the National Loans (Winding Up) Account, the National Treasury Management Agency (Unclaimed Dividends) Account, the Deposit Monies Investment Account and the Account of Stock Accepted in Payment of Inheritance Tax and Death Duties. As they are operational accounts set up for specific purposes, their cash balances are not included with the Exchequer account balance reported under Cash and Other Financial Assets in the National Debt Statement.

#### b) Basis of Accounting

The measurement basis 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 amount of principal borrowed by Ireland not repaid at the end of the year, less cash and other financial assets available for redemption of those liabilities at the same date. The Minister for Finance under various statutes also guarantees borrowings by the State and other agencies. These guarantees are not included in these financial statements.

#### c) Reporting Period

The reporting period is for the year ended 31 December 2014.

#### d) Reporting Currency

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

## NATIONAL DEBT OF IRELAND

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### ACCOUNTING POLICIES - Continued

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#### e) Receipts and Payments

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

#### f) Liability Valuation

Debt balances are recorded at redeemable par value.

#### g) 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 that are linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities that are 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 or converted into other swap instruments the net fund flows affect debt service in accordance with the terms of the revised instrument.

#### h) Foreign Currencies

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

#### i) Maturity Profile

Medium/Long Term Debt is debt with an original maturity of more than one year and Short Term Debt is debt with an original maturity of not more than one year.

## STATEMENT 2.1 - NATIONAL DEBT OF IRELAND

Service of Debt Statement	Year Ended 31 December		
	Notes	2014 €000	2013 €000
<b>Interest Paid</b>			
Medium / Long Term Debt	1	7,180,087	7,075,211
Short Term Debt	2	14,534	25,245
State Savings Schemes	3	399,632	349,952
Other Movements	4	1	(993)
Sinking Fund Payments	5 (i)	633,177	624,552
Fees and Expenses	6 (a)	70,234	96,463
Expenses of the Agency	6 (b)	37,905	37,938
Interest Received on Deposits, Treasury Bills and Other Financial Assets		(123,837)	(125,204)
<b>Total Debt Service Cost</b>		<b>8,211,733</b>	<b>8,083,164</b>

## STATEMENT 2.2 - NATIONAL DEBT OF IRELAND

<b>National Debt Statement</b>		<b>Year Ended 31 December</b>			
	Notes	2014		2013	
		€ million		€ million	
<b>Medium / Long Term Debt</b>					
Irish Government Bonds listed on the Irish Stock Exchange	7 (a)				
	7 (b)		116,339		111,007
EU/IMF Programme Funding	7 (c)		58,793		66,942
Private Placements			602		602
European Investment Bank Loans			300		100
Council of Europe Development Bank Loan			20		-
Medium Term Notes			-		65
Other Medium/ Long Term Loans			5		5
			<u>176,059</u>		<u>178,721</u>
<b>Short Term Debt</b>					
Short Term Paper	8	4,102		2,645	
Borrowings from Funds under the Control of the Minister for Finance	15	<u>523</u>	4,625	<u>676</u>	3,321
<b>State Savings Schemes</b>					
Savings Certificates			6,041		6,002
Savings Bonds			5,110		5,342
National Solidarity Bonds			2,576		1,752
Prize Bonds			2,176		1,932
Instalment Savings			479		476
Savings Stamps			2		2
	9		<u>16,384</u>		<u>15,506</u>
			197,068		197,548
Less: Cash and Other Financial assets	10		<u>(14,759)</u>		<u>(23,601)</u>
<b>National Debt</b>	<b>13</b>		<u><b>182,309</b></u>		<u><b>173,947</b></u>

