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DIRECTORS //
AND OTHER INFORMATION

2



Edward Coffey
(Chairman)



Ian d'Alton
(CEO)



Julia Carmichael



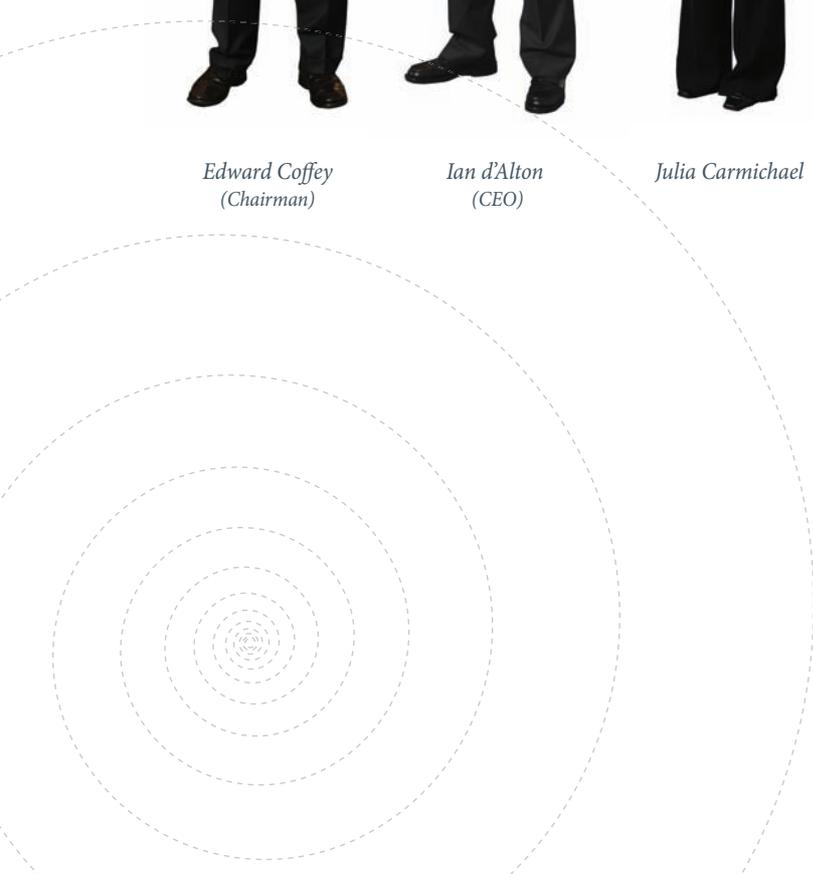
Fr Patrick Cogan

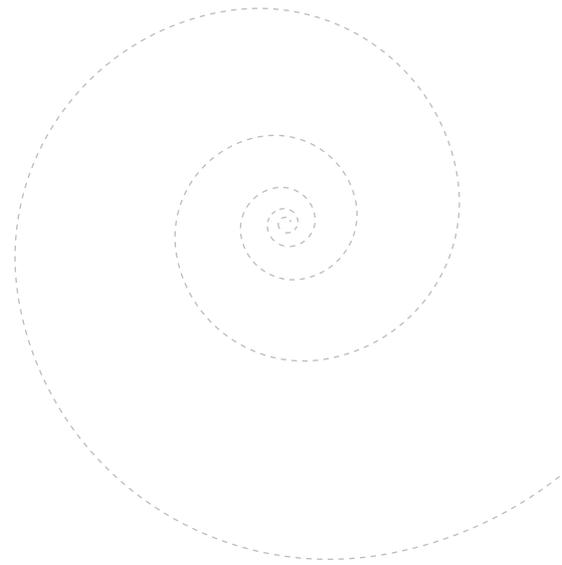


Patrick Doyle



Maria Graham





Michael Hayes



Clodagh Henehan



Jackie Maguire



Áine Stapleton



Eddie Wade



Anthony Vesey

SECRETARY AND REGISTERED OFFICE

Tom Conroy, A.C.M.A
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AUDITORS

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

SOLICITORS

McCann FitzGerald
Solicitors
Riverside One
Sir John Rogerson's Quay
Dublin 2

A & L Goodbody
IFSC
North Wall Quay
Dublin 1



01

CHAPTER // 01

CHAIRMAN'S REPORT



Introduction

I am pleased to present my sixth annual Chairman's Report. The year 2007 was busy and challenging. Its highlights were

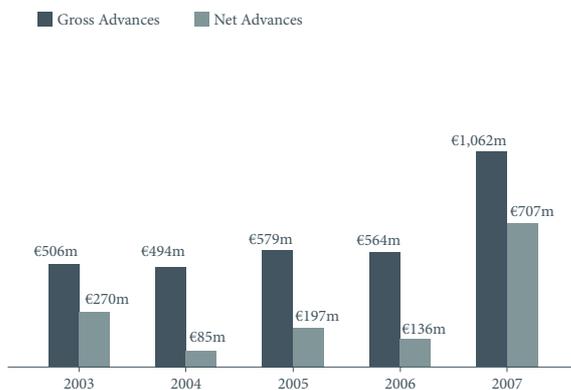
- Record net loan advances amounting to €707 million, with outstanding loans now standing at nearly €3.8 billion.
- The successful launch of a pilot project of loans to local authorities for water, waste and environmental projects.
- The market turmoil which started in the second half of the year: this affected financial institutions in different ways, and the Agency was no exception.

Loans To Local Authorities

The Agency's mission is to source and supply cost-efficient loan finance for local authorities and the voluntary and co-operative housing sector. Working to projections set out in *Towards 2016*, the *National Development Plan 2007-2013* and the housing policy statement, *Delivering Homes, Sustaining Communities* published in February 2007, the Agency supplies housing finance to local authorities in a wide range of types and structures. Gross loan advances in 2007 amounted to €1,062 million.

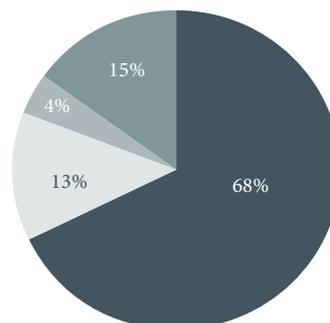
Advances net of repayments and redemptions were €707 million, and the Agency's loan book reached a total of nearly €3.8 billion. Within the advances, a gross €103

Loan Advances by Gross/Net Lending 2003 -2007



Loan Advances By Loan Type in 2007

Legend: Shared Ownership (light grey), Affordable Housing Mortgage/Bridging (dark grey), Capital Loan and Subsidy (medium grey), Other (very light grey)



million was advanced for affordable housing mortgages, while loans for voluntary housing bodies under the Capital Loan and Subsidy scheme totalled €83.5 million. Other programmes funded included bridging and land acquisition loans, and loans for housing-related projects.

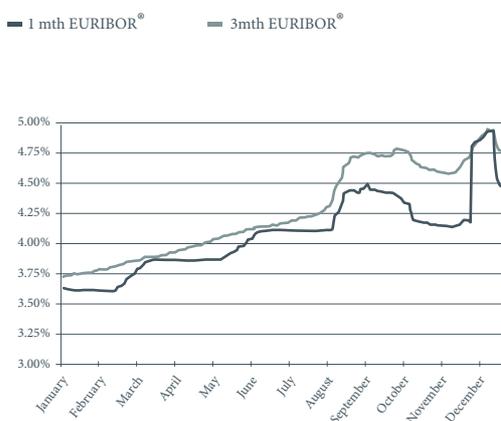
In 2007, the Agency completed the first part of a pilot loan structure to lend to local authorities for water, waste and environmental projects. Under this structure, finely-priced loans from the European Investment Bank have been passed through to local authorities. It is hoped to provide further funding in this area during 2008.

Market Turmoil

Money and credit markets since August 2007 have been the main focus of financial news. Following on the US subprime crisis, there was a sea-change in attitudes to risk from mid-year, and investors in bonds and many other forms of debt suddenly became much more risk-averse. Liquidity problems emerged in late 2007, with banks being unwilling to lend to each other. This had the effect of sharply increasing interbank rates, which had a knock-on effect on the cost of some of the Agency's debt.

However, this accounts for only 13% of our variable rate borrowings. On the other 87%, we are paying rates which are appropriate to our status as a Triple A-rated borrower, and as the beneficiary of a 'flight to quality' as a result of the market conditions. The positive result has been that, in the ECP programme, our dealing agent (the National Treasury Management Agency) has been able to obtain large discounts to the benchmark rates.

1 and 3 month EURIBOR's showing volatility in the variable rate market 2007



Interest Rates And Competition

It appeared in mid-2007 that euro interest rates were on an upward trajectory. In the event, the expected increases have not taken place because of the financial and economic situation. While financial market conditions have perhaps blunted competition in the Agency's area of mortgage business, we aim to keep rates at the finest level possible consistent with providing for risks in the Agency's portfolio.

Agency-generated mortgages are currently priced to households at a rate equivalent to the ECB base rate plus 1%, which represents good value for first-time borrowers on lower incomes. Some two-thirds of Agency lending is to local authorities for other housing purposes (land acquisition, voluntary and co-operative housing, etc). In this area, the Agency aims to deliver cost-effective loan structures to match local authorities' requirements.

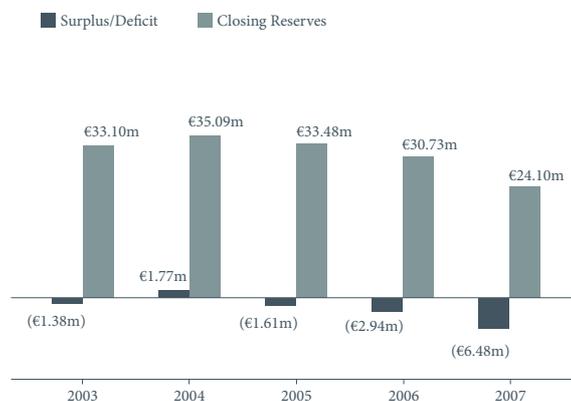
Profitability, Reserves And Risk Management

The Agency's policy, for the past twelve years or so, has been to build up its reserves and set its margins so that it will be in a position to meet the costs of historical risks inherent in its portfolio. These relate to older shared ownership and high fixed rate loans advanced and funded in a pre-Euro environment. They will impact on the Agency's financial performance through to 2018. As in past Annual Reports, I emphasise the Agency's awareness of the risks, and that we have in place measures to deal with them.

As planned for, these risks are now crystallising. In 2007, the Agency, as it was projected to do, made a loss of €6.50 million after inflation gains are taken into account. Reserves at end-2007 thus amounted to €24.10 million,

Profitability, reserves and risk management

Surplus & Reserves 2003 - 2007



and these will be utilised to absorb the planned losses as they arise through to 2018. In addition, the Board monitors the Agency's risk management and earnings position on a periodic basis, and will make margin adjustments as necessary. It is expected that, while losses due to the mismatch will continue to arise, the Agency's overall profitability will depend largely upon the volume of net new business undertaken.

Funding And Treasury Management

The Agency's principal debt facility is its eurocommercial paper programme, which is operated on our behalf - efficiently and cost-effectively - by the National Treasury Management Agency in close consultation with ourselves. The programme, which attracts the highest short-term ratings from Moody's and Standard & Poor's, was increased in size to €3.5 billion in 2007, and a further increase is planned in 2008. The Agency utilises other funding - including note issuance facilities and overdrafts - which provide flexibility and permit speedy issuance, usually on a same-day basis. This latter is important in a business which has a cash and cash-equivalent turnover of some €40 billion per annum. The Agency continues to seek opportunities for flexible and cheap funding appropriate to its requirements.

Quality Customer Service

The Agency has a policy of providing Quality Customer Service (QCS). We are happy to say that our performance in this area is very close to, or exceeds, our targets.

For *loan advances to local authorities*, the Agency has as its target that 95% of loans are made within seven days of receipt of the application. The Agency managed to issue

94% of its loans within this targeted time frame, compared with 92% in 2006.

Dealing with correspondence from external sources in a timely fashion is an important measure of how well an organisation serves its customers. The Agency continues to meet its target of replying to all correspondence received from external sources within one working week.

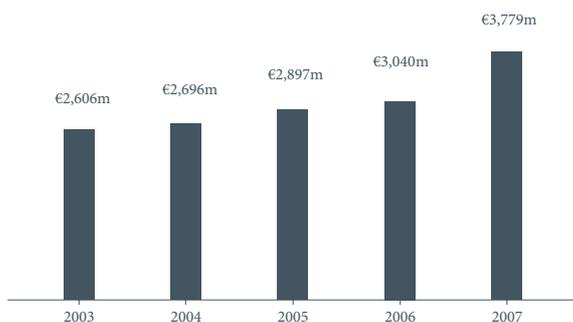
The Agency's Policies and Procedures Manual identifies *Staff training and development* as a priority. In 2007, we met our target of spending the equivalent of 4% of payroll costs on training.

