

The Prize Bond Company Limited

Annual Report
2010



“ I am delighted to report that 2010 was a very successful year for The Prize Bond Company Limited. The total sums invested in Prize Bonds at the end of 2010 was €1,328m, a very significant increase of 24% on 2009. Sales at €398m were up almost 8% on what had been a very successful performance in 2009. In addition, a new contract to operate the Prize Bonds Scheme until 2019 was signed with the National Treasury Management Agency. ”

John Daly, Chairman

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Chairman's Statement

I am delighted to report that 2010 was a very successful year for The Prize Bond Company Limited. The total sums invested in Prize Bonds at the end of 2010 was €1,328m, a very significant increase of 24% on 2009. Sales at €398m were up almost 8% on what had been a very successful performance in 2009. In addition, a new contract to operate the Prize Bonds Scheme until 2019 was signed with the National Treasury Management Agency.

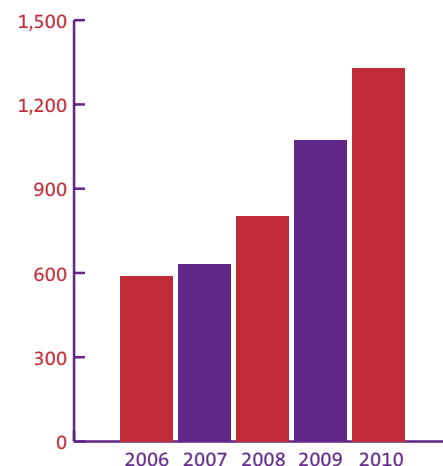
During 2010, we continued to air our very successful television advertising campaign and increased our online marketing presence. Our advertising and market research continues to show that Prize Bonds appeal more and more to investors.

Prize Bonds are included in all weekly draws until encashed. When the bonds are encashed, investors receive the full value of the bond holding on demand, provided that the bonds have been held for a minimum period of three months. Prize Bonds also continue to be an ideal gift for many occasions.

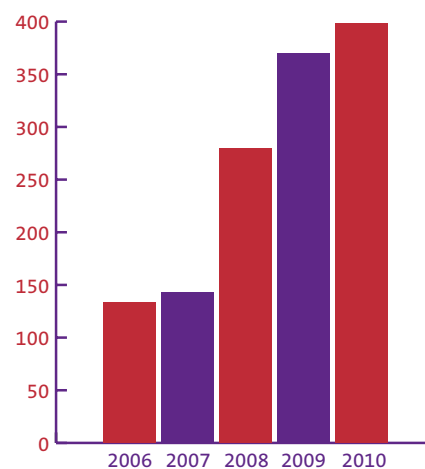
The operating performance indicators for 2010 were:

Indicator	Performance	% Change on 2009
Gross Sales	€398.4m	7.8
Repayments	€140.4m	39.2
Net Sales	€258.0m	(4.0)
Fund Value at End of Year	€1,328.3m	23.9
Value of Prizes Awarded	€35.9m	29.1
No. of Prizes Awarded	303,708	36.4
No. of Purchases	330,012	0.1

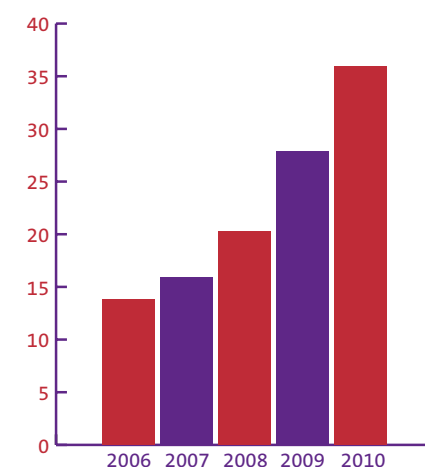
€ million **Fund Value**



€ million **Gross Sales Value**



€ million **Value of Prizes Awarded**



Prize Bond Weekly Draws

Prize Bonds are unique in that customers can win prizes every week while still retaining their investment amount.