## STATEMENT 2.3 - NATIONAL DEBT OF IRELAND

<b>National Debt Cash Flow Statement</b>		<b>Year ended 31 December</b>	
	<b>Notes</b>	<b>2014</b>	<b>2013</b>
		<b>€000</b>	<b>€000</b>
<b>Movement in Exchequer Balances:</b>			
Opening Balance in Exchequer Account	10	4,432,115	15,279,782
Deposits, Treasury Bills and Other Financial Assets	16	8,498,545	(10,597,868)
Borrowing Activity (see below)		(653,060)	36,287,560
		12,277,600	40,969,474
Exchequer Deficit		(8,188,537)	(11,503,359)
IBRC Promissory Notes Liability discharged by the Issue of Irish Government Bonds	22	-	(25,034,000)
<b>Closing Balance in Exchequer Account</b>	<b>10</b>	<b>4,089,063</b>	<b>4,432,115</b>

## STATEMENT 2.3 - NATIONAL DEBT OF IRELAND

National Debt Cash Flow Statement - Continued	Year ended 31 December	
	2014 Net <sup>1</sup> €000	2013 Net €000
<b>Borrowing Activity</b>		
Irish Government Bonds listed on the Irish Stock Exchange	5,162,211	23,372,907 <sup>2</sup>
EU/IMF Programme Funding	(8,153,016)	11,046,885
European Investment Bank Loans	200,000	-
Council of Europe Development Bank Loan	20,000	-
Medium Term Notes	(69,049)	-
Other Medium / Long Term Loans	-	(126)
Short Term Paper	1,459,918	(45,025)
Borrowings from Ministerial Funds	(152,455)	(110,109)
Savings Certificates	38,987	1,210,847
Savings Bonds	(231,447)	(225,507)
National Solidarity Bonds	824,163	750,999
Prize Bonds	244,647	282,430
Instalment Savings	2,981	4,259
<b>Total Borrowing Activity</b>	<b>(653,060)</b>	<b>36,287,560</b>

<sup>1</sup> The amounts represent the net borrowing activity, including rollover of debt and related hedging transactions.

<sup>2</sup> Borrowing activity includes €25.03 billion of floating rate Government Bonds which were issued to the Central Bank of Ireland following the liquidation of IBRC in exchange for the Promissory Notes previously held by IBRC.

## STATEMENT 2.4 - NATIONAL DEBT OF IRELAND

<b>Statement of Movement in National Debt</b>	<b>Year ended 31 December</b>		
	<b>Notes</b>	<b>2014 €'000</b>	<b>2013 €'000</b>
Opening National Debt		173,946,651	137,632,014
Increase in National Debt (nominal)		<u>8,362,755</u>	<u>36,314,637</u>
<b>Closing National Debt</b>		<b>182,309,406</b>	<b>173,946,651</b>
<b>Increase in National Debt (nominal) represented by:</b>			
Exchequer Deficit		8,188,537	11,503,359
Effect of Foreign Exchange Rate Movements		(2,661)	(3,433)
Net Premium/(Discount) on Medium/Long Term Loans		6,660	-
Net Premium/(Discount) on Bond Issuances and Cancellations		170,171	(219,150)
Movement in CSRA Current Balance	<b>5 (i)</b>	48	(139)
Settlement of Instalment on IBRC Promissory Note Discharged through the issue of Irish Government Bonds	<b>22</b>	<u>-</u>	<u>25,034,000</u>
		<b><u>8,362,755</u></b>	<b><u>36,314,637</u></b>



## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements

<b>Note 1 - Interest Paid on Medium / Long Term Debt</b>	<b>2014</b>	<b>2013</b>
	<b>€'000</b>	<b>€'000</b>
Irish Government Bonds listed on the Irish Stock Exchange	4,974,316	5,128,943
EU/IMF Programme Funding	2,166,321	1,904,968
Private Placements	34,693	34,693
European Investment Bank Loans	3,665	3,665
Council of Europe Development Bank Loan	277	-
Medium Term Notes	817	2,953
Other Medium/Long Term Debt	(2)	(11)
	<b>7,180,087</b>	<b>7,075,211</b>
<b>Note 2 - Interest Paid on Short Term Debt</b>	<b>2014</b>	<b>2013</b>
	<b>€'000</b>	<b>€'000</b>
Short Term Paper	<b>14,534</b>	<b>25,245</b>
<b>Note 3 - Interest Paid on State Savings Schemes</b>	<b>2014</b>	<b>2013</b>
	<b>€'000</b>	<b>€'000</b>
Savings Certificates	197,953	103,824
Savings Bonds	136,605	187,790
National Solidarity Bonds	16,657	9,718
Prizes in respect of Prize Bonds	32,873	35,160
Instalment Savings	15,544	13,460
	<b>399,632</b>	<b>349,952</b>

