



Prize Bonds
State Savings

The Prize Bond Company Limited
Annual Report 2014

Contents

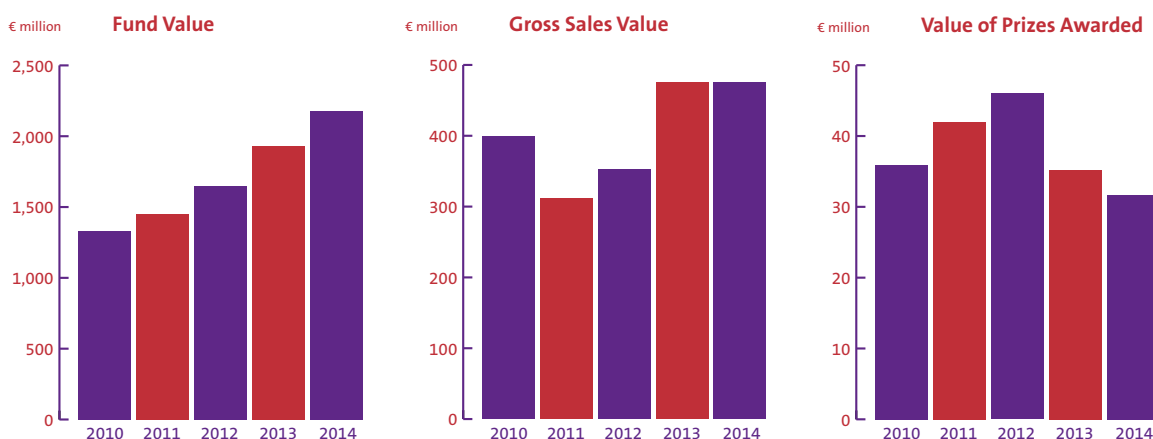
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Chairman's Statement

2014 was another successful year for the Prize Bond Company Limited with strong sales levels and increasing fund size. The total sum invested in Prize Bonds at the end of 2014 was €2,176 million, an increase of almost 13% on 2013. Sales at €475 million were in line with the previous year.

The operating performance indicators for 2014 were:

Indicator	Performance	% Change on 2013
Gross Sales	€475.3m	(0.1)
Repayments	€227.2m	17.2
Net Sales	€248.1m	(11.9)
Fund Value at Year End	€2,176.4m	12.8
Value of Prizes Awarded	€31.7m	(10.0)
No. of Prizes Awarded	472,264	(0.6)
No. of Purchases	278,280	(15.5)



Prize Bond Weekly Draws

The uniqueness of the Prize Bonds product continues to appeal to our growing customer base. The fact that customers can win prizes every week, while still retaining their investment amount, is an important reason for their investments in Prize Bonds.

The value of the prize fund is determined by the National Treasury Management Agency (NTMA) by the application of an interest rate to the value of outstanding Prize Bonds. This rate was reduced in January 2014 to 1.60% and in October 2014 to 1.25%. These reductions by the NTMA were to bring the rates in line with general market interest rates. In conjunction with the change in the rates the prize draw structure was evaluated and changed.

The changes included a doubling of the number of weekly €1,000 prizes and the increase of the weekly top prize from €20,000 to €50,000. These changes took effect for draws from November 2014.

Due to these combined changes we issued 472,264 prizes to our customers, a slight decrease of 0.6% on the prior year. The value of prizes reduced by 10% due to the application of the reduced interest rates. Currently we issue over 7,000 prizes weekly to our customers.

As can be seen from the figures above customers continue to have confidence and interest in the product with annual sales of €475 million achieved in 2014.

Unclaimed Prizes

At the end of 2014, our unclaimed prizes, built up since the launch of the product in 1957, amounted to €2.38 million. Although this is a small part of the value of prizes awarded, over the years since the incorporation of the Prize Bond Scheme, we still make every effort to inform our investors of the details and amounts unclaimed. All prizes are listed on our website www.StateSavings.ie. It is important to remember that prizes are held indefinitely until claimed by a bond holder.