Compliance with our Policies and Procedures Manual is an important measure of the Agency's adherence to appropriate and structured corporate governance. Compliance is reported upon twice a year and reviewed by the Audit Committee. Our QCS target in this area was to limit the number of policy and procedures breaches (other than those arising from staff absences) to less than 10. I am pleased to report that we achieved our target, with no such exception reports in 2007.

Freedom of Information

In 2002, the Agency came within the scope of the Freedom of Information Act, 1997. Details of access to the Agency's records and information on the Agency can be found at the Agency's website, www.hfa.ie. The Freedom of Information Officer is Mr Barry O'Leary and the Agency's internal reviewer is Dr Ian d'Alton. No requests for information were received in 2007.

Loan Book €m 2003 - 2007



Quality Customer Service -

Administration Costs as % of Total and Variable Loan Books

■ % of total loan book ■ % of variable loan book



Planning, Administration And Technology

The programme of action put in place under *Towards 2016* – the ten-year action plan - is proceeding well. Two reports were made to the Department of the Environment, Heritage and Local Government during 2007. The Agency will continue to comply with its bi-annual reporting provisions under this arrangement in 2008. The format of and information contained in the Agency's rolling five-year *Corporate Plan* was completely revised in 2007, and the 2008 edition is published on our website.

The Agency's staff consists of twelve persons. Two new senior appointments have been made recently - Barry O'Leary as Head of Treasury, and Tom Conroy as Financial Controller and Company Secretary. We continue to develop appropriate technology for the business, and we appreciate the flexibility and resourcefulness of our staff in using it to maximum effect.

This has in no small measure helped the Agency to manage successfully the substantial increase in its business which has occurred in recent years. During 2007, a new treasury dealing and confirmations system was implemented, replacing an earlier in house-developed platform. The Agency's web-based loan application and billing system continues to ensure that loans can be advanced rapidly and efficiently to our customers, the local authorities.

Acknowledgements

The Agency depends in large measure on the assistance and co-operation of all its stakeholders. Our thanks for their support go especially to the Ministers for the Environment, Heritage & Local Government, and Finance, and their staff. Councillor Julia Carmichael, Mr Pat Doyle and Councillor Eddie Wade joined the Board in 2007, and are warmly welcomed. Ms Maria Graham left the Board in 2008. We thank her for all her work for the Agency, and wish her well in her new role in the Department of the Environment, Heritage and Local Government. We welcome Mr Philip Nugent as a Director in her place. We appreciate the work done by the NTMA, the Central Bank, the credit rating agencies, our auditors, lawyers and bankers, all of whom provide vital services to the Agency. The wide-ranging and

deep relationships which we have with local authorities underpin our effectiveness in supplying the services they require.

I have mentioned the business qualities of the Agency's staff already, but I would also take this opportunity to express, on the Board's behalf, our appreciation of the courtesy and efficiency with which they dispatch that business. I am particularly pleased that the Agency's Annual Report, 2006 was shortlisted for the Leinster Society of Chartered Accountants' Published Accounts Awards – a tribute to all who were involved in its production.

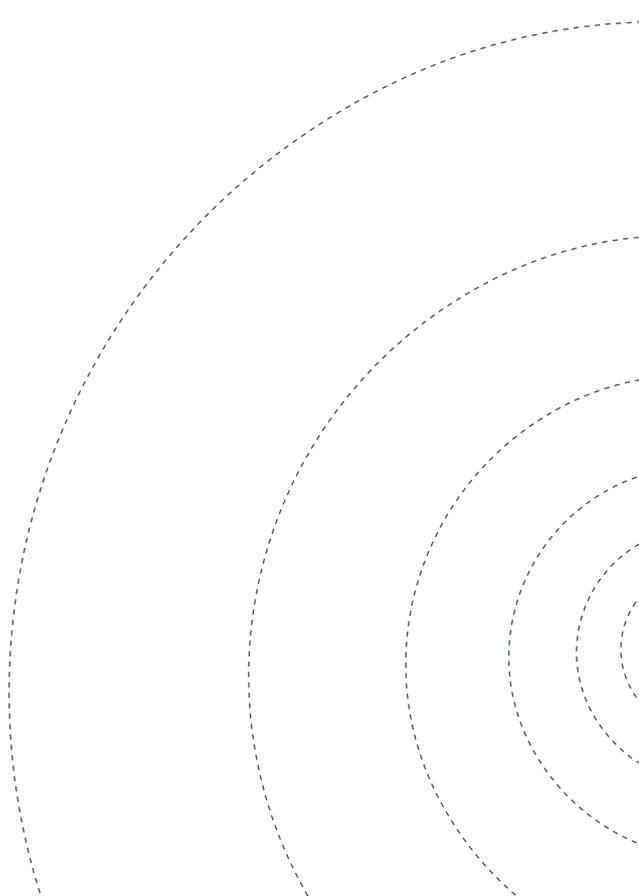
The new Board, which was appointed in early 2007, held seven meetings during the year. I thank members for their contributions and for creating the productive and friendly atmosphere within which we work.

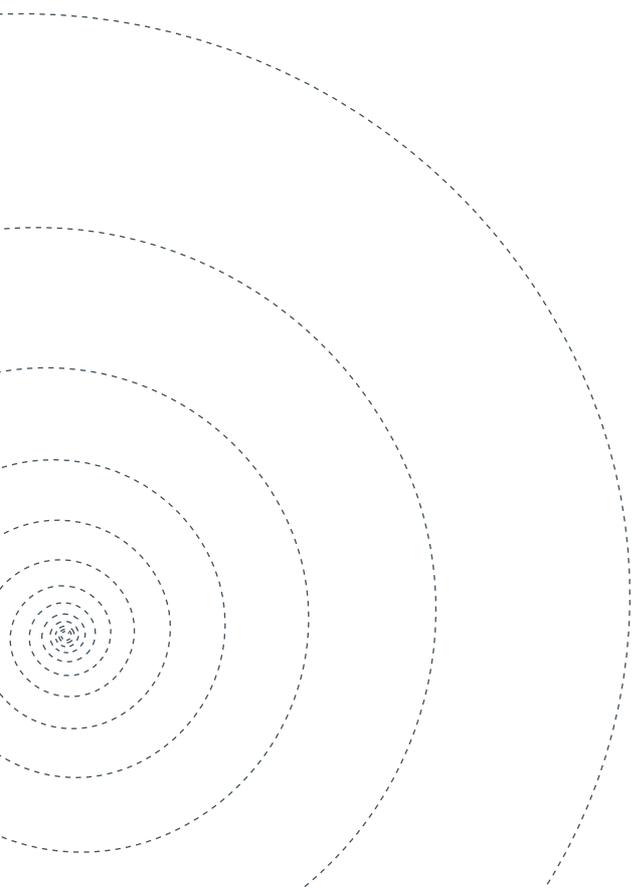
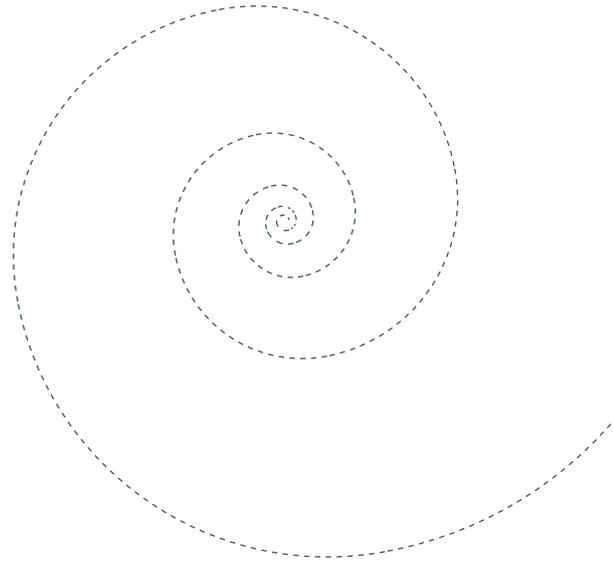


Edward Coffey

Chairman

30 April 2008







02

CHAPTER // 02

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2007.

1 // Background

The Housing Finance Agency plc is a company limited by shares promoted by the Minister for the Environment, Heritage and Local Government under the terms of the Housing Finance Agency Act, 1981 and incorporated on 8 February 1982. The principal objects of the company are:

- a. to advance funds to local authorities to be used by them for any purpose authorised by the Housing Acts; and
- b. to borrow or raise funds for these purposes.

All of the issued share capital of the Agency is beneficially owned by the Minister for Finance. Directors are appointed by the Minister for the Environment, Heritage and Local Government with the consent of the Minister for Finance.

2 // Results and Dividends

Total recognised loss for the year	€'000 (6,627)
Surplus at beginning of year	30,725

Surplus at end of year	24,098
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The results are satisfactory and represent losses arising from the index-linked and fixed rate funding mismatches, offset in part by inflationary profits. These results are part of the planned event of allowing our reserves absorb the losses arising from the index linked mismatch and our fixed rate loan portfolio, over the 2008 to 2018 period.

The Directors do not recommend the payment of a dividend.

A review of the significant financial risks and exposures to the Agency in respect of its assets, liabilities and financial instruments, is set out together with the risk management objectives and policies employed by the Agency with respect to managing those risks in note 15 to the financial statements. Details of any financial instruments used in mitigating these risks are detailed in notes 15 and 16 to these accounts. On pages 5 to 8, the Chairman's report addresses the significant business risks to which the Agency is exposed.

3 // Review of the Development of the Business

a. Loans to local authorities (approved pre 27 May 1986)

The Agency was established to issue index linked loans to local authorities for lending by them on an agency basis to individuals. A total of €403 million was advanced to local authorities under this scheme and was used to finance 15,571 mortgages. At 31 December 2007 such loans represented outstanding balances of €25.9 million. The Agency is liable for any credit losses that may arise on these mortgages.

b. Loans to local authorities (approved post 27 May 1986)

With effect from May 1986, the Agency has issued loans to local authorities to finance income related, convertible and annuity loans and improvement grants. The extension of the Agency's powers under the Housing (Miscellaneous Provisions) Act, 1992 to fund local authorities for any of their functions under the Housing Acts has resulted in the Agency issuing loans to local authorities to fund the shared ownership and voluntary housing schemes.

A significant portion of these funds is retained for purposes such as land acquisition. The remainder is lent to individual borrowers and voluntary bodies. The local authorities are responsible for any losses that may arise on them.

At 31 December 2007 such loans represented outstanding balances of €3.75 billion.

4 // Corporate Governance

The Directors are committed to maintaining the highest standards of corporate governance and support the Principles of Good Governance and Code of Best Practice ("2003 Combined Code") derived by the Committee on Corporate Governance from the Committee's Final Report and from the Turnbull Report. The company complies with the Code of Practice for the Governance of State Bodies as published by the Department of Finance.

comprised eleven non-executive Directors and one executive Director. The Directors are appointed by the Minister for the Environment, Heritage and Local Government for a period not to exceed five years. All of the non-executive Directors are independent of management.

The Board takes the major strategic decisions and retains full and effective control while allowing operating management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework. It has reserved certain items for its review including the approval of the annual financial statements, significant contracts, major investments and significant capital expenditure. Each non-executive Director brings an independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

All Board members have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Agency's professional advisors are available for consultation with the Directors as required. Individual Directors may take independent professional advice, if necessary, at the Agency's expense.

The auditors have stated their continuing independence as auditors to the Agency for the year ended 31 December 2007. There is a process in place by which the Board reviews, within agreed parameters, any non-audit services undertaken by the auditors, and related fees. This ensures the objectivity and independence of the auditors is safeguarded.

The Board has activated an effective committee structure to assist in the discharge of its responsibilities including:

Audit Committee

Scheduled Audit Committee meetings for the year ended 31 December 2007:

Members	Available to attend	Attended
Fr Patrick Cogan	4	4
Patrick Doyle	3	3
Michael Hayes	4	3
Jackie Maguire	4	3
Anthony Vesey	4	4
Eddie Wade	2	1

The Audit Committee met four times this year and operates under formal terms of reference. As the new Board was convened in 2007, some Directors were appointed to the

12

Principles of good corporate governance

The Directors are accountable to the Agency's shareholder for good corporate governance and the following statement describes how the relevant Principles of Good Governance set out in the 2003 Combined Code and the Code of Practice for the Governance of State Bodies are applied in the Agency.