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements - Continued

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#### Note 3 - Interest Paid on State Savings Schemes - continued

Payments for interest on State Savings Schemes 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 were as follows:

	2014 €'000	2013 €'000
Savings Certificates	787	906
Savings Bonds	1,029	515
Instalment Savings	255	224
	<u>2,071</u>	<u>1,645</u>

#### Note 4 - Other Movements

The Agency, as part of its remit, engages in a range of debt management transactions including derivatives (note 12). This figure includes the effect of net cashflows associated with these activities.

The net fund flows arising on hedging activities that are not linked with specific borrowing transactions are included in debt service costs at the time the funds are received or payment made.

#### Note 5 - Capital Services Redemption Account

The CSRA was established under section 22 of the Finance Act, 1950, as amended and provided an annuity to be charged on the Central Fund to meet the principal and interest on borrowings for voted capital services. Successive Finance Acts specified the amount of the annuity where money was borrowed to fund capital services in that year. A fixed amount may be used for servicing (interest payments) of the public debt with the balance to be applied for principal repayments ("Sinking Fund"). The annuity charge will cease from 2015 in accordance with section 99 of the Finance Act, 2014.

The 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. Under ministerial guidelines, the balance in the CSRA at year end 2014 was to be less than €1 million. To adhere to these guidelines, the Agency transfers excess funds from the CSRA to the Exchequer Account before year end.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements - Continued

#### 5 (i) - Movement in the Account for the Period

	2014	2013
	€000	€000
Balance at 1 January	499	360
<b>Receipts</b>		
Interest Annuity	1,996,275	1,959,426
Sinking Fund Annuity	633,177	624,552
Derivative Transactions (note 5(ii))	62,538,569	76,014,770
Interest on Cash and Other Financial Assets	115,356	114,163
Commitment and Other Fees	62	12,089
	<u>65,283,439</u>	<u>78,725,000</u>
<b>Payments</b>		
Sinking Fund Payments, Redemption of:		
Irish Government Bonds	(600,000)	(619,489)
Other Debt Instruments	(33,177)	(5,063)
Derivative Transactions (note 5(ii))	(62,566,218)	(76,069,810)
Interest on National Debt	(1,997,608)	(1,960,440)
Expenses on National Debt	(1,134)	(389)
Transfer to Exchequer Account	(85,350)	(69,670)
	<u>(65,283,487)</u>	<u>(78,724,861)</u>
Balance at 31 December	<u><b>451</b></u>	<u><b>499</b></u>
Movement in the Year	<u>(48)</u>	<u>139</u>

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements - Continued

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#### Note 5 - Capital Services Redemption Account – continued

##### 5 (ii) - Derivative Transactions

The Minister for Finance may enter into transactions of a normal banking nature in accordance with section 54(7) of the Finance Act, 1970.

Transactions of a normal banking nature include portfolio management activities such as forward exchange deals, swaps and interest on deposits which are related to debt servicing costs. Receipts from such transactions, other than those in a currency for which a foreign currency clearing account has been established under section 139 of the Finance Act, 1993, must be received into the CSRA. 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.

In addition, transactions of a normal banking nature include derivative transactions entered into by the Agency with the National Asset Management Agency (“NAMA”) (in accordance with sections 52 and 235 of the National Asset Management Agency Act, 2009 and Statutory Instrument No. 203/2010) and the Irish Bank Resolution Corporation Limited (in Special Liquidation) (“IBRC”) (in accordance with section 17(4) of the Irish Bank Resolution Corporation Act, 2013 and Statutory Instrument No. 57/2013). Such transactions entered into with NAMA and IBRC are offset by matching transactions with market counterparties. As a result there is no net effect on the account.