Future Plans

Prize Bonds are a very important offering in the State Savings product portfolio which is offered to investors on behalf of the National Treasury Management Agency (NTMA). Working with NTMA we will enhance our services to our customers including easier purchase processes for repeat customers.

Appreciation

During 2014 two Directors resigned from the Board. I sincerely thank John Nagle and Oliver Whelan for their significant contribution to the Board and to the development of the Prize Bonds product during their time on the Board. I welcome Denis Creighton and Frank O'Connor to the Board and look forward to working with them to continue to enhance the Prize Bonds product.

I acknowledge with thanks the contribution of my fellow Board members during the past year. I would also like to thank the management and staff of An Post and Fexco for their significant contribution to our performance in 2014.

Finally, I wish to thank the National Treasury Management Agency for their continued support and invaluable assistance.



John Daly, Chairman

Corporate Information

Directors

John Daly (Chairman)
Denis Creighton
Alan McGeehan
William Mooney
Mary O'Connell
Frank O'Connor
Ivo O'Sullivan
Liam Sheehan

Secretary

Gerard Whelan

Registered Office

General Post Office, O'Connell Street Lower, Dublin 1.

Operational Centres

Iveragh Road, Killorglin, Co. Kerry.
General Post Office, O'Connell Street Lower, Dublin 1.

Bankers

Bank of Ireland

Auditors

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2.

Solicitor

Hugh O'Reilly, GPO

Website

www.StateSavings.ie

The Directors have pleasure in submitting their twenty-sixth annual report, together with the audited financial statements of the Company, for the year ended 31 December 2014.

1. The Company

The Company carries on the business of administering the Prize Bond Scheme under a contract with the National Treasury Management Agency which will run until 31 December 2019.

The issued share capital is held 50% each by An Post and FEXCO.

2. Results for the year

The results for the year are set out in the profit and loss account and balance sheet on pages 9 and 10 and in the related notes. The Directors do not propose the payment of a dividend for the year.

3. Business review

The information required by Section 13 of the Companies (Amendment) Act, 1986, is included in the Chairman's Statement on pages 1 and 2. As described therein, the performance of the Company in 2014 continued to be positive. Gross sales remained strong at €475.3 million. Contract fees, earned by the Company, decreased by 18% to €8.9 million, reflecting reduced marketing activity. Changes in the balance sheet and cash position largely reflects the timing in payments to related parties.

The key risks and uncertainties facing the future development of the Company include the performance of its sub-contractors and ensuring the relevance of our product in the increasingly competitive market in which we operate. The Directors have developed a range of strategies to address these and other risks faced by the Company.

4. Directors, Secretary and their interests

John Nagle resigned on 30 June, 2014, and Oliver Whelan resigned on 22 August, 2014. Denis Creighton was appointed on 30 June, 2014 and Frank O'Connor was appointed to the Board on 12 September, 2014.

The Directors and Secretary, who held office at 31 December, 2014 had no interest in the shares in, or debentures of, the Company or any Group Company.

5. 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 virtue of the administration contracts entered into by the Company as set out in note 4 to the financial statements. The books of account of the Company are maintained at GPO, O'Connell Street, Dublin 1.

6. Auditor

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



John Daly
Chairman



Denis Creighton
Director

26 February 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Director's Report and 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 company financial statements in accordance with Generally Accepted Accounting Practice in Ireland ("Irish GAAP"), comprising applicable company law and the accounting standards issued by the Financial Reporting Council and promulgated by The Institute of Chartered accountants in Ireland.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 company 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 Company and enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2013. 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, 1963 to 2013.

On behalf of the board



John Daly
Chairman



Denis Creighton
Director

26 February 2015

We have audited the financial statements of The Prize Bond Company Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). This report is made solely to the Company'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 Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 Company's affairs as at 31 December 2014 and of its result for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Independent Auditor's Report

to the members of The Prize Bond Company Limited (continued)

Matters on which we are required to report by the Companies Acts, 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The financial statements are in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

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

The net assets of the Company, 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 2014 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 Company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.