Board of Directors

Scheduled Board meetings for the year ended 31 December 2007:

Members	Available to attend	Attended
Edward Coffey (Chairman)	7	7
Ian d'Alton (CEO)	7	7
Julia Carmichael	4	2
Fr Patrick Cogan	7	6
Patrick Doyle	4	4
Maria Graham	7	5
Michael Hayes	7	6
Clodagh Henahan	7	7
Jackie Maguire	7	5
Áine Stapleton	6	4
Anthony Vesey	7	7
Eddie Wade	4	2

The Board met seven times this year and is responsible for the proper management of the Agency. As the new Board was convened in 2007, some Directors were appointed later in the year and, as such, were not available to attend all meetings.

The roles of the Chairman and Chief Executive are separate. At 27 March 2008 the Board of Directors

Audit Committee later in the year and, as such, were not available to attend all four meetings.

Under the Code of Practice for Governance of State Bodies, the committee may review any matters relating to the financial affairs of the Agency. It reviews the annual financial statements, internal audit reports, compliance with accounting standards and the appointment and fees of the external auditors, review rates and the approval of the internal audit plan, against which performance of the plan is measured. The external auditors meet with the committee to review the results of the annual audit of the Agency's financial statements.

Finance Committee

Members

Edward Coffey (Chairman)
 Ian d'Alton (CEO)
 Julia Carmichael
 Maria Graham
 Clodagh Henahan
 Áine Stapleton

No requirement arose for meetings during the year.

The Finance Committee is empowered on behalf of the Agency to borrow and raise money and to implement, utilise and operate any approved facilities. The committee operates under formal terms of reference approved by the Directors.

Remuneration Committee

Members

Edward Coffey (Chairman)
 Fr Patrick Cogan
 Maria Graham

No requirement arose for meetings during the year.

The Remuneration Committee makes recommendations in relation to the remuneration of the Chief Executive Officer for consideration by the Board, subject to the approval of the Minister for the Environment, Heritage and Local Government and operates under formal terms of reference. Details of Directors' fees and emoluments are set out in note 6 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2006.

Directors' remuneration

The Minister for the Environment, Heritage and Local Government determines the level of remuneration for the Board of Directors. Remuneration of non-executive Directors is not linked to performance.

Relations with shareholders

The Directors and Management maintain an ongoing dialogue with the Agency's shareholder on strategic issues. Certain specified matters require the approval of the Minister for the Environment, Heritage and Local Government and/or the Minister for Finance, in respect of which ongoing communication with the Ministers, through their departments, is maintained.

Internal control

In accordance with the 2003 Combined Code (the Turnbull guidance) - the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Agency. This process has been in place for the year under review and up to the date of approval of the annual report and accounts, is regularly reviewed by the Board and accords with the guidance.

The Board has reviewed the effectiveness of the system of internal control; in particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. This has been reinforced by the adoption of a Code of Ethics, approved by the Board, which provides practical guidance for all staff. There are also supporting Agency policies and employee procedures for the reporting and resolution of suspected fraudulent activities.

The Agency is a financial business and the key risks associated with the business are therefore essentially financial and treasury-related. The Agency has developed a risk management process which includes quarterly reviews of its loans and advances portfolio, and an annual review of treasury related risk which allows it to manage these risks. This process is designed to ensure as far as possible that its assets and liabilities are match funded in loan type and duration. Residual risk is associated principally with fixed rate and index linked borrowings, and inflation movements. This is dealt with by a reserves and margin policy. The Agency carries out a comprehensive annual review of risks, which is approved by the Board and forms part of the Agency's interest rate and reserves policy for subsequent years. The Board is informed on a quarterly basis of developments and corrective action, if required, is taken.

The Agency lends to local authorities. The repayment risk is assessed as being negligible as the legal relationship is with local authorities and is not dependant on changes in house prices or other economic variations.

The Chief Executive Officer also reports to the Board on behalf of the Management on significant changes in the business and external environment, which affect risks. The

Board is provided with quarterly information. Where areas for improvements in the system are identified, the Board considers the recommendations made by the Management and the Audit Committee.

The Directors have responsibility for maintaining a system of internal control which provides reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. In this context, the Directors have regard to what, in their judgement, is appropriate to the Agency's business, to the materiality of the financial risks inherent in the business and to the relative costs and benefits of implementing specific controls.

The Agency's business involves the acceptance and management of a range of risks and the nature of these risks means that events may occur which give rise to unanticipated losses. The Agency's system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. It is possible that internal controls can be circumvented or overridden. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

The Directors have established an organisational structure with defined responsibility for internal control for each element of the Agency's business and this, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally acknowledged by the Chief Executive Officer once a year.

The key elements of the system of internal control are as follows:

- a. a clearly defined organisation structure with appropriate segregation of duties and limits of authority;
- b. internal financial controls documented in a Policies and Procedures Manual which has been approved by the Board;
- c. clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;
- d. annual budgets and long term plans for the Agency identifying key risks and opportunities;
- e. monthly management accounts prepared and presented to the Board;

- f. an internal auditor reviews key financial systems and controls;
- g. an audit committee deals with significant control issues raised by internal or external audit.

The Directors have reviewed the effectiveness of the system of internal control for the financial year and to the date of approval of the statements, and have considered the major business risks and the control environment.

Compliance statement

The Agency has chosen to voluntarily comply with the 2003 Combined Code on Corporate Governance issued by the Financial Reporting Council as part of its policy of striving to follow best practice in matters of corporate governance.

The Directors are pleased to report that the Agency has complied with the 2003 Combined Code and the Code of Practice for the Governance of State Bodies during the year ended 31 December 2007, except for the following matters:

Senior independent non-executive Director

Consideration has been given to the matter of designating a recognised senior Board member other than the Chairman to whom concerns can be conveyed and, in view of the manner of appointment of Directors, the shareholding structure and existing Board procedures it has been concluded that it is not appropriate in the circumstances.

Nominations Committee and procedures for election and re-election

Non Executive Directors are appointed by the Minister for the Environment, Heritage and Local Government and hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding five years.

Finance Committee

The Finance Committee is empowered on behalf of the Agency to borrow and raise money to implement, utilise and operate any approved facilities. The Finance Committee did not meet during the year.

Board annual performance evaluation

The Board undertook a review, including the receipt of external professional advice, as to how to implement the requirements of the 2003 Combined Code to carry out an annual evaluation of its performance and that of its members. Accordingly the Board will be in a position to report its compliance with this requirement in the Agency's Annual Report for the year ended 31 December 2008.

Directors' remuneration

The Minister for the Environment, Heritage and Local Government determines the level of remuneration for non-executive Directors. The remuneration of the Chief Executive Officer is set in line with current guidelines for pay in the Public Service. Remuneration of non-executive Directors is not linked to performance and is disclosed collectively for all non-executive Directors as fees in note 6 to the financial statements. Recommendations in relation to the Chief Executive Officer's remuneration are proposed by the Remuneration Committee for consideration of the Board, however the Remuneration Committee did not meet in the current year.

Internal audit

Due to the size and nature of the Agency, the internal audit function is not free from operating responsibility; however the Directors are satisfied that a sufficient level of independence is afforded to the internal audit function to allow it to carry out its duties in an objective and sufficiently independent manner.

5 // Going Concern

After making enquiries, the Directors have a reasonable expectation that the Agency has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

6 // Directors

The Directors and Secretary have no interests in the shares or debentures of the Agency.

7 // Contracts

There has not been any contract or arrangement with the Agency during the year in which a Director of the Agency was materially interested and which was significant in relation to the Agency's business.

8 // Post Balance Sheet Events

No significant events have taken place since the year end that would result in adjustment to the financial statements or inclusion of a note thereto.

9 // Electoral Act, 1997

The Agency made no political donations during the year.

10 // European Communities (Late Payment in Commercial Transactions) Regulations

The Agency is required to comply with the requirements of the European Communities (Late Payment in Commercial Transactions) Regulations, 2002 and its predecessor, the Prompt Payment of Accounts Act, 1997 (collectively "the Regulations"). A review of all payments made during the

year ended 31 December 2007 shows no late payments were made during 2007 under the above Act.

11 // Health and safety of employees

The well being of the Agency's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 2005 imposes certain requirements on employers and the Agency has taken the necessary action to ensure compliance with the Act, including the adoption of a safety statement, which is reviewed annually by the Directors.

12 // Accounting Records

The Directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company are maintained at its registered office.

13 // Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditors, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board,



Edward Coffey
Chairman
27 March 2008



Ian d'Alton
Chief Executive Officer
27 March 2008



03

CHAPTER // 03

STATEMENT OF DIRECTORS' RESPONSIBILITIES

17

The Directors are responsible for preparing the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Agency's financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Agency will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Agency and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts.

On behalf of the Board,



Edward Coffey
Chairman
27 March 2008



Ian d'Alton
Chief Executive Officer
27 March 2008



04

CHAPTER // 04

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING FINANCE AGENCY PLC

We have audited the financial statements of the Housing Finance Agency plc for the year ended 31 December 2007 which comprise the income and expenditure account, balance sheet, statement of total recognised gains and losses, cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Agency's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Agency's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Agency and the Agency's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Independent Auditors

The Directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 17.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly

prepared in accordance with the Companies Acts 1963 to 2006. We also report to you whether, in our opinion proper books of account have been kept by the Agency; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Agency; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review, at the request of the Directors, whether the voluntary statement on pages 11 to 15 reflects the Agency's compliance with the nine provisions of the 2003 Combined Code on Corporate Governance that are specified for our review by the listing rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report and Chairman's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Agency's affairs as at 31 December 2007 and of its result of operations for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006.

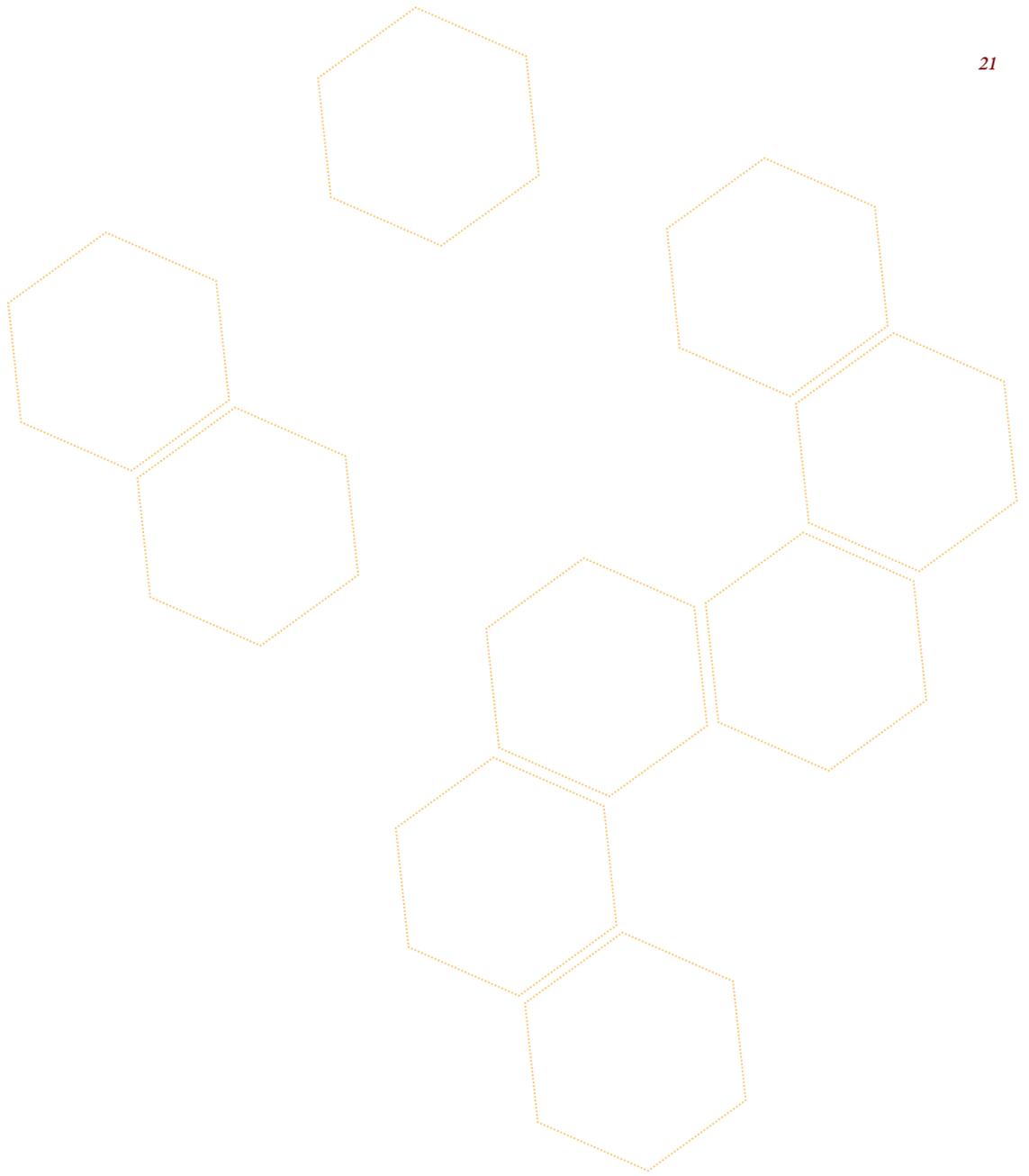
We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Agency. The Agency's financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statements.