Receipts and payments in respect of derivative transactions undertaken in respect of the National Debt, IBRC and NAMA in the period are outlined below:

	<b>Receipts</b>	<b>Payments</b>	<b>Net 2014</b>	<b>Net 2013</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
NAMA Related Derivatives	14,408,469	(14,808,469)	-	-
IBRC Related Derivatives	47,729,459	(47,729,459)	-	-
National Debt Related Derivatives	641	(28,290)	(27,649)	(55,040)
	<b>62,538,569</b>	<b>(62,566,218)</b>	<b>(27,649)</b>	<b>(55,040)</b>

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

<b>Note 6 (a) - Fees and Expenses</b>	<b>2014</b>	<b>2013</b>
	<b>€'000</b>	<b>€'000</b>
EU/IMF Programme Funding	20,346	60,793
Government Bonds and Other Expenses	15,730	13,677
Savings Certificates	9,186	9,207
National Solidarity Bonds	3,909	3,032
Prize Bonds	11,546	12,038
Savings Bonds	8,845	10,714
Instalment Savings	747	743
Fee Receipts	(75)	(13,741)
	<b><u>70,234</u></b>	<b><u>96,463</u></b>

#### **Note 6 (b) - Expenses of the Agency**

Expenses incurred by the Agency in the performance of its functions are charged on and paid out of the Exchequer Account or the growing produce thereof. Further details can be found in the financial statements of the NTMA Administration Account (note 1).

#### **Note 7 (a) - Medium / Long Term Debt**

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

	<b>2014</b>	<b>2013</b>
	<b>€ million</b>	<b>€ million</b>
Debt due for repayment within 1 year	7,148	3,002
Debt due for repayment between 2 and 5 years	48,520	48,909
Debt due for repayment in more than 5 years	120,391	126,810
	<b><u>176,059</u></b>	<b><u>178,721</u></b>

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### Note 7 (b) - Irish Government Bonds listed on the Irish Stock Exchange

	2014	2013
	€ million	€ million
Fixed Rate Bonds	90,600	84,586
Floating Rate Bonds (note 22)	24,534	25,034
Amortising Bonds	1,205	1,387
	<u>116,339</u>	<u>111,007</u>

#### Note 7 (c) - EU/IMF Programme Funding

Ireland's EU/IMF programme provided for €67.5 billion <sup>1</sup> in external support from the International Monetary Fund ("IMF"), the European Financial Stabilisation Mechanism ("EFSM") and the European Financial Stability Facility ("EFSF") and other bilateral loans. The final programme disbursement of €0.80 billion from the EFSM took place in March 2014. The liabilities outstanding under the EU/IMF Programme at end 2014 included in 7(a) above, taking into account the effect of currency hedging transactions, are as follows:

Lender	2014	Weighted Average Term	2013	Weighted Average Term
	€ Million	Years	€ Million	Years
International Monetary Fund	13,550	8.3 Years	22,528	7.3 Years
European Financial Stability Facility	17,881	20.7 Years	17,881	20.7 Years
European Financial Stabilisation Mechanism	22,500	12.2 Years	21,700	12.4 Years
United Kingdom Treasury	3,862	7.5 Years	3,833	7.5 Years
Kingdom of Denmark	400	7.5 Years	400	7.5 Years
Kingdom of Sweden	600	7.5 Years	600	7.5 Years
<b>Total</b>	<u>58,793</u>		<u>66,942</u>	

The maturity extensions to loans from the EFSF agreed in June 2013 are reflected above. While maturity extensions to loans from the EFSM were also agreed in 2013, the revised maturity dates will only be determined as they approach their original maturity dates. Accordingly the EFSM loan maturity extensions are not reflected above. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027.