Caroline Flynn
For and on behalf of

KPMG
Chartered Accountants, Statutory Auditors
1 Stokes Place
St Stephen's Green
Dublin 2.

26 February 2015

Statement of Accounting Policies

For the year ended 31 December, 2014

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

1. Basis of accounting

The financial statements are prepared in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and accounting standards issued by the Financial Reporting Council, and promulgated by The Institute of Chartered Accountants in Ireland.

The contract under which the Company operates the Prize Bond Scheme will expire on 31 December 2019.

2. Prize Bond Scheme

The Company administers, for an agreed scale of remuneration, the Prize Bond Scheme. The funds are remitted regularly to the National Treasury Management Agency acting on behalf of the Minister for Finance. The assets and liabilities of the Prize Bond Scheme vest in the Minister and, accordingly, are not included in the balance sheet of the Company.

3. Income

Income comprises the value of all services provided, calculated in accordance with the contract for the administration of the Prize Bond Scheme, excluding value added tax.

4. Advertising and promotional expenditure

Advertising and promotional expenditure is written off in full in the year in which the costs are incurred.

5. Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Profit and Loss Account

for the year ended 31 December, 2014

	Note	2014	2013
		€	€
Income - continuing operations	2	8,875,664	10,825,274
Interest receivable		35,768	37,561
		8,911,432	10,862,835
Operating costs	3	(8,911,606)	(10,854,035)
(Loss)/Profit on ordinary activities before taxation - continuing operations		(174)	8,800
Tax on profit on ordinary activities	5	174	(8,800)
Profit for the financial year		-	-

The Company had no gains or losses in the financial year or the preceding financial year other than those dealt with in the Profit and Loss account.



John Daly
Chairman



Denis Creighton
Director

Balance Sheet

at 31 December, 2014

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	Note	2014	2013
Current Assets			
		€	€
Debtors	6	658,967	2,550,510
Cash at bank and in hand		18,214,468	14,185,086
		18,873,435	16,735,596
Creditors			
Amounts falling due within one year	7	(18,873,308)	(16,735,469)
Net assets		127	127
Capital and reserves			
Called up share capital	8	125	125
Capital conversion reserve fund	8	2	2
Profit and loss account		-	-
Shareholders' funds	10	127	127



John Daly
Chairman



Denis Creighton
Director

Cash Flow Statement

for the year ended 31 December, 2014

	Note	2014	2013
		€	€
Cash Flow Statement			
Net cash flow from operating activities		3,999,816	(645,348)
Returns on investments and servicing of finance	9	36,299	38,322
Corporation tax paid		(6,733)	(5,573)
Increase/(decrease) in cash		4,029,382	(612,599)

Reconciliation of operating loss before interest to net cash flow from operating activities

(Loss)/profit before taxation		(174)	8,800
Interest receivable		(35,768)	(37,561)
Loss before interest		(35,942)	(28,761)
Decrease in net amounts due from National Treasury Management Agency		6,113,611	2,342,898
Decrease in other debtors		-	107,248
Decrease in other creditors		(2,077,853)	(3,066,733)
Net cash flow from operating activities		3,999,816	(645,348)

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash		4,029,382	(612,599)
Net funds at beginning of year		14,185,086	14,797,685
Net funds at end of year		18,214,468	14,185,086

Net funds comprises only cash at bank and in hand.

1. The Company

The Company is a limited liability company incorporated under the Companies Acts, 1963 to 2013.

2. Income - continuing operations

	2014	2013
	€	€
The analysis of income is as follows:		
Contract fees	8,875,664	10,825,274

All income originated in Ireland.

3. Operating costs

	2014	2013
	€	€
The analysis of operating costs is as follows:		
Administrative expenses	8,883,120	10,823,184
Distribution expenses	16,220	18,585
Auditor's remuneration	12,266	12,266
Directors' remuneration	-	-
	8,911,606	10,854,035

The average number of persons employed by the Company in the financial year was nil (2013: nil).