The net assets of the Agency, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Agency.

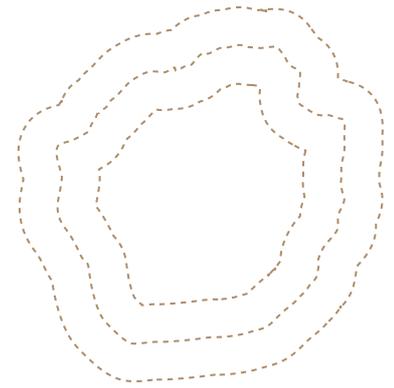
KPMG

Chartered Accountants
Registered Auditor
27 March 2008





05



CHAPTER // 05

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Agency's financial statements.

Basis of Preparation

The financial statements have been prepared under the historic cost convention except that recognised financial assets and financial liabilities that are hedged are stated at fair value in respect of the risk that is hedged. All derivative instruments are measured at fair value.

The financial statements comply with generally accepted accounting practice in Ireland, which includes compliance with Irish law and Financial Reporting Standards ("FRS") of the Accounting Standards Board as promulgated by the Institute of Chartered Accountants in Ireland. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In preparing these financial statements, the Agency has adopted FRS 29 Financial Instruments: Disclosures at its required application date of 1 January 2007. The adoption of FRS 29 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported losses or financial position of the Agency. In accordance with the transitional requirements of that standard, the Agency has provided full comparative information.

Functional And Presentation Currency

These financial statements are presented in euro, which is the Agency's functional currency. Except as indicated, financial information presented in euro has been rounded to the nearest thousand.

Financial Liabilities

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Agency having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

Financial liabilities are initially recognised at fair value, usually being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost, with any difference between the proceeds net of transaction costs and the redemption value being recognised in the income and expenditure account using the effective interest method.

Financial liabilities primarily include index-linked bonds, Housing Finance Agency Stock and Eurocommercial Paper.

Short Term Investments

Short term investments consisting primarily of promissory notes or commercial paper are categorised as loans and receivables; are initially measured at fair value of the consideration paid; and are subsequently held at amortised cost. Income from such investments is recognised on an effective interest basis over the period to maturity.

Effective Interest Rate

Interest receivable and payable on financial instruments classified as loans and advances, or financial liabilities at amortised cost, is recognised on an effective interest

rate basis. This calculation takes into account interest received or paid, fees and commissions paid or received that are integral to the yield as well as incremental transaction costs. At inception of the index linked bond, the inflationary element of the return was deemed to be closely related and, as such, projected inflation return is also included in the effective interest rate calculation and reassessed every half year. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument or, where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability at initial recognition.

Loans And Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Agency does not intend to sell immediately or in the near term.

Loans and receivables are initially measured at fair value of the consideration received and are subsequently held at amortised cost less provision for impairment. Income on loans and receivables is recognised on an effective interest basis.

Impairment Of Loans And Receivables

The Agency assesses impairment individually for financial assets that are significant and individually or collectively for assets that are not significant. Individual impairment is identified at a counter-party specific level following objective evidence that a financial asset is impaired. This may be after an interest or principal payment is missed or when a banking covenant is breached. The present value of estimated cash flow recoverable is determined after taking into account any security held.

The amount of any impairment is calculated by comparing the present value of the cash flows discounted at the loan's original effective interest rate with the balance sheet carrying value. If impaired, the carrying value is adjusted and the difference is charged to the income and expenditure account.

After a loan or group of loans is impaired interest is calculated at the original effective interest rate on the written down balance. A previously recognised impairment is reversed when events or circumstances arising after the date of impairment provide objective evidence that the loan or group of loans is no longer impaired.

A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established provisions for impairment or directly to the income and expenditure account.

Derivatives And Hedging

Hedge accounting allows one financial instrument, generally a derivative such as a forward rate agreement, to be designated as a hedge of another financial instrument, such as a loan or a debt security. At inception of the hedging relationship formal documentation must be drawn up specifying the hedging strategy, the component transactions and the methodology that will be used to measure effectiveness.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently classified as financial assets or financial liabilities designated as hedging instruments. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative as a derivative liability. The gain or loss on re-measurement to fair value at the balance sheet date is taken to cashflow hedge reserve to the extent that the hedging relationship is considered effective.

Monitoring of hedge effectiveness is undertaken on an ongoing basis. Hedge accounting continues to be applied if the change in fair value of the hedge and the hedged item are correlated within a range of 80% to 125% either for the period since effectiveness was last tested or cumulatively since inception.

The Agency uses cashflow hedging to hedge the risk of changes in cashflows attributable to changes in foreign currency exchange rates of the underlying financial instrument (i.e. debt security), which matches the cashflows of hedged items against the corresponding cashflow of the hedging derivative. The effective part of any gain or loss on the derivative is recognised directly in equity and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any gain or loss is recognised immediately in the income and expenditure account. The amount deferred in reserves will either remain in equity until the designated cashflows occur or will be recognised in the income and expenditure account and at the time that the foreign currency exchange difference on the hedged item is recognised in the income and expenditure account.

If the hedged cash flows are no longer expected to occur or the hedge is no longer effective or its hedging derivative is early settled or is terminated, then the amount deferred in reserves will be recognised in the income and expenditure account immediately.

Foreign Currencies

Transactions denominated in currencies other than euro are recorded at the rate ruling at the date of those transactions. The resulting monetary assets and liabilities

are translated at the rate ruling at the balance sheet date and the exchange differences are dealt with in the income and expenditure account.

Operating Lease

Costs from operating leases are included in indirect expenditure on an accruals basis over the period of the lease.

Tangible Fixed Assets And Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The charge for depreciation is calculated to write off the original cost less residual value of each fixed asset over its expected useful life:

Computer equipment - straight line over 3 years

Other equipment - straight line over 5 years

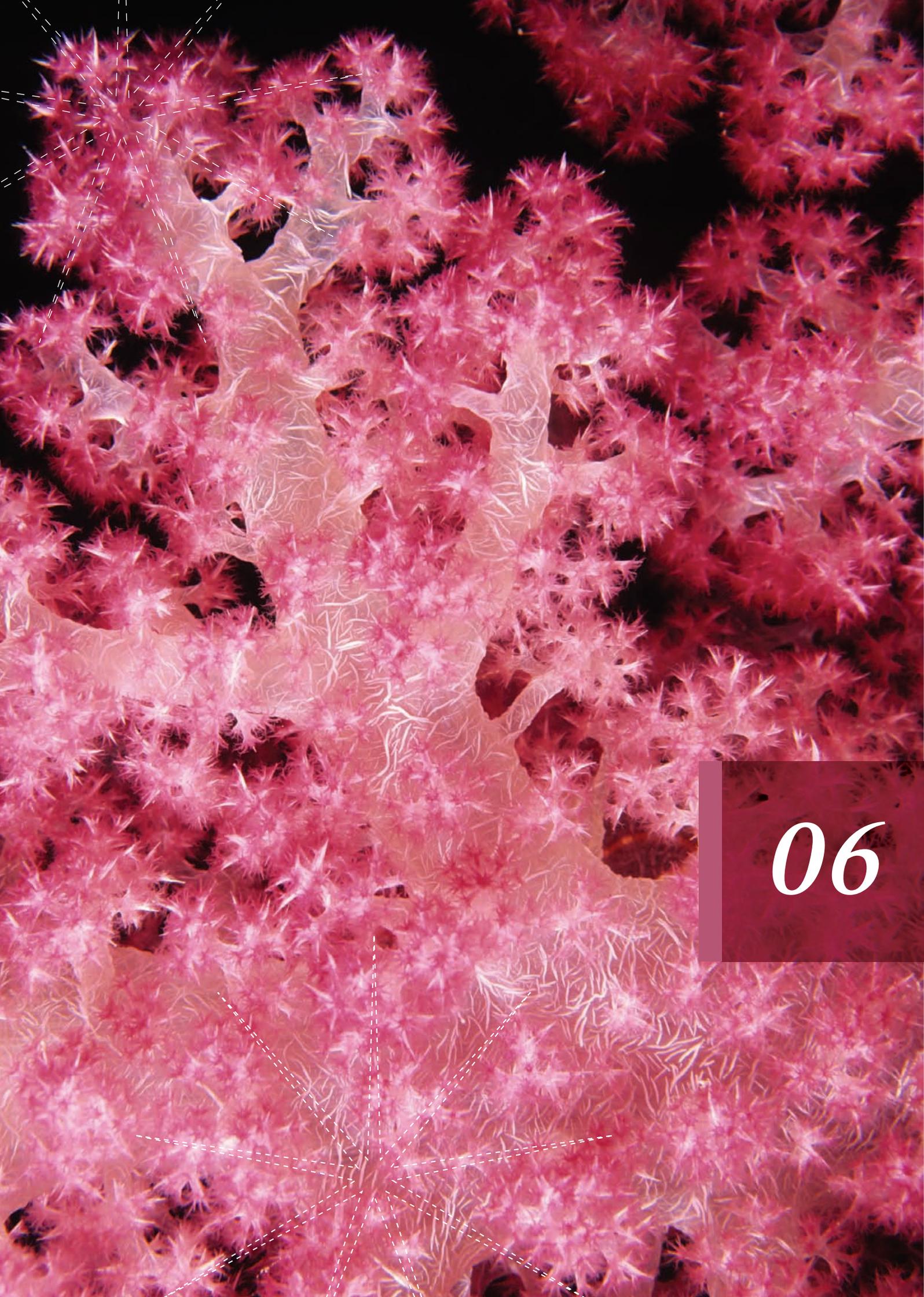
Estimates of expected useful life are reviewed periodically. Where necessary, provision is also made for any impairment of tangible fixed assets. The carrying amount of the tangible fixed assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists then the asset is tested for impairment by comparing the carrying amount to the recoverable amount, which is the higher of the amount that can be obtained from selling the asset or using the asset. Impairment losses are recognised in the income and expenditure account.

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Pensions

The Agency's net deficit or surplus in respect of its defined benefit plan represents the shortfall or surplus respectively for the fair value of the plan assets over the present value of the future benefits owed to employees in return for their service in the current and prior periods. The discount rate used is the market yield on high quality corporate bonds at the balance sheet date that have maturity dates approximating to the terms of the Agency's obligations. The calculation is performed by a qualified independent actuary using the projected unit cost method. Actuarial gains and losses are taken directly to reserves in the period in which they are incurred.

The charge to the income and expenditure account includes current service cost, past service cost, the interest cost of the plan liabilities and the expected return on plan assets.