The net loan provided by the EFSF of €17,881 million is net of certain prepaid margins deducted from the initial drawdown in 2011. The total nominal debt due to the EFSF is €18,411 million. €485 million of the prepaid margin of €530 million will be rebated to Ireland along with the related EFSF investment return; the remaining prepaid margin of €45 million is due to the Member State Guarantors, and will be reflected as a debt service cost in future periods.

<sup>1</sup> The net euro amount received by the Exchequer was €67.5 billion after adjustment for below par issuance, deduction of a prepaid margin, and the effect of foreign exchange transactions.

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### **Note 7 (c) - EU/IMF Programme Funding - continued**

In December 2014, the Agency completed the first tranche of early repayment of Ireland's IMF loan facility. The total repayment of €9 billion was made over two dates, December 10th and 17th. During Quarter 1 of 2015, the Agency made two further repayments of Ireland's IMF loan facility and at 31st March 2015, the outstanding loan balance was €4.8 billion. These repayments discharged all scheduled IMF principal repayment obligations that were originally to fall due from July 2015 to January 2021.

These repayments were made with the agreement of the IMF and no penalties or charges were incurred. The early repayment of the IMF loan facility is expected to generate significant savings in government interest expenditure starting in 2015.

#### **Note 8 - Short Term Paper**

The Agency issues short-term paper of maturities of up to one year to raise short-term funds. The proceeds are used to fund the Exchequer deficit and as bridging finance in the replacement of longer term debt, and for other liquidity management purposes. Borrowings may be in a range of currencies, but all non-euro borrowings are immediately swapped back into euro using foreign exchange contracts. An increase of €1.8 billion in Euro Commercial Paper was the primary reason for the increase at end 2014.

#### **Note 9 - State Savings Schemes**

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds, Solidarity Bonds and Prize Bonds are net of €1.5 million (2013: €9.6 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company act as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €599 million (2013: €604 million), being the estimate of the amount of accrued interest at 31 December 2014 in respect of Savings Bonds, Savings Certificates and Instalment Savings.

The Small Savings Reserve Fund ("the Fund") was set up under section 160 of the Finance Act, 1994. In any calendar year if interest payments on encashments of small savings exceed 11 per cent of the total interest accrued on such savings for the previous year, the resources of the Fund may be applied towards meeting those interest costs which exceed 11 percent of that accrued income. The initial amount paid into the Fund has been expended. No moneys were paid into the Fund in 2014 or were held in the Fund at year end. The Fund was dissolved under section 98 of the Finance Act, 2014.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### Note 10 - Cash and other Financial Assets

	Opening balance 1 January 2014	Movements during 2014	Closing balance 31 December 2014
	€'000	€'000	€'000
Exchequer Account	4,432,115	(343,052)	4,089,063
Capital Services Redemption Account (Note 5 (i))	499	(48)	451
Housing Finance Agency Guaranteed Notes	3,703,756	(559,241)	3,144,515
Deposits, Collateralised Deposits and Treasury Bills	14,108,725	(7,095,053)	7,013,672
CSA Collateral Funding (Note 12)	1,355,640	(844,230)	511,410
	<b>23,600,735</b>	<b>(8,841,624)</b>	<b>14,759,111</b>

Deposits, Collateralised Deposits and Treasury Bills are made up of Deposits with commercial banks of €2.984 billion (2013: €3.679 billion), Collateralised Deposits of €2.556 billion (2013: €7.389 billion) and Treasury Bills of €1.474 billion (2013: €3.041 billion).

The Housing Finance Agency Guaranteed Notes may not be readily realisable dependent on market conditions.

CSA Collateral Funding arises from the requirement to post cash collateral under Credit Support Annexes associated with certain derivative transactions. These balances, and access to the related cash collateral, change on a daily basis and are dependent on the market value of these derivatives.

#### Note 11 - Risk Management

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, market, counterparty credit and operational risk and the Agency has a range of policies and procedures to measure and control the risks involved.