Since June 2009, a €1m Jackpot is awarded every month. This is in addition to the thousands of prizes awarded each week. The €1m jackpots have been very well received by our customers. The number of prizes awarded weekly continues to increase as the amount invested in Prize Bonds grows.

Television Advertising

During 2010, we continued to air the television advertising that commenced in late 2009. The advertising has been well received by consumers with market research indicating high levels of visibility and recall of the advertisements. These advertisements have assisted greatly in terms of building the customer awareness of and confidence in the Prize Bonds offering.

Unclaimed Prizes

At the end of 2010, our unclaimed prizes built up over 53 years amounted to €1.66 million. Although this is less than 0.3 % of the value of prizes awarded in the 53 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. Details of unclaimed prizes can also be found by phoning CallSave 1850 30 50 60. It is important to remember that prizes are held indefinitely until claimed by a bond holder. If Prize Bonds are not claimed within six months, they begin to earn interest for the prizewinner.

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. In the coming years, exciting initiatives are planned which will provide investors with improved customer service. This will include easier purchase options for customers together with an upgraded website. The objective is to offer customers, in addition to an enhanced purchase facility, more online services such as the ability to view their holdings and prizes online.

Appreciation

I acknowledge with thanks the contribution of my fellow Board members during the past year and I would like to thank the management and staff of An Post and Fexco for their significant contribution to our performance in 2010.

In particular, I would like to thank the outgoing chairman Michael O'Keeffe who resigned at the end of 2010 after seventeen years on the Board. Also my sincere thanks go to our other outgoing Directors, Liam Scanlon, Pat Compton and Declan Harrington. I am grateful to each of them for their contribution to the success of the Company and the Prize Bonds product. I wish them all well for the future

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



John Daly, Chairman

Corporate Information

Directors

John Daly (Chairman)
Jerry Condon
Alan McGeehan
John Nagle
Mary O'Connell
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
Registered Auditor

Solicitor

Hugh O'Reilly, GPO

Website

www.statesavings.ie

The Directors have pleasure in submitting their twenty-second annual report, together with the audited financial statements of the Company, for the year ended 31 December, 2010.

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 on page 9 and 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 2010 was impacted favourably by the turmoil in the financial services sector. Gross sales were at a record high in 2010 up 8% on the previous year. Contract fees earned by the Company reduced by 7% to €9.8m, reflecting the terms of the new contract. 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

The terms of office of Michael O'Keefe, Pat Compton and John Daly expired on 31 December, 2010, Liam Scanlan on 19 December, 2010 and Declan Harrington on 17 February, 2011. John Daly was appointed as Chairman and Liam Sheehan and Jerry Condon as Directors on 1 January, 2011. Ivo O'Sullivan was appointed as Director on 19 December, 2010 and Alan McGeehan on 17 February, 2011.

The Directors and Secretary, who held office at 31 December, 2010 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 Lower, Dublin 1.

6. Auditors

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



John Daly
Chairman



John Nagle
Director

25 February, 2011

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under the law the Directors have elected to prepare the Company financial statements in accordance with generally accepted accounting Practice in Ireland comprising applicable Irish law and the accounting standards issued by the Accounting Standards Board 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 the profit or loss of the Company 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
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2009. 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 responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2009.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



John Daly
Chairman



John Nagle
Director

25 February, 2011

Independent Auditor's Report

to the members of The Prize Bond Company Limited

We have audited the financial statements of The Prize Bond Company for the year ended 31 December 2010 which comprise the Profit and Loss Account, Balance Sheet, the Cash Flow Statement, Statement of accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 Auditors

The Directors' responsibilities for preparing the Annual 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 number 5.

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 2009. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; 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 company's 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 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 Chairman's Statement and the Directors' 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.

Independent Auditor's Report (continued) to the members of The Prize Bond Company Limited

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 company's affairs as at 31 December, 2010 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

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 company. The 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 company, as stated in the company 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, 2010 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.



KPMG
Chartered Accountants,
Registered Auditor,
1 Stokes Place,
St. Stephen's Green,
Dublin 2.
25 February, 2011

Statement of Accounting Policies

For the year ended 31 December, 2010

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 Accounting Standards Board, 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 substantially enacted by the balance sheet date.

Profit and Loss Account

for the year ended 31 December, 2010

	Note	2010	2009
		€	€
Income - continuing operations	2	9,807,360	10,521,811
Interest receivable		23,316	20,243
		9,830,676	10,542,054
Operating costs	3	9,827,345	10,539,162
Profit on ordinary activities before taxation - continuing operations		3,331	2,892
Tax on profit on ordinary activities	5	3,331	2,892
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



John Nagle
Director

Balance Sheet

at 31 December, 2010

	Note	2010	2009
Current Assets			
		€	€
Debtors	6	1,435,403	1,165,008
Cash at bank and in hand		5,973,567	6,193,339
		7,408,970	7,358,347
Creditors			
Amounts falling due within one year	7	7,408,843	7,358,220
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



John Nagle
Director

Cash Flow Statement

for the year ended 31 December, 2010

	Note	2010	2009
		€	€
Reconciliation of operating loss before interest to net cash flow from operating activities			
Loss before interest		(19,985)	(17,351)
(Decrease)/increase in net liability to National Treasury Management Agency		(1,372,981)	1,045,248
Increase/(decrease) in other debtors		240,636	(257,609)
Increase in other creditors		904,378	3,438,598
Net cash flow from operating activities		(247,952)	4,208,886

Cash Flow Statement

Net cash flow from operating activities		(247,952)	4,208,886
Returns on investments and servicing of finance	9	22,401	22,197
Corporation tax paid		5,779	(12,797)
(Decrease)/increase in cash		(219,772)	4,218,286

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash		(219,772)	4,218,286
Net funds at beginning of year		6,193,339	1,975,053
Net funds at end of year		5,973,567	6,193,339

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 2009.

2. Income - continuing operations

	2010	2009
	€	€
The analysis of income is as follows:		
Contract fees	9,807,360	10,521,811

All income originated in Ireland.

3. Operating costs

	2010	2009
	€	€
The analysis of operating costs is as follows:		
Administrative expenses	9,795,946	10,505,060
Distribution expenses	17,399	20,102
Auditor's remuneration	14,000	14,000
Directors' remuneration	-	-
	9,827,345	10,539,162

The average number of persons employed by the Company in the financial year was nil (2009: nil).

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2010

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 €213,750,096 (2009: €228,799,986) 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 from the National Treasury Management Agency at 31 December, 2010 was €1,304,913 (2009 due to NTMA: €68,068).

The Company entered into a contract dated 27 July, 2010 with An Post. That contract, which 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 €3,552,665 (2009: €4,266,513) during the year for the provision of administration services. Other services totalling €17,399 (2009: €18,789) were provided to the Company by An Post group companies. The amount due by the Company to An Post at 31 December, 2010 was €331,097 (2009: €683,369).

The Company entered into a contract dated 27 July, 2010 with FEXCO. That contract, which 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 €4,341,284 (2009: €4,703,321) during the year for the provision of administration services. The amount due by the Company to FEXCO at 31 December, 2010 was €351,503 (2009: €9,446).

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2010

5. Tax on profit on ordinary activities	2010	2009
	€	€
Current corporation tax	3,331	2,892
The current tax charge differs from the standard rate of tax in Ireland. The differences are explained as follows:		
	2010	2009
	€	€
Profit on ordinary activities before taxation	3,331	2,892
Current tax 12.5% (2009: 12.5%)	416	361
Effects of:		
Interest income charged at higher rates	2,915	2,531
Tax on profit on ordinary activities	3,331	2,892
6. Debtors	2010	2009
	€	€
Amount due from the National Treasury Management Agency in respect of		
- Contract fees	720,487	786,126
- Prize Bonds sales, encashments and prizes	584,426	-
Value Added Tax	-	60,297
Corporation Tax	-	8,671
Prepayments and accrued income	130,490	309,914
	1,435,403	1,165,008

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2010

7. Creditors : amounts falling due within one year	2010	2009
	€	€
Net amount due to the National Treasury Management Agency in respect of Prize Bond sales, encashments and prizes	-	854,194
An Post	331,097	683,369
FEXCO	351,503	9,446
Prize winners	2,955,245	2,794,244
VAT	63,963	-
Corporation tax	439	-
Creditors and accruals	3,706,596	3,016,967
	7,408,843	7,358,220
8. Share capital	2010	2009
	€	€
Authorised, allotted, called up and fully paid: 100 Ordinary Shares of €1.25 each	125	125
<p>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.</p>		
9. Gross cash flows	2010	2009
	€	€
Returns on investments and servicing of finance		
Interest received	22,401	22,197
10. Reconciliation of shareholders' funds	2010	2009
	€	€
Shareholders' funds at beginning of year	127	127
Profit for the financial year	-	-
Shareholders' funds at end of year	127	127

Notes forming part of the Financial Statements (continued) for the year ended 31 December, 2010

11. Capital commitments

There were no capital commitments at the balance sheet date (2009: €nil).

12. Contingencies

There were no material contingent liabilities at the balance sheet date (2009: €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 25 February, 2011.

Operational Statistics

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. Since 1 September, 2007, that rate has been 3.0% per annum. 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 2010.

Number	Value
12*	€1,000,000
41*	€20,000
265	€1,000
530	€250
302,860	€75

* A Jackpot Prize of €1,000,000 was awarded in one weekly draw of each month. In each other week a star prize of €20,000 is awarded.

The total value of prizes awarded in 2010 was €35,932,000.

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.statesavings.ie

Frequency: Every Friday morning at 12.30pm

3. Staff numbers - sub contractors

An Post Head Office, Dublin

Senior Management	1
Middle Management	1
Operational	7

Fexco operational centre, Killorglin

Operations	32
Computer Programmers	5

4. Statistics

	Sales	Encashments
	€000	€000
Jan	34,019	8,331
Feb	35,274	8,539
Mar	38,523	11,690
Apr	33,045	10,372
May	27,113	12,134
Jun	25,361	12,154
Jul	34,279	10,439
Aug	34,311	8,836
Sep	32,794	10,929
Oct	34,641	11,809
Nov	37,934	23,009
Dec	31,058	12,164
Total	398,352	140,406

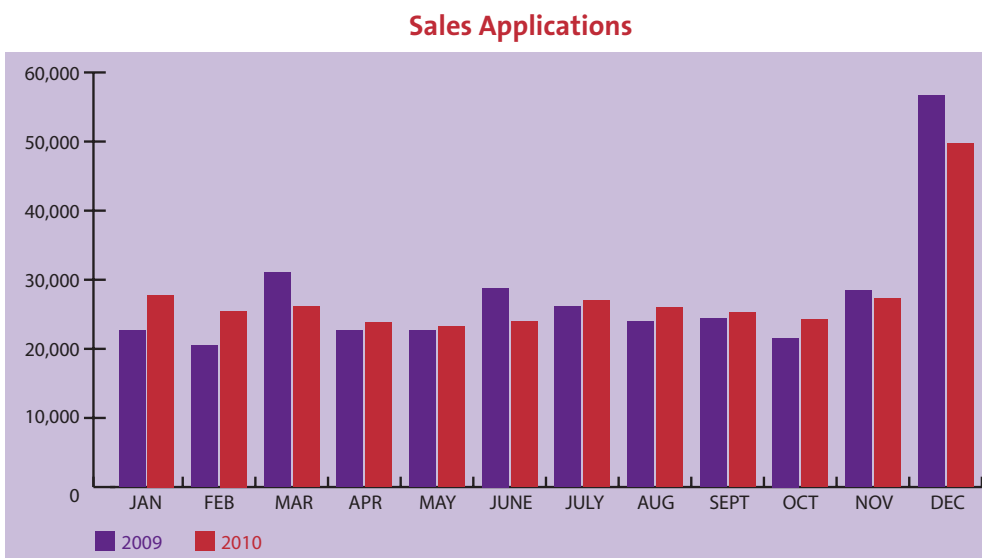