06

CHAPTER // 06

INCOME AND EXPENDITURE ACCOUNT

	Note	Year ended 31 December 2007 €'000	Year ended 31 December 2006 €'000
Income - continuing activities	3	153,298	107,899
Direct expenditure	4	(170,644)	(113,014)
Deficit of income over direct expenditure		(17,346)	(5,115)
Indirect expenditure	5	(1,812)	(1,926)
Operating deficit for the financial year - continuing activities		(19,158)	(7,041)
Finance income (net)	7	12,657	4,098
Deficit for the financial year		(6,501)	(2,943)

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On behalf of the Board,



Edward Coffey
Chairman
27 March 2008



Ian d'Alton
Chief Executive Officer
27 March 2008



07

CHAPTER // 07

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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	Note	Year ended 31 December 2007 €'000	Year ended 31 December 2006 €'000
Deficit for the financial year		(6,501)	(2,943)
Actuarial gains/ (losses)	23	(126)	(194)
Gross amount of gains/(losses) in respect of derivative instruments within cash flow hedge relationship			
Gains/(losses) from changes in fair value	17	(44,754)	(13,094)
Transferred to income and expenditure account	17	44,807	13,094
Total recognised gains and losses for the financial year		(6,574)	(3,137)



08



CHAPTER // 08

BALANCE SHEET

	Note	31 December 2007 €'000	31 December 2006 €'000
Assets employed			
Tangible fixed assets	9	59	36
Current assets			
Debtors (advances due after more than one year: €3,091,206 [2006: €2,663,812])	8	3,877,724	3,116,845
Derivative financial instruments	16	6,925	-
Cash and cash equivalents	10	521,474	7
		4,406,123	3,116,852
Creditors (amounts falling due within one year)	11	(3,432,676)	(2,142,142)
Derivative financial instruments	16	(51,732)	(13,094)
Net current assets		921,715	961,616
Total assets less current liabilities		921,774	961,652
Creditors (amounts falling due after more than one year)	12	(351,358)	(409,274)
Debt securities in issue Index linked bonds	13	(454,659)	(430,454)
8.75% Housing Finance Agency stock 2018	14	(91,556)	(91,194)
Net assets before pension (deficit)/surplus		24,201	30,730
Pension (deficit)/ surplus	23	(64)	34
Net Assets		24,137	30,764
Capital and reserves			
Called up share capital	19	39	39
Retained surplus	20	24,098	30,725
Shareholder's funds	21	24,137	30,764

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On behalf of the Board,

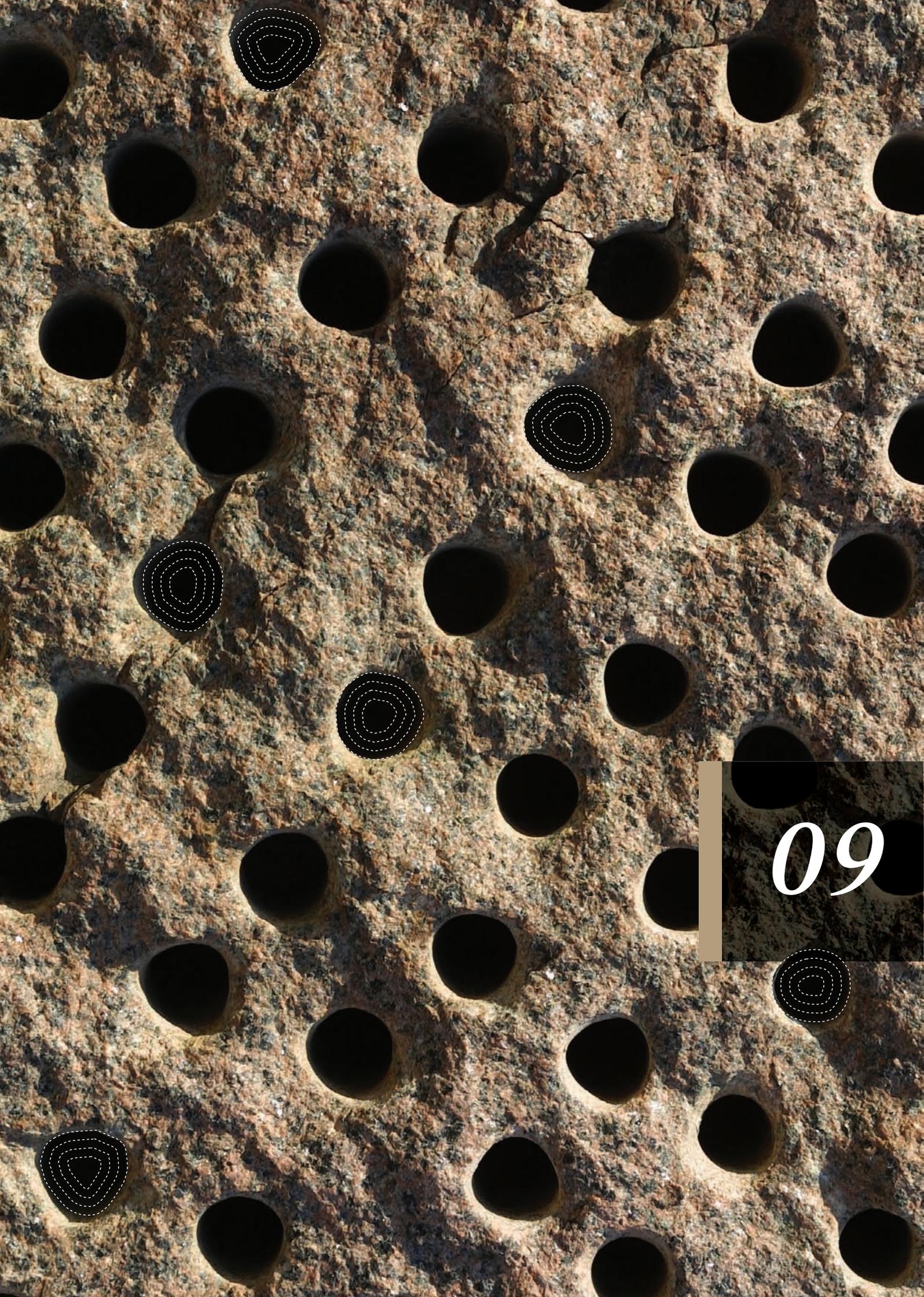


Edward Coffey
Chairman
27 March 2008



Ian d'Alton
Chief Executive Officer
27 March 2008





09

CHAPTER // 09

CASH FLOW STATEMENT

	Note	31 December 2007 €'000	31 December 2006 €'000
Cash inflow / (outflow) from operating activities	18(a)	(576,649)	31,282
Returns on investments and servicing of finance	18(b)	(134,093)	(95,346)
Capital expenditure	18(b)	(55)	(22)
Increase in bank loans and notes payable	18(b)	1,224,605	64,562
Increase in cash during the year		513,808	476

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On behalf of the Board,



Edward Coffey
Chairman
27 March 2008



Ian d'Alton
Chief Executive Officer
27 March 2008

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	31 December 2007 €'000	31 December 2006 €'000
Increase in cash during the year		513,808	476
Cash inflow from change in debt financing	18(b)	(1,224,605)	(64,562)
Non-cash movements	18(c)	(24,567)	(32,082)
Movement in net debt during the year		(735,364)	(96,168)
Net debt at beginning of year	18(c)	(3,055,168)	(2,959,000)
Net debt at end of year	18(c)	(3,790,532)	3,055,168



10

CHAPTER // 10

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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1 // Status of the Agency and Related Party Transactions

The Housing Finance Agency plc is a company limited by shares promoted by the Minister for the Environment, Heritage and Local Government under the terms of the Housing Finance Agency Act, 1981. The issued share capital is beneficially owned by the Minister for Finance. The Agency was formed as a private limited company on 8 February 1982 and on 13 January 1983 became a public limited company.

There were no related party transactions during the year within the meaning of Financial Reporting Standard No. 8 Related Party Disclosures apart from dealings with other Government bodies. The Agency deals in the normal course of business with other Government bodies; in particular a significant portion of the Agency's financing is arranged through the National Treasury Management Agency and income from continuing activities derives from loans to local authorities.

2 // Taxation Status of the Agency

Under Section 218 of the Taxes Consolidation Act 1997, income earned by Housing Finance Agency plc from the business of making loans and advances under Section 5 of the Housing Finance Agency Act, 1981, is exempt from Corporation Tax. Income chargeable under Case III, Schedule D is also exempt from Corporation Tax.

Under Section 172(A) of the Taxes Consolidation Act 1999, the Agency is entitled to pay dividends gross of Dividend Withholding Tax.

3 // Income - Continuing Activities

	31 December 2007 €'000	31 December 2006 €'000
<i>Interest on advances to local authorities which were approved:</i>		
Post 27 May 1986	150,918	105,111
Pre 27 May 1986	2,380	2,788
	153,298	107,899

Total interest income on financial assets not carried at fair value through the income and expenditure account amounted to €165.9m for the year ended 31 December 2007 (2006 : €111.9m).

4 // Direct Expenditure

	31 December 2007 €'000	31 December 2006 €'000
Index Linked bonds		
Bond interest	13,210	12,632
Premium on redemption of bonds (Note 13)	23,882	18,301
	37,092	30,933
Stock and loan costs		
Interest payable on bank borrowings, commercial paper, guaranteed notes and stock	133,499	82,001
Foreign exchange gains from borrowings	53	80
	133,552	82,081
	170,644	113,014

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5 // Indirect Expenditure

	31 December 2007 €'000	31 December 2006 €'000
Other expenditure		
Administrative expenditure (Note 6)	1,666	1,754
Administration fees to local authorities	146	172
	1,812	1,926

6 // Administrative Expenditure

Administrative expenditure has been arrived at after charging:

	31 December 2007 €'000	31 December 2006 €'000
Directors' emoluments		
Fees - Chairman	14	14
Fees - other Directors	42	54
Directors' remuneration	122	110
Pension contributions	27	22
	205	200
Employee costs		
Salaries	604	662
Social welfare costs	39	38
Service costs-pension	92	98
	735	798
Actuarial (losses)/gains on defined benefit scheme included in the statement of recognised gains and losses	(126)	194

The average number of employees, including executive Directors, during the year was 12 (2006: 12).

	31 December 2007 €'000	31 December 2006 €'000
Auditor's remuneration	56	57
Depreciation (Note 9)	32	27
Rental payments under operating lease	75	75

7 // Finance Income (Net)

	31 December 2007 €'000	31 December 2006 €'000
Included in finance income		
Expected return on pension assets	108	109
Interest cost on pension liabilities	(76)	(69)
Investment income	12,625	4,058
Net finance income	12,657	4,098

8 // Debtors

	31 December 2007 €'000	31 December 2006 €'000
Balance due on advances	3,778,710	3,040,443
Other debtors and prepayments	1,070	228
Due from local authorities	97,944	76,174
	3,877,724	3,116,845

Balance due on advances is analysed as follows:

(i) Loans approved post 27 May 1986

Balance at beginning of year	3,012,300	2,862,631
Loans advanced	1,061,776	563,738
Less: loans repaid	(353,017)	(436,399)
Interest charged	150,918	105,111
Interest received	(119,166)	(82,781)
Balance at end of year	3,752,811	3,012,300

(ii) Loans approved pre 27 May 1986

Balance at beginning of year	28,143	34,245
Less: loans repaid	(2,244)	(6,102)
Interest charged	2,380	2,788
Interest received	(2,380)	(2,788)
Balance at end of year	25,899	28,143
Balance at end of year	3,778,710	3,040,443

Loans to local authorities have been segregated into those approved pre and post 27 May 1986 (detailed in (i) and (ii) above), as a different credit risk is applied to each. Included in the post 27 May 1986 are loans of €6.9m (2006: €3.7m) advanced to the National Building Agency.

The Agency is liable for any credit losses that may arise on pre-May 1986 mortgages which are secured by the underlying mortgage property; however, no impairment has been recognised in these accounts. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, and (b) the revenues or funds of local authorities being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), the Board is of the opinion that no significant credit risk arises on foot of loans advanced to local authorities on or after 27 May 1986.

9 // Tangible Fixed Assets

	Total €'000
Cost	
At beginning of year	536
Additions	55
Disposals	(112)
At end of year	479
Depreciation	
At beginning of year	500
Charged for year	32
Disposals	(112)
At end of year	420
Net book value 31 December 2007	59
31 December 2006	36

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10 // Cash and Cash Equivalents

	31 December 2007 €'000	31 December 2006 €'000
Cash at bank and in hand	-	7
Amounts held on short term deposits	521,474	-
	521,474	7

Short term deposits consist primarily of promissory notes or commercial paper held with the National Treasury Management Agency. Deposits outstanding at 31 December 2007 of €521.4m had a weighted average variable interest rate of 4.20% (365-day) and less than one month to maturity.

11 // Creditors (Amounts Falling Due Within One Year)

	31 December 2007 €'000	31 December 2006 €'000
Commercial paper, note issuance facilities and guaranteed notes	3,406,774	2,124,253
Interest due on stock and bonds	7,382	7,185
Accruals	10,861	10,704
Bank overdraft	7,659	-
	3,432,676	2,142,142

Tax creditors (included in accruals) PAYE	29	34
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The commercial paper, note issuance facilities and guaranteed notes are fully guaranteed by the Minister for Finance.

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12 // Creditors (Amounts Falling Due After More Than One Year)

	31 December 2007 €'000	31 December 2006 €'000
<i>Bank loans and notes payable or repayable other than by instalments:</i>		
Between one and two years	55,027	7,835
Between two and five years	273,024	309,274
After more than five years	23,307	92,165
	351,358	409,274

The loans and notes payable are fully guaranteed by the Minister for Finance.

13 // Debt Securities in Issue - Index Linked Bonds

	31 December 2007 €'000	31 December 2006 €'000
Housing Finance Agency bond issues		
2% Index Linked Bonds 2008	107,928	107,928
4% Index Linked Bonds 2015	95,230	95,230
Nominal value of bonds in issue	203,158	203,158
Net unamortised expenses and premium/discount on issue	1,119	796
Provision for premium on redemption of bonds	204,277	203,954
	250,382	226,500
	454,659	430,454

Provision for premium on redemption of bonds

	Total €'000	Deferred €'000	Provided €'00
31 December 2007			
At beginning of year	234,684	(8,184)	226,500
Arising during the year	21,224	2,659	23,882
At end of year	255,908	(5,525)	250,382
31 December 2006			
At beginning of year	218,746	(10,547)	208,199
Arising during the year	15,938	2,363	18,301
At end of year	234,684	(8,184)	226,500

The premium payable on redemption is provided by reference to the percentage increase in the Consumer Price Index from the base date of each bond issue to the index applicable sixth months prior to the relevant coupon date. The bonds are guaranteed by the Minister for Finance.