A key objective of the Agency is to ensure that the Exchequer has sufficient cash to meet all obligations as they fall due. Ensuring that the Exchequer has sufficient liquidity is one of the Agency's most critical tasks. Liquidity risks related to 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 maintaining appropriate cash buffers and by controlling the amount of liabilities maturing in any particular period of time and matching the timing and volume of funding. This is reinforced by the Agency's activities in maintaining a well informed and diversified international investor base, with a presence in all major capital markets and a broad range of debt instruments which can be issued.



## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### Note 11 - Risk Management - continued

Market risk is the risk that movements in market interest or exchange rates or other prices adversely impact on debt service costs or the total market value of the debt. The Agency must have regard both to the short term and long term implications of its transactions given its task of controlling not only the immediate fiscal debt service costs but also the present value of all future payments of principal and interest. The exposure to interest rate and currency risk is controlled by managing the interest rate and currency composition of the portfolio in accordance with Ministerial guidelines. 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. As conditions in financial markets change, the appropriate interest rate and currency profile of the portfolio is reassessed. The Agency seeks to achieve the best trade-off between cost and risk over time and has in place a hedging programme to manage interest rate and exchange rate risks and to protect the Exchequer from potential volatility in future years. More information on the use of derivatives is set out in Derivatives (note 12).

Counterparty credit risk arises from derivatives, deposits and foreign exchange transactions. The level of credit risk is managed 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 economic and political events. In order to mitigate the Exchequer's exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, the Agency may enter into credit support arrangements with the market participants with which it wishes to trade – this involves the receipt and posting of collateral to offset the market value of exposures. More information on the use of credit support arrangements is set out in Derivatives (note 12).

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.

#### Note 12 - Derivatives

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, and present value, of the instruments related to the National Debt outstanding at year end. The present value of each instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

	31 December 2014		31 December 2013	
	Nominal	Present Value	Nominal	Present Value
	€ million	€ million	€ million	€ million
Interest Rate Swaps	19,079	(1,321)	28,909	(923)
Currency Swaps and Foreign Exchange Contracts	15,402	878	18,225	(750)
	<b>34,481</b>	<b>(443)</b>	<b>47,134</b>	<b>(1,673)</b>

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### Note 12 – Derivatives - continued

The Agency provides treasury services to the National Asset Management Agency (“NAMA”) under section 52 of the National Asset Management Agency Act, 2009. Accordingly it may enter into derivative transactions with NAMA. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of interest rate swaps transacted with NAMA outstanding at end 2014 was €12.8 billion (2013: €23.5 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2014 was €3.0 billion (2013: €5.6 billion).

In order to mitigate the risks arising from derivative transactions, the Agency enters into credit support arrangements with its market counterparties. Derivative contracts are drawn up in accordance with Master Agreements of the International Swaps and Derivatives Association (“ISDA”). A Credit Support Annex (“CSA”) is a legal document which may be attached to an ISDA Master Agreement to regulate credit support (in this case, cash collateral) for derivative transactions and it defines the circumstances under which counterparties are required to post collateral. Under the CSAs, the posting of cash constitutes an outright transfer of ownership. However, the transfer is subject to an obligation to return equivalent collateral in line with changes in market values or under certain circumstances such as a Termination Event or an Event of Default. The provider of collateral is entitled to deposit interest on cash balances posted.

The Agency established a Credit Support Account in the Central Bank of Ireland in 2010 to facilitate these transactions. Derivative contracts are valued daily. When collateral is required from a counterparty it is paid into the Credit Support Account. When the Agency is required to post collateral with a counterparty, it uses the funds in the Credit Support Account to fund the collateral payment. If there are insufficient funds in the Credit Support Account, the Account is funded from the Exchequer.