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2014

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4. Material contracts and related party disclosures

The Company entered into a contract dated 27 July 2010 with the National Treasury Management Agency. The contract provides for the administration of the Prize Bond Scheme by the Company until 31 December 2019 unless terminated sooner under clause 7 of the contract. In the year under review, the Company transferred net funds totalling € 200,228,150 (2013: €235,222,348) to the National Treasury Management Agency, comprising receipts for Prize Bond sales less claims for Prize Bond encashments, prize payments and operating costs. The net balance due to the National Treasury Management Agency at 31 December 2014 was €7,157,523 (2013, due to NTMA: €1,043,912).

The Company entered into a contract dated 27 July 2010 with An Post. The contract provides for certain aspects of the administration of the Prize Bond Scheme to be carried out by An Post until 31 December 2019, unless terminated sooner under clause 3 of the contract. In accordance with the terms of the contract, An Post earned total fees of €3,594,142 (2013: €3,532,455) during the year for the provision of administration services. Other services totalling €16,220 (2013: €18,585) were provided to the Company by An Post group companies. The amount due by the Company to An Post at 31 December 2014 was €344,809 (2013: €273,957).

The Company entered into a contract dated 27 July 2010 with FEXCO. The contract provides for certain aspects of the administration of the Prize Bond Scheme to be carried out by FEXCO until 31 December 2019, unless terminated sooner under clause 3 of the contract. In accordance with the terms of the contract, FEXCO earned total fees of €5,029,349 (2013: €4,782,443) during the year for the provision of administration services. The amount due by the Company to FEXCO at 31 December 2014 was €509,820 (2013: €461,477).

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2014

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5. Tax on profit on ordinary activities	2014	2013
	€	€
Current corporation tax	4,449	8,800
Adjustment with respect of prior years	(4,623)	Nil
	(174)	8,800

The current tax charge differs from the standard rate of tax in Ireland. The differences are explained as follows:

	2014	2013
	€	€
(Loss)/profit on ordinary activities before taxation	(174)	8,800
Current tax 12.5% (2013: 12.5%)	(22)	1,100
Effects of:		
Interest income charged at higher rates	4,471	7,700
Prior years overprovision	(4,623)	Nil
Current Tax charge	(174)	8,800

6. Debtors	2014	2013
	€	€
Amount due from the National Treasury Management Agency in respect of contract fees	653,833	2,546,189
Corporation tax receivable	1,344	-
Prepayments and accrued income	3,790	4,321
	658,967	2,550,510

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2014

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7. Creditors: amounts falling due within one year	2014	2013
Amount due to the National Treasury Management Agency in respect of Prize Bond sales and encashments	€ 7,811,356	€ 3,590,101
An Post	344,809	273,957
FEXCO	509,820	461,477
Prize winners	3,727,305	3,547,695
VAT	41,819	31,073
Corporation tax payable	-	5,563
Creditors, accruals and deferred income	6,438,199	8,825,603
	18,873,308	16,735,469

8. Share capital	2014	2013
Authorised, allotted, called up and fully paid:	€	€
100 Ordinary Shares of €1.25 each	125	125

On 30 December 2002, the Ordinary Share Capital of the company was renominialised from €1.269738 per share to €1.25 per share. A capital conversion reserve fund of €2 was created to account for the difference arising from this change.

9. Gross cash flows	2014	2013
Returns on investments and servicing of finance	€	€
Interest received	36,299	38,322

10. Reconciliation of shareholders' funds	2014	2013
Shareholders' funds at beginning of year	€ 127	€ 127
Profit for the financial year	-	-
Shareholders' funds at end of year	127	127

11. Capital commitments

There were no capital commitments at the balance sheet date (2013: €nil).

12. Contingencies

There were no material contingent liabilities at the balance sheet date (2013: €nil).

13. Group membership and controlling parties

The issued share capital of the Company is held 50% each by An Post and FEXCO and the results of the Company are accounted for within the consolidated financial statements of An Post and FEXCO using the equity method of accounting. The consolidated financial statements of FEXCO and An Post are available to the public from The Companies Office, Parnell House, 14 Parnell Square, Dublin 1.