14 // 8.75% Housing Finance Agency Stock 2018

	31 December 2007 €'000	31 December 2006 €'000
At par value	95,230	95,230
Less: Unamortised discount on issue	(3,674)	(4,036)
	91,556	91,194

The par value due on redemption and interest on this stock is guaranteed by the Minister for Finance.

15 // Financial Risk Management

Introduction and overview

The Agency has potential exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks (including interest rate, inflation and currency).

This note presents information about the Agency's exposure to each of the above risks, and the Agency's objectives, policies and procedures for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Agency's risk management framework. The Agency's risk management policies are established to identify and analyse the risks faced by the Agency, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Agency's policies and procedures include policies on the use of derivative treasury instruments. These support compliance with the Specification and Requirements of the Minister for Finance issued under the terms of the Financial Transactions of Certain Companies and Other Bodies Act, 1992 and take into account best practice on the use of derivative treasury instruments. The principal objective of using derivative financial instruments is to match or eliminate risk from potential movements in foreign exchange rates in the Agency's assets and liabilities.

The current 'Specification and Requirements' (valid to 31 December 2008), which follows a policy approved by the Board, allows for contracts covering interest rate swaps (€400 million), foreign exchange forwards (€3.5 billion), forward rate agreements (€80 million) and interest rate caps (€300 million). The 'Specification and Requirements' set out details of the types of counterparties and Board responsibilities in relation to the management of derivatives. Transactions can only be carried out with the approval of the Agency's Chief Executive Officer or Financial Controller (in the case of those involving the National Treasury Management Agency as agent/counterparty, noted by either of the Chief Executive Officer or Financial Controller) and are subject to regular periodic internal audit checks during their lifetime.

The Agency under its eurocommercial paper (ECP) programme issues ECP in currencies other than euro. In order to hedge against this currency risk, the Agency enters into foreign currency forwards.

The Agency had foreign currency forwards with a notional value of €2.2 billion outstanding at the year end which hedged the Agency's entire foreign exchange risk. These were all foreign exchange forward transactions carried out with the National Treasury Management Agency in association with the Agency's €3.5 billion eurocommercial paper programme. Further details in respect of currency risk is included below in this note.

a. Credit risk

Financial assets

	31 December 2007 €'000	31 December 2006 €'000
Balance due on advances	3,778,710	3,040,443
Cash at bank and in hand	-	7
Amounts held on short term deposits	521,474	-
Due from local authorities	97,944	76,174
	4,398,128	3,116,624

Credit risk is the risk of financial loss to the Agency if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Agency's loans and advances to its customers, Irish local authorities.

The Agency is currently permitted to advance money to:

- local authorities to be used by them for any purpose authorised under the Housing Acts 1966 to 2002; and
- the National Building Agency Limited (as referred to in the National Building Agency Limited Act 1963) for use by it for any lawful purpose in connection with the provision or improvement of housing or services related thereto or in substitution for funds borrowed by it for such purposes and still outstanding.
- local authorities for capital projects authorised under section 17 of the Housing (Miscellaneous Provisions) Act, 2002.

The Agency has two categories of loans to local authorities: those approved pre and post 27 May 1986. These two categories have a different credit risk profile.

The Agency is liable for any credit losses that may arise on pre May 1986 mortgages which are secured by the underlying mortgage property and mortgage protection insurance. Whilst the local authorities are counterparties to these loans the Agency is exposed to the underlying risk to the individual borrowers. The local authority holds collateral against loans advanced pre 27 May 1986 in the form of mortgage interests over property and only in the event of that collateral not being sufficient to discharge the debt is the Agency liable. Estimates of fair value are not updated except where a loan is individually assessed as being past due or impaired. The definition of past due and impaired is as follows; however the Agency has no such loans and accordingly no assessment of fair value has been made.

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Impaired loans

Impaired loans are loans for which the Agency determines that it is probably unable to collect all principal and interest due according to the contractual terms of the loan.

Past due loans

Loans where contractual interest or principal payments are past due.

Loans advanced to local authorities on or after 27 May 1986 represent no credit risk to the Agency. Local authorities are bodies constituted under statute. All loans advanced to local authorities are approved by the Minister for the Environment, Heritage and Local Government. It is the Board's belief that, in this context, credit risk does not arise. In the context of

- local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, and
- the revenues or funds of local authorities being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), the Board is of the opinion that no significant credit risk arises on foot of these loans.

New Counterparty Contracts

The Board of Directors is responsible for the oversight of the Agency's credit risk including:

- Formulating credit policies in conjunction with Management, covering collateral requirements, documentary and legal procedures within the confines of statutory requirements.
- Establishing the authorisation structure and approval for new counterparties (non local authorities) and lending concentrations there to.
- Reviewing compliance with internal policies and procedures.

The Agency had no loans and advances which were past due or impaired at 31 December 2007 (2006: €nil).

Concentrations

An analysis of loans and advances outstanding at the year end are provided in Appendix 1 to these accounts (all of which are approved by the Minister for the Environment, Heritage and Local Government).

The Agency's credit risk also consists of its exposure to institutions (primarily the National Treasury Management Agency and rated banks), with which it holds short term investments. At 31 December 2007 the Agency had no exposure to rated banks. An investment and counterparty exposure policy is periodically approved by the Board. Investments arise at present only in the context of day-to-day liquidity management. At the year end the Agency had €521.5m (2006: nil) on deposit with the National Treasury Management Agency.

b. Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting obligations from its financial liabilities.

	Carrying Amount €'000	Gross Nominal inflow/ (outflow) €'000	< 1mth €'000	1-3 mths €'000	3 mths - 1yr €'000	1 - 5 yrs €'000	>5 yrs €'000
31 December 2007							
<i>Non-derivative liabilities</i>							
ECP programme	2,927,540	(2,982,246)	(568,813)	(1,835,028)	(578,405)	-	-
Guaranteed notes facility	501,335	(503,757)	(441,460)	(44,027)	(18,270)	-	-
Fixed rate medium term note	7,057	(7,863)	(535)	-	(535)	(6,792)	-
Note issuance facilities	70,992	(71,200)	(71,200)	-	-	-	-
20-year variable loan	23,307	(31,991)	-	-	(2,738)	(10,173)	(19,080)
5-year term loan	250,000	(252,094)	(100,380)	(151,714)	-	-	-
Index linked bonds	454,659	(488,938)	(267,198)	-	(8,761)	(18,381)	(194,599)
Fixed Rate Stock 8.75%	91,556	(179,610)	-	(8,333)	-	(33,332)	(137,945)
	4,326,446	(4,517,699)	(1,449,585)	(2,039,102)	(608,709)	(68,678)	(351,624)
<i>Derivative liabilities</i>							
Trading: outflow	(2,145,488)	(2,184,246)	(430,813)	(1,419,028)	(334,405)	-	-
Trading: inflow	2,145,488	2,184,246	430,813	1,419,028	334,405	-	-
	-	-	-	-	-	-	-
31 December 2006							
<i>Non-derivative liabilities</i>							
ECP programme	1,334,685	(1,355,738)	(275,426)	(641,812)	(438,499)	-	-
Guaranteed notes facility	620,424	(622,249)	(592,786)	(28,954)	(510)	-	-
Fixed rate medium term note	9,530	(10,872)	(638)	-	(2,372)	(7,863)	-
Note issuance facilities	332,032	(333,951)	(232,683)	(94,668)	(6,600)	-	-
5-year term loan	250,000	(251,568)	(100,293)	(151,275)	-	-	-
Index linked bonds	430,454	(481,300)	(9,544)	-	(7,144)	(268,647)	(195,964)
Fixed Rate Stock 8.75%	91,194	(187,943)	-	(8,333)	-	(33,332)	(146,278)
	3,068,319	(3,243,621)	(1,211,370)	(925,042)	(455,126)	(309,841)	(342,243)
<i>Derivative liabilities</i>							
Trading: outflow	(489,489)	(496,738)	(117,426)	(344,812)	(34,499)	-	-
Trading: inflow	489,489	496,738	117,426	344,812	34,499	-	-
	-	-	-	-	-	-	-

Management of liquidity risk

The Agency's policy in relation to liquidity risk is to ensure, by periodic reviews of cashflow requirements, that it can meet its funding obligations for an appropriate period ahead.

The Board approves a rolling update of a five-year Corporate Plan at its March meeting each year. This takes into account the Agency's internal resource calculations, the Government's estimate of loan advances as set out in the PCP, loans maturing during the year and funding options.

Regular review of the Agency's financial position is presented, along with monthly management accounts, to the Board.

The Board regularly reviews the current debt programme, which includes a match-funding, borrowings and advances report on a quarterly basis by loan type and maturity detailing capital, interest rate structure, currency composition, borrowing costs, maturity profile.

The Agency finances its operations by a combination of bond issues, commercial paper (uncommitted, and with committed backing facilities), bank overdrafts and retained profits. Bond issues and committed facilities amounted to 19% of the Agency's available borrowing facilities at 31 December 2007. The Agency's committed facilities, bond issues and €3.5 billion ECP programme (signed on 22 October 2002, with issues in various currencies now made by the National Treasury Management Agency programme from 26 February 2003) are used to finance its lending to local authorities under the terms of the Housing Acts. Other uncommitted facilities are largely utilised for bridging and liquidity purposes.

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The Agency's funding operations require it to raise new debt and refinance maturing loans. The Agency's overdraft facilities (€51m available at 31 December 2007) are subject to annual review by the Agency's bankers. The Agency's €2.5 billion ECP programme was increased in size to €3.5 billion on 17 July 2007. The average cost of the Agency's debt in 2007 was an annualised 4.4% compared with 3.8% in the last financial year.

On 16 November 2005, the Agency entered into a five-year variable rate facility of €250 million. This facility was fully drawn at the year-end. The Board has in place a policy of regular assessment of maturing debt and its refinancing and/or repayment.

The Agency has on-lent a number of fixed rate medium-term loans to local authorities for housing and related purposes and has funded these loans with matched fixed rate Medium Term Notes. Because of this, these loans are fully matched in loan term and interest rate, and present no liquidity risk.

c. Market risks

The bulk of the Agency's lending – consisting mostly of 30-year annuities – is funded by its short-term variable rate ECP programme, which is guaranteed by the Minister for Finance. In the context of the State's rating and its membership of the EU and the eurozone, it is the Board's view that liquidity risk does not arise.

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Agency's income or the value of its holdings of financial instruments. The objective of market risk management is to minimise or eliminate market risk exposures.

Management of market risks

The Agency splits market risks into risks related to changes in variable interest rates, foreign exchange rates and inflation. Interest rate risk exposure is managed by minimising mismatches between its borrowings and its advances within its individual programmes – index linked, fixed rate and variable rate.

The financial assets are analysed further below:

	31 December 2007 €'000	31 December 2006 €'000
Fixed rate	142,141	100,412
EURIBOR®	4,061,274	2,804,941
Index linked	194,713	211,264
	4,398,128	3,116,617
Derivatives	6,925	-
	4,405,053	3,116,617

The Agency made new fixed and floating rate advances during the financial year. The Agency's index linked advances are classified as floating rate assets.

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Interest rate risk profile of financial assets as at:

	31 December 2007	31 December 2006
Weighted average fixed interest rate	6.58%	7.88%
Weighted average floating interest rate	4.57%	4.07%
Weighted average period for which fixed interest assets are fixed	12.4 years	10.4 years

A large proportion of the Agency's fixed rate loans consists of 30-year loans issued in 1986. New advances are fixed for much shorter periods. Floating rate loans consist of loans to local authorities of terms between one and thirty years.

Financial liabilities are analysed below:

	31 December 2007 €'000	31 December 2006 €'000
Fixed rate	98,614	100,846
Floating rate:		
EURIBOR®	3,765,514	2,536,970
Prime	7,659	49
Index linked	454,659	430,454
	4,326,446	3,068,319
Derivative	51,732	13,094
	4,378,178	3,081,413

These are analysed as follows:

Floating rate liabilities include the Agency's ECP debt. This debt consists of short-term debt priced off a variable index (EURIBOR®). The Directors believe the debt is appropriately classified as floating rate.