#### Credit Support Account

	2014	2013
	€ million	€ million
Balance at 1 January	-	-
Margin Transfers Received from Counterparties	4,194	5,702
Margin Transfers Paid to Counterparties	(3,350)	(6,535)
Net Exchequer Funding during the year (note 10)	(844)	833
Balance at 31 December	<u>NIL</u>	<u>NIL</u>

#### Note:

	2014	2013
	€million	€million
Exchequer Funding at 31 December	511	1,356
Net Collateral Posted to Counterparties at 31 December (note 10)	(511)	(1,356)

The Agency has entered into a Collateral Posting Agreement with NAMA. At end 2014, NAMA had posted collateral of €0.69 billion (2013: €0.802 billion) to the Agency as part of this agreement.

The Agency has also entered into a Collateral Posting Agreement with IBRC. At end 2014, IBRC had posted collateral of €0.025 billion (2013: €0.102 billion) to the Agency as part of this agreement.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### Note 13 - National Debt - Currency Composition

The Agency hedges the foreign currency risk of the National Debt through the use of forward foreign exchange contracts and currency swaps. The currency composition of the National Debt, and related currency hedges, are as follows:

Currency	As at 31 December	
	2014 € million	2013 € million
<b>Debt Instruments</b>		
Euro	167,871	155,722
US Dollar	8,312	9,323
Pounds Sterling	6,023	6,462
Japanese Yen	978	1,697
Swiss Franc	-	24
	<b>183,184</b>	<b>173,228</b>
<b>Foreign Currency &amp; Swap Contract</b>		
Euro	14,460	18,225
US Dollar	(8,324)	(9,323)
Pound Sterling	(6,024)	(6,462)
Japanese Yen	(987)	(1,697)
Swiss Franc	-	(24)
	<b>(875)</b>	<b>719</b>
<b>National Debt <sup>1</sup></b>	<b>182,309</b>	<b>173,947</b>

<sup>1</sup> This figure is net of cash and other financial assets as at 31 December 2014 of €14,759 million (31 December 2013: €23,601 million) (note 10).

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

Note 14 - Foreign Currency Clearing Accounts	Receipts €'000	Payments €'000	2014 Net €000
Balance at 1 January 2014			NIL
<b>Debt Service</b>			
MLT Loans Interest	542,503	(891,509)	(349,006)
Short Term Debt Interest	-	(1,185)	(1,185)
Other Movements	68,839,917	(69,756,584)	(916,667)
Fees and Expenses	-	(7,601)	(7,601)
Expenses of the Agency	-	(1,367)	(1,367)
<b>Borrowing Activity</b>			
EU/IMF Programme	8,341,039	(8,994,157)	(653,118)
Other MLT Loans	12,936	(81,985)	(69,049)
Short Term Debt	6,891,196	(4,893,203)	1,997,993
Balance at 31 December 2014	<b>84,627,591</b>	<b>(84,627,591)</b>	<b>NIL</b>

#### Note 15 - Borrowings from Funds under the control of the Minister for Finance

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

	2014 € million	2013 € million
Post Office Savings Bank Fund	456	471
Deposit Monies Investment Account (note 20)	67	205
	<b>523</b>	<b>676</b>

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### Note 16 - Deposits, Treasury Bills and Other Financial Assets

The Agency places short-term investments in Deposits, Collateralised Deposits and Treasury Bills for maturities of up to one year for the purpose of liquidity management.

#### Note 17 - National Loans Advance Interest Account

The Agency can cancel or issue amounts of existing Irish Government Bonds. These transactions are effected by means of sales or purchases undertaken by the Post Office Savings Bank Fund (“POSBF”). The POSBF then settles with the Exchequer. The settlement amount for each bond transaction includes the accrued interest at that point in the coupon period. The interest paid is deposited in the National Loans Advance Interest Account until the full dividend is due on the coupon date. On the coupon date, the interest is then used to offset the related servicing costs of the Exchequer.

A full dividend is payable to the registered owner where a bond is held on an ex-dividend date. The purpose of this account is for the POSBF to compensate the Exchequer for the unearned element of the dividend arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend.