14. Board approval

The financial statements were approved by the Board of Directors on 26 February, 2015.

1. Prize Fund and structure

The Prize Fund is determined by calculating interest on the eligible fund at a rate determined by the National Treasury Management Agency. From January 2014 the rate was 1.6%. This changed to 1.25% from October 2014. The number of prizes awarded each week depends on the size of the total Prize Fund. The following were the total number of prizes awarded in 2014.

Number	Value
6*	€1,000,000
7*	€50,000
39*	€20,000
300	€1,000
13,000	€100
458,912	€50

* A top prize of €1,000,000 was awarded in the final draw of every second month. In each other week from January to October a top prize of €20,000 was awarded. From November 2014 the top prize was increased in value to €50,000.

The total value of prizes awarded in 2014 was €31,675,600

2. Drawing of numbers

The numbers drawn in the weekly draws can be viewed at the State Savings Investment Centre located at St. Andrew Street Post Office, Dublin 2 or online at www.prizebonds.ie

Frequency: Every Friday at 12.30pm, subject to change at times such as Easter, Christmas, etc.

3. Staff numbers - sub contractors

An Post Head Office, Dublin

Senior Management	1
Middle Management	1
Operational	7

Fexco operational centre, Killorglin

Senior Management	1
Middle Management	2
Operational	69

4. Statistics

	Sales	Encashments
	€000	€000
Jan	48,217	20,023
Feb	41,789	15,151
Mar	38,882	16,668
Apr	35,237	15,770
May	35,535	19,339
Jun	34,335	17,764
Jul	37,605	20,386
Aug	37,967	19,422
Sep	37,722	19,113
Oct	47,054	23,263
Nov	40,934	21,628
Dec	40,014	18,695
Total	475,291	227,222

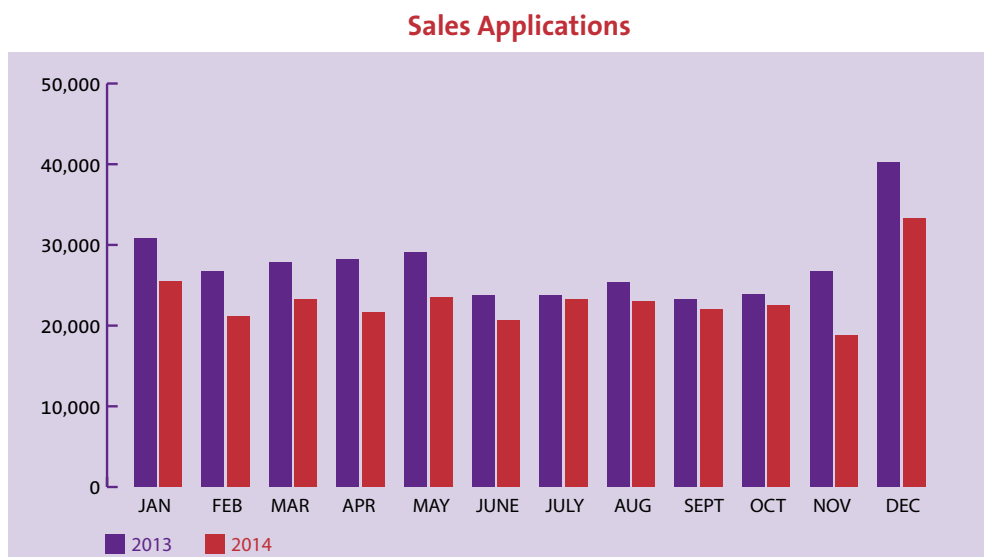
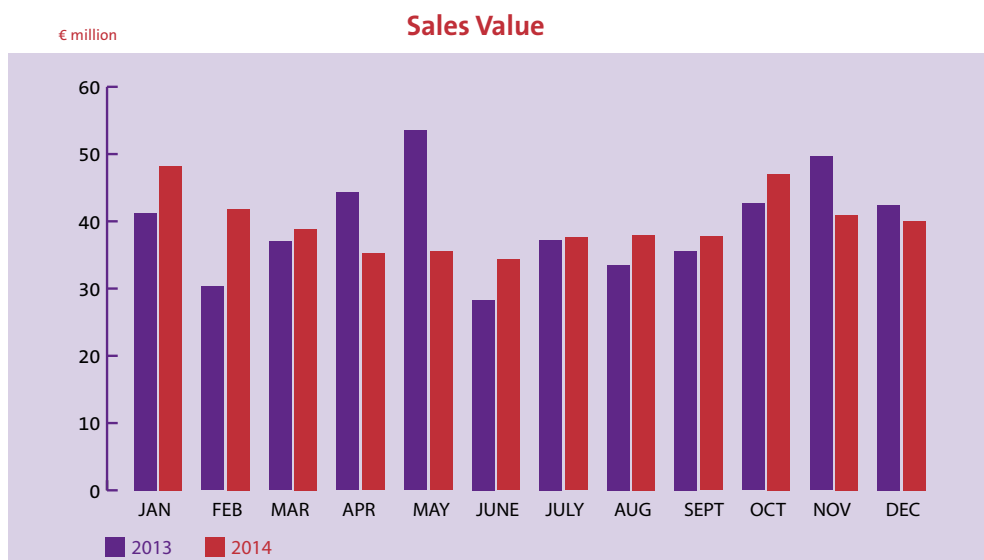
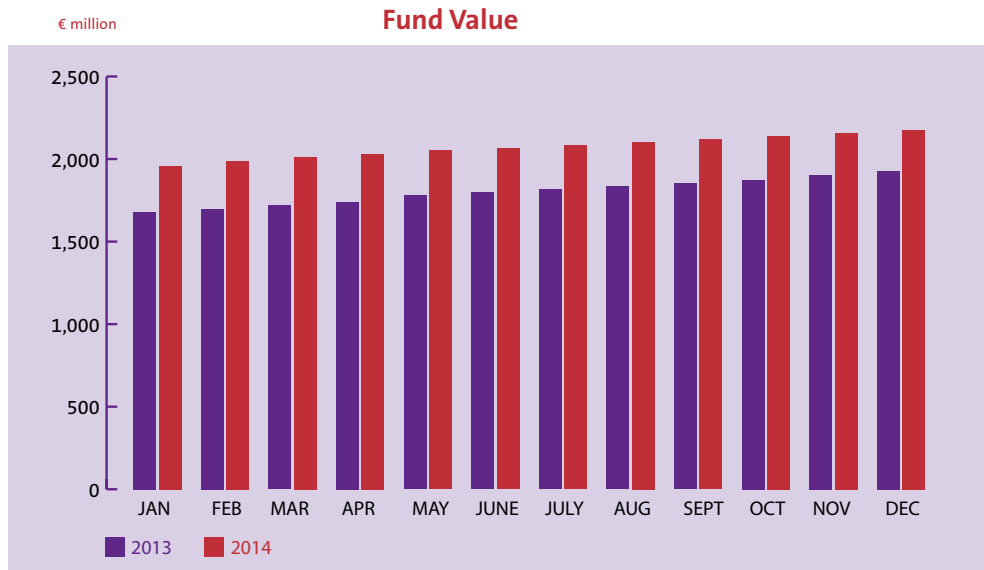
5. Sales channels

An Post:	Visit any Post Office
By Mail:	State Savings, GPO, FREEPOST, Dublin 1
By telephone:	1850 30 50 60
Online:	www.StateSavings.ie

6. Prize Bond holdings at 31 December, 2014

Number of separate Prize Bond holdings	6.82 million
Fund value	€2,176.4 million

Operational Statistics (unaudited)



The Prize Bond Company Limited

Company Registered Address

General Post Office, O'Connell Street Lower, Dublin 1.
Tel +353 1 705 7100; Fax +353 1 705 7473.

www.StateSavings.ie