Interest rate risk profile of financial liabilities as at:

	31 December 2007	31 December 2006
Weighted average fixed interest rate	8.73%	8.22%
Weighted average floating interest rate	4.33%	3.52%
Weighted average period for which fixed interest liabilities are fixed	9.6 years	10.4 years

The floating rate financial liabilities comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from three to six months by reference to the six-month EURIBOR® and index linked liabilities bearing interest rates which are calculated by reference to the Irish Consumer Price Index.

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The following uncertainties are taken into account in determining the policy:

- where borrowers can redeem without penalty;
- where specialised markets (e.g. index linked) may not always be receptive to issues and redemptions; and
- where the Agency is subject to changes in government policy.

The Agency's general approach in relation to managing its interest rate risk exposure is to set aside reserves to protect the Agency against perceived residual risks after matching, by reference to various scenarios and assumptions. The Board assesses the situation regularly and determines the level of reserves required annually.

The Agency also manages its variable book by setting its non-mortgage variable rate monthly in arrears, allowing planned cash-flows to materialise.

Maturity and interest rate repricing of financial assets:

	Maturity 31 December 2007 €'000	Repricing 31 December 2007 €'000
Amounts falling due in 1 month or less	97,944	4,060,222
Amounts falling due between 1 and 3 months	-	202,693
Amounts falling due between 3 and 12 months	1,211,773	-
Amounts falling due between 1 and 2 years	115,326	699
Amounts falling due between 2 and 3 years	87,635	-
Amounts falling due between 3 and 4 years	28,899	1,818
Amounts falling due between 4 and 5 years	97,970	7,290
Amounts falling due after more than 5 years	2,758,581	125,406
	4,398,128	4,398,128

	Maturity 31 December 2006 €'000	Repricing 31 December 2006 €'000
Amounts falling due in 1 month or less	76,174	2,806,934
Amounts falling due between 1 and 3 months	137,943	214,153
Amounts falling due between 3 and 12 months	238,688	10
Amounts falling due between 1 and 2 years	129,241	1,050
Amounts falling due between 2 and 3 years	91,530	-
Amounts falling due between 3 and 4 years	60,054	-
Amounts falling due between 4 and 5 years	31,692	2,065
Amounts falling due after more than 5 years	2,351,295	92,405
	3,116,617	3,116,617

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Maturity, liquidity measures and interest rate repricing of financial liabilities as at 31 December 2007:

	Maturity €'000	Repricing €'000	Undrawn Committed Facilities €'000
Maturing in 1 month or less	1,246,738	1,417,731	-
Maturing between 1 and 3 months	1,865,078	2,015,077	-
Maturing between 3 and 12 months	582,885	606,192	-
Maturing greater than 1 year and less than 2 years	53,451	1,575	46,549
Maturing greater than 2 years and less than 3 years	250,000	418	-
Maturing greater than 3 years and less than 4 years	-	2,007	-
Maturing greater than 4 years and less than 5 years	24,598	3,057	75,402
Maturing greater than 5 years	303,696	280,389	1,693
	4,326,446	4,326,446	123,644

Maturity, liquidity measures and interest rate repricing of financial liabilities as at 31 December 2006:

	Maturity €'000	Repricing €'000	Undrawn Committed Facilities €'000
Maturing in 1 month or less	902,454	1,196,548	492
Maturing between 1 and 3 months	689,610	908,008	74,435
Maturing between 3 and 12 months	545,332	434,281	20,430
Maturing greater than 1 year and less than 2 years	249,372	249,372	-
Maturing greater than 2 years and less than 3 years	59,276	1,788	40,724
Maturing greater than 3 years and less than 4 years	250,000	575	-
Maturing greater than 4 years and less than 5 years	-	2,239	-
Maturing greater than 5 years	372,275	275,508	-
	3,068,319	3,068,319	136,081

Sensitivity to interest rate risk

An analysis of the Agency's sensitivity to an increase or decrease in market interest rates (assuming a constant balance sheet position) would impact on losses for the financial year as follows:

	100 bp parallel increase €'000 Gain	100 bp parallel decrease €'000 (Loss)	50 bp parallel increase €'000 Gain	50 bp parallel decrease €'000 (Loss)
At 31 December 2007	3,617	(3,617)	1,808	(1,808)
At 31 December 2006	4,645	(4,645)	2,323	(2,323)

The above figures have been calculated using outstanding balances of variable rate loan advances offsetting outstanding variable rate ECP funding, at the above dates. Fixed rate advances and fixed rate funding have no sensitivity to changes in market interest rates and are therefore excluded from this analysis.

Exposure to foreign exchange rate risk

Risk related to changes in foreign exchange rates concerns the following transactions:

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The Agency issues zero coupon commercial paper debt in currencies other than the functional currency. The National Treasury Management Agency, acting as agent, hedges the foreign currency exposure in respect of the repayment of this debt by entering into foreign currency forward contracts to exchange a fixed amount of euro for a fixed amount of the foreign currency. As at 31 December 2007 and 2006, after taking into account the effects of foreign currency forward contracts, no material currency exposures existed.

Exposure to inflation related risk

Inflation related risk arises from a mismatch of index linked borrowings and advances which is inherent in the contracts governing each side of the Agency's book. The Agency, in the absence of readily available hedging instruments, manages this risk by matching the borrowing and lending portfolios as far as possible and by applying a reserves policy, which is approved by the Board. The Agency's policy is to ensure that adequate reserves are set aside to meet known potential risks in the period to which such exposures relate.

In relation to inflation mismatches and margin fluctuations the Board determines a reserve figure for the current year, based on historic trends. In other areas (e.g. the potential cost of a mismatch between long-term fixed rate assets (advances to local authorities) and liabilities (bonds)) the Board sets aside reserves based on the net present value of potential losses at current market discount rates.

An analysis of the Agency's sensitivity to an increase or decrease in the consumer price index inflation rates (assuming a constant balance sheet position) is as follows:

	100 bp parallel increase €'000	100 bp parallel decrease €'000	50 bp parallel increase €'000	50 bp parallel decrease €'000
At 31 December 2007	(1,325)	1,325	(662)	662
At 31 December 2006	(1,123)	1,123	(561)	561

Fair value

The following tables outline the fair value of the financial assets and liabilities as at 31 December 2007 and 31 December 2006:

	31 December 2007	
	Carrying value €'000	Fair value €'000
Financial assets		
Fixed rate	142,141	165,345
Floating rate	4,061,274	4,068,199
Derivative assets	6,925	6,925
Index linked	194,713	288,730
	4,405,053	4,529,199
Financial Liabilities		
Fixed rate	98,614	130,244
Floating rate	3,773,173	3,750,180
Index linked	454,659	486,061
Derivative liabilities	51,732	51,732
	4,378,178	4,418,217
31 December 2006		
	Carrying value €'000	Fair value €'000
Financial assets		
Fixed rate	100,412	361,275
Floating rate	2,537,020	2,537,020
Index linked	211,264	420,810
Derivative assets	-	-
	2,848,696	3,319,105
Financial Liabilities		
Fixed rate	100,846	225,169
Floating rate	2,537,020	2,534,178
Index linked	430,453	514,243
Derivative liabilities	13,094	13,094
	3,081,413	3,286,684

The Agency has considered how best it can determine the fair value of index linked assets and liabilities. The fair value of the Agency's assets is arrived at by assessing the return on €100 (nominal) of an index linked loan, compared to the return on a conventional variable loan based on one month EURIBOR*, at the balance sheet date. The fair value of the Agency's assets has been calculated as €4.0bn. This is based on EURIBOR* at the year end rate (2006: EURIBOR*) on a 365 day basis.

Similarly, the Agency's liabilities are valued by reference to one month EURIBOR* (4.348% [365-day basis]) at 31 December 2007, with the cost of funding index linked stock compared to the cost of funding a conventional variable rate stock. €4.4bn has been estimated as the fair value of the Agency's liabilities. This is again based on EURIBOR* at the year end rate (2006: EURIBOR*).

In selecting this methodology, the Agency decided against using the quoted market price of the index linked bonds as they are held by few stockholders and are rarely traded. It was felt that the value by reference to variable rates gave a more accurate reflection of the situation and allowed both assets and liabilities to be assessed on a similar basis.

The fair value of derivatives is received from an independent, third party provider and is based on applicable market price information. This fair value is calculated based on ECB closing foreign currency rates at 31 December 2007.

16 // Derivative Financial Instruments

At 31 December 2007

	Contract/notional amount €'000	Fair value assets €'000	Fair value liabilities €'000
<i>Derivatives designated as cash flow hedges</i>			
Forward exchange rate agreements	2,184,246	6,925	(51,732)
Total recognised derivative assets/(liabilities)	2,184,246	6,925	(51,732)

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At 31 December 2006

	Contract/notional amount €'000	Fair value assets €'000	Fair value liabilities €'000
<i>Derivatives designated as cash flow hedges</i>			
Forward exchange rate agreements	496,738	-	(13,094)
Total recognised derivative assets/ (liabilities)	496,738	-	(13,094)

The cash-flows and related income and expenditure movements in relation to the derivatives above are all expected to occur within one year.

17 // Hedging Reserve / Cash Flow Hedges

	2007 €'000	2006 €'000
Balance at beginning of year	-	-
Gross amount of gains/ (losses)	-	-
Losses from changes in fair value	(44,754)	(13,094)
Transferred to income and expenditure account	44,807	13,094
Balance at end of year	53	-

18 // Cash Flow Statement

a. Reconciliation of operating deficit to cash inflow/ (outflow) from operating activities

	31 December 2007 €'000	31 December 2006 €'000
Operating deficit for the financial year	(19,158)	(7,041)
Direct expenditure (Note 4)	170,644	113,014
Pension surplus (Note 23)	92	98
Depreciation (Note 9)	32	27
Movements in working capital:		
Increase in amounts due from local authorities (Note 8)	(21,770)	(9,097)
Increase in advances (Note 8)	(738,267)	(143,567)
Increase in other debtors and prepayments	-	(152)
Increase in creditors	65	23,042
Decrease in derivatives	31,713	54,958
Cash inflow/ (outflow) from operating activities	(576,649)	31,282

b. Gross cash flows

	31 December 2007 €'000	31 December 2006 €'000
Returns on investments and servicing of finance		
Interest received	11,815	4,049
Interest paid	(145,908)	(99,395)
Net cash outflow from returns on investments and servicing of finance	(134,093)	(95,346)
Capital expenditure		
Payments to acquire tangible fixed assets	(55)	(22)
Net cash outflow from capital expenditure and disposals	(55)	(22)
Debt financing		
Increase in bank loans and notes payable	1,224,605	64,562
Net cash inflow from change in debt financing	1,224,605	64,562

c. Analysis of changes in net debt

	At 31 December 2007 €'000	Cash Flows €'000	Non-Cash Movements €'000	At 31 December 2006 €'000
Cash in hand, at bank	521,474	521,467	-	7
Overdraft	(7,659)	(7,659)	-	-
	513,815	513,808	-	7
Bank loans and notes repayable within one year	(3,406,774)	(1,282,521)	-	(2,124,253)
Bank loans and notes repayable after one year	(351,358)	57,916	-	(409,274)
Index linked bonds	(204,277)	-	(323)	(203,954)
Provision for premium on redemption of bonds	(250,382)	-	(23,882)	(226,500)
8.75% Housing Finance Agency Stock 2018	(91,556)	-	(362)	(91,194)
	(3,790,532)	(710,797)	(24,567)	(3,055,168)

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19 // Share Capital

There are 30,000 ordinary shares of €1.30 authorised, allotted, called up and fully paid amounting to €39,000 at 31 December 2007 and 2006.

20 // Reconciliation of Retained Surplus

	31 December 2007 €'000	31 December 2006 €'000
Retained surplus at beginning of year	30,725	33,862
Deficit for the financial year	(6,501)	(2,943)
Actuarial gains and losses	(126)	(194)
Retained surplus at end of year	24,098	30,725

21 // Reconciliation of Shareholders' Funds

	31 December 2007 €'000	31 December 2006 €'000
Opening shareholders' funds	30,764	33,901
Recognised losses for year	(6,627)	(3,137)
Closing shareholders' funds	24,137	30,764

22 // Commitments**Operating lease commitments**

The Agency has commitments under an operating lease to make payments totalling €75,000 in the next year as follows:

	Buildings €'000
Lease expiring: After one year	75

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23 // Pension Surplus

The company operates a defined benefit pension scheme covering all permanent employees.

The latest full actuarial valuation was carried out at 31 December 2004 using the Aggregate Method. The principal assumption underlying the actuarial valuation was that the long term rate of return on investments would exceed salary inflation by 2% per annum.

At 31 December 2007 the market value of the fund's assets was €1.62m (2006: €2.13m) and the funding level of past service liabilities was 102%. The contributions to the fund have been increased in line with the actuary's recommendations. The actuarial report is available for inspection by members of the scheme.

For the purposes of FRS 17 Retirement Benefits the latest valuations have been updated to 31 December 2007 by a qualified independent actuary using the projected unit cost method. The principal actuarial assumptions used were as follows:

	2007 %	2006 %	2005 %
Rate of increase in salaries	4.25	4.00	4.00
Rate of increase in pensions payments	2.50	2.25	2.25
Discount rate	5.60	4.60	4.25
Inflation assumption	2.50	2.25	2.25

Based on these assumptions, the following table sets out the market value of the assets of the defined benefit scheme together with details of the expected long term rates of return used to generate the amount shown in the income and expenditure account. It also shows the most recent valuation of the scheme liabilities updated for movements in the financial assumptions.

	Long-term rate of return expected at 31 Dec 2007 %	Value at 31 Dec 2007 €'000	Long-term rate of return expected at 31 Dec 2006 %	Value at 31 Dec 2006 €'000	Long-term rate of return expected at 31 Dec 2005 %	Value at 31 Dec 2005 €'000
The assets in the scheme and the expected rate of return were:						
Equities	6.50	1,276	7.00	1,688	6.50	1,386
Bonds	4.00	173	4.35	228	3.60	273
Property	6.00	121	7.00	107	5.50	90
Cash	2.50	47	2.25	111	2.25	56
Other	-	-	-	-	--	1,169
Total market value of pension scheme assets		1,617		2,134		2,974
Present value of pension scheme liabilities		(1,681)		(2,100)		(2,799)
Total net retirement surplus/ (deficit) in scheme		(64)		34		175
Total net pension deficit/surplus		(64)		34		175

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The actuarial gains and losses of the scheme may be analysed as follows:

	31 Dec 2007 €'000	31 Dec 2006 €'000	31 Dec 2005 €'000	31 Dec 2004 €'000	31 Dec 2003 €'000
<i>Included in statement of total recognised gains and losses:</i>					
Difference between expected and actual return on assets	(188)	95	361	(229)	103
Experience gains and losses on scheme liabilities	(184)	(100)	(211)	22	31
Effect of changes in actuarial assumptions	246	(189)	(361)	130	-
Net in statement of total recognised losses	(126)	(194)	(211)	(77)	134

History of actuarial gains and losses

	31 Dec 2007 €'000	31 Dec 2006 €'000	31 Dec 2005 €'000	31 Dec 2004 €'000	31 Dec 2003 €'000
Difference between expected and actual return on assets	(188)	95	361	(229)	103
Expressed as a percentage of scheme assets	(11.6%)	4.5%	12.1%	(9.7%)	5.3%
Experience gains and losses on scheme liabilities	(184)	(100)	(211)	(22)	11
Expressed as a percentage of scheme liabilities	(10.9%)	(4.8%)	(7.5%)	(1.0%)	1.6%
Total actuarial gains and losses	(126)	(194)	(211)	(77)	134
Expressed as a percentage of scheme liabilities	(7.5%)	(9.3%)	(7.5%)	(3.8%)	7.9%

24 // Approval of Financial Statements

The financial statements, which are in the form approved by the Minister for the Environment, Heritage and Local Government with the consent of the Minister of Finance, were approved by the Directors on 27 March 2008.



11

CHAPTER // 11

APPENDICES

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Appendix 1 // Balance Outstanding by local authority and National Building Agency

Local Authority	31 December	31 December
	2007 €'000	2006 €'000
Athlone Town Council	1,474	1,753
Bray Town Council	1,506	1,577
Carlow County Council	36,278	37,994
Carrick-on-Suir Town Council	372	358
Castleblaney Town Council	88	93
Cavan County Council	15,638	15,639
Clare County Council	48,168	40,508
Clonakilty Town Council	3,409	810
Clones Town Council	198	203
Clonmel Borough Council	5,485	4,064
Cork City Council	111,670	84,126
Cork County Council	326,282	243,091
Donegal County Council	97,823	83,439
Drogheda Borough Council	75,570	28,383
Dublin City Council	916,496	665,239
Dundalk Town Council	45,030	33,745
Dungarvan Town Council	1,916	1,841
Dunlaoghaire/Rathdown County Council	94,458	80,149
Ennis Town Council	-	2,188
Enniscorthy Town Council	915	879
Fermoy Town Council	311	299
Fingal County Council	383,248	303,122
Galway City Council	125,942	112,597
Galway County Council	66,140	71,986
Kerry County Council	56,072	35,876
Kildare County Council	119,768	109,116
Kilkenny Borough Council	820	862
Kilkenny County Council	44,112	46,568
Laois County Council	119,448	85,746

Local Authority	31 December	31 December
	2007	2006
	€'000	€'000
Leitrim County Council	9,862	8,516
Letterkenny Town Council	26	74
Limerick City Council	21,696	25,145
Limerick County Council	40,128	32,237
Listowel Town Council	1,100	-
Longford County Council	31,925	31,696
Longford Town Council	2,650	2,758
Louth County Council	16,539	5,406
Macroom Town Council	10	30
Mallow Town Council	3,523	3,385
Mayo County Council	55,287	54,887
Meath County Council	72,045	52,341
Monaghan County Council	32,455	29,002
Naas Town Council	11,158	10,721
New Ross Town Council	-	18,499
North Tipperary County Council	27,353	-
Offaly County Council	40,146	38,562
Roscommon County Council	8,677	10,663
Skibbereen Town Council	1,285	1,234
Sligo Borough Council	48,480	41,246
Sligo County Council	52,035	51,046
South Dublin County Council	195,763	176,153
South Tipperary County Council	59,466	51,602
Tipperary Town Council	-	333
Tralee Town Council	19,142	23,447
Tullamore Town Council	4,265	5,977
Waterford City Council	78,684	61,942
Waterford County Council	34,173	31,156
Westmeath County Council	62,669	50,383
Westport Town Council	3,310	3,180
Wexford Borough Council	5,443	5,882
Wexford County Council	82,394	70,782
Wicklow County Council	44,730	39,718
Wicklow Town Council	6,757	6,492
Sub total	3,771,813	3,036,746
National Building Agency	6,897	3,697
Total	3,778,710	3,040,443

Appendix 2 // Loans advanced by local authority and National Building Agency

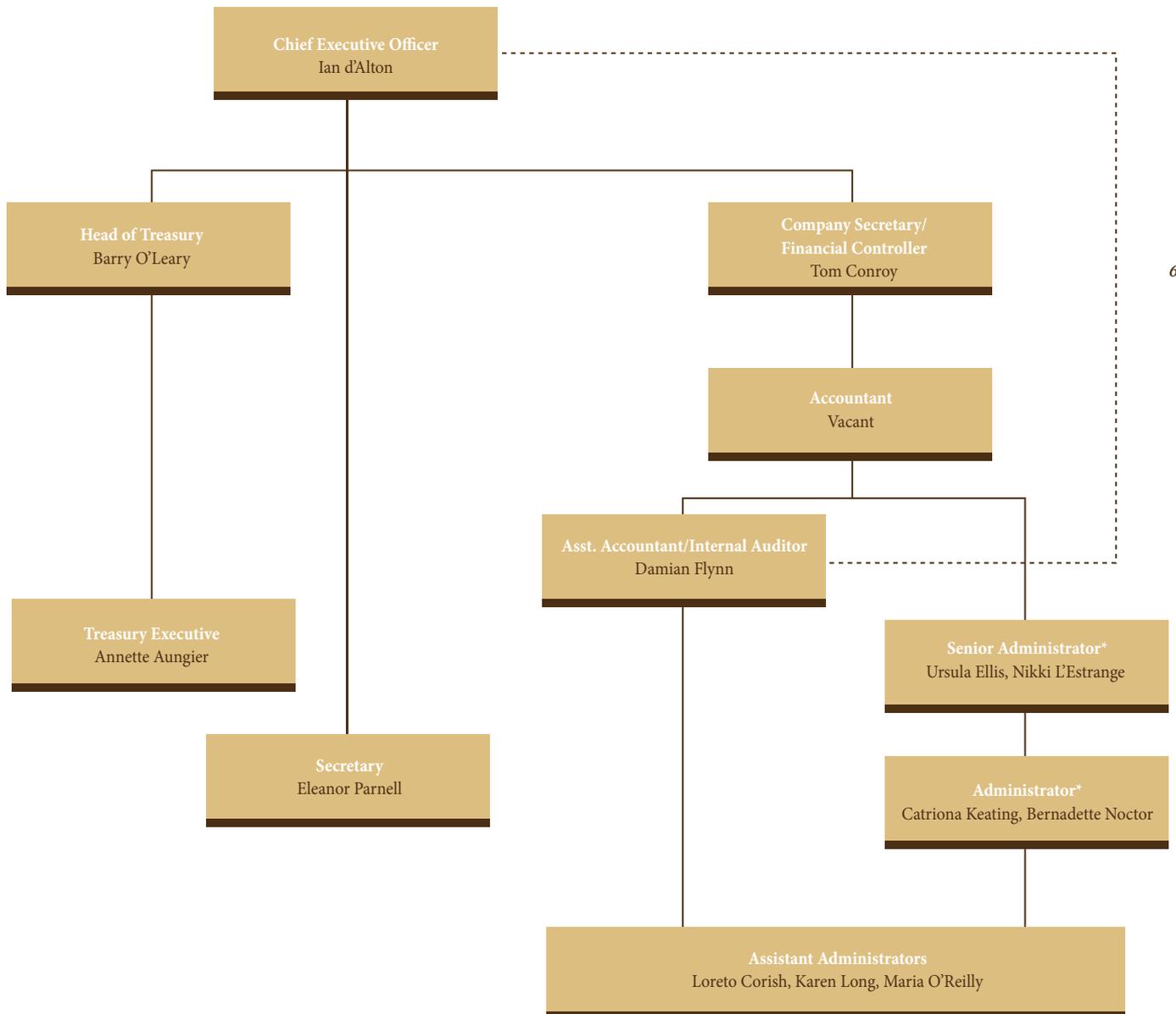
Local Authority	12 months to 31 December 2007 €'000	12 months to 31 December 2006 €'000
Athlone Town Council	-	300
Carlow County Council	2,639	8,209
Cavan County Council	1,249	7,441
Clare County Council	8,931	11,908
Clonakilty Town Council	2,619	-
Clonmel Borough Council	1,500	-
Cork City Council	31,881	12,066
Cork County Council	110,360	82,020
Donegal County Council	24,639	5,293
Drogheda Borough Council	46,020	5,670
Dublin City Council	362,195	111,432
Dundalk Town Council	11,484	3,826
Dunlaoghaire/Rathdown County Council	14,646	5,417
Fingal County Council	122,194	69,561
Galway City Council	28,244	33,689
Galway County Council	4,336	12,051
Kerry County Council	20,740	8,810
Kildare County Council	14,070	16,387
Kilkenny County Council	670	2,713
Laois County Council	45,693	35,270
Leitrim County Council	3,000	-
Limerick City Council	3,797	-
Limerick County Council	9,137	4,490
Listowel Town Council	1,095	-
Longford County Council	1,300	-
Louth County Council	12,500	-
Mayo County Council	1,968	2,000
Meath County Council	21,363	14,487
Monaghan County Council	7,885	10,341
North Tipperary County Council	10,939	5,909
Offaly County Council	5,845	5,589
Roscommon County Council	-	1,657
Skibbereen Town Council	-	1,200
Sligo Borough Council	7,017	-
Sligo County Council	1,956	4,770
South Dublin County Council	39,317	28,370
South Tipperary County Council	9,571	12,010
Tralee Town Council	-	16,834
Tullamore Town Council	-	89
Waterford City Council	25,950	8,550
Waterford County Council	5,813	144
Westmeath County Council	16,956	5,776
Wexford County Council	12,461	9,459
Wicklow County Council	6,796	-
Sub total	1,058,776	563,738
National Building Agency	3,000	-
Total	1,061,776	563,738

Appendix 3 // Balance Outstanding on Loan Book by Rate Type and Duration of Loan

	Fixed Rate €'000	Variable Rate €'000	Index Linked		Total €'000
			Post May 1986 €'000	Pre May 1986 €'000	
0 to 5 years	9,807	996,705	3,021	10,595	1,020,128
6 to 10 years	30,871	209,113	2,643	15,304	257,931
11 to 15 years	12,849	205,148	30,969	-	248,966
16 to 20 years	17,331	376,340	116,228	-	509,899
21 to 25 years	32,318	992,146	-	-	1,024,464
26 to 30 years	32,037	665,936	-	-	697,973
31 to 40 years	-	8,438	10,911	-	19,349
Total	135,213	3,453,826	63,772	25,899	3,778,710

APPENDIX 4 // STAFF STRUCTURE

AS AT 30TH APRIL 2008



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* Job-sharing

---- For internal audit purposes only