<b>Account of Receipts and Payments</b>	<b>2014</b>	<b>2013</b>
	<b>€000</b>	<b>€000</b>
Balance at 1 January	5,344	12,179
Accrued Interest received on National Loans - Tranches and Auctions	46,913	42,038
Accrued Interest Paid on National Loans	(3,447)	(48,873)
Balance at 31 December - Cash with Central Bank of Ireland	<u><b>48,810</b></u>	<u><b>5,344</b></u>

#### Note 18 - National Loans (Winding Up) Account

When a National Loan, Stock or Government Bond is due for redemption, the full amount outstanding is payable to the holder. Any amount not claimed by the holder at the redemption date is transferred into this account by a payment from the Exchequer. Any future claims which are made in relation to these loans are therefore met from this account. 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 Agency.

<b>Account of Receipts and Payments</b>	<b>2014</b>	<b>2013</b>
	<b>€000</b>	<b>€000</b>
Balance at 1 January	3,089	3,455
Receipts from Exchequer	75	198
Receipts from Central Bank Account	69	102
Payments to Central Bank Account	(102)	(70)
Payments for Redemption of National Loans	(56)	(596)
Balance at 31 December - Cash with Central Bank of Ireland	<u><b>3,075</b></u>	<u><b>3,089</b></u>

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### Note 19 – National Treasury Management Agency (Unclaimed Dividends) Account

When a dividend is due on a bond liability, the full amount due is paid by the Agency to the Paying Agent which then issues to the registered holders. The balance in the unclaimed dividends account represents dividends on matured loans, which have been returned to the Agency by the Paying Agent and have yet to be claimed by the registered holders. The Paying Agent maintains a cash float, on behalf of the Agency, which it uses to service claims as they arise during the year.

<b>Account of Receipts and Payments</b>	<b>2014</b>	<b>2013</b>
	<b>€000</b>	<b>€000</b>
Balance at 1 January	2,528	2,556
Receipts/(Payments) of Unclaimed Dividends	21	(28)
Balance at 31 December - Cash with Central Bank of Ireland	<u>2,549</u>	<u>2,528</u>

#### Note 20 – Deposit Monies Investment Account

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

<b>Account of Receipts and Payments</b>	<b>2014</b>	<b>2013</b>
	<b>€000</b>	<b>€000</b>
Balance at 1 January	204,975	162,082
Ways and Means Advances Paid to Exchequer	4,978,316	6,763,310
Ways and Means Advances Repaid by the Exchequer	(5,116,066)	(6,720,417)
Balance at 31 December – Ways and Means Advances to the Exchequer (note 15)	<u>67,225</u>	<u>204,975</u>

#### Note 21 - Account of Stock Accepted in Payment of Inheritance Tax and Death Duties

No stock was accepted in payment of inheritance tax and death duties during 2014.

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements - Continued

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#### Note 22 – Settlement of IBRC Promissory Note

Following the liquidation of Irish Bank Resolution Corporation (“IBRC”) on 7th February 2013, and the agreement between the Irish Government and the Central Bank of Ireland (“CBI”) to replace the promissory notes provided to State-owned IBRC with long-term Government Bonds, the promissory notes were cancelled and replaced with eight new Floating Rate Treasury Bonds. A total amount of €25.03 billion was issued on 8th February 2013 to the CBI with maturities ranging from 25 to 40 years. The bonds will pay interest every six months (June and December) based on the 6-month Euribor interest rate plus a fixed margin which averages 2.63 percentage points across the eight issues.

In December 2014, the Agency bought and cancelled €0.5 billion of the Floating Rate Treasury Bond due to mature in June 2038. The bonds were purchased from the CBI, reducing the total nominal outstanding of the Floating Rate Bonds to €24.53 billion. The CBI intends to sell a minimum of these securities in accordance with the following schedule: 2015-2018 (€0.5 billion per annum), 2019-2023 (€1 billion per annum), and 2024 on (€2 billion per annum until all bonds are sold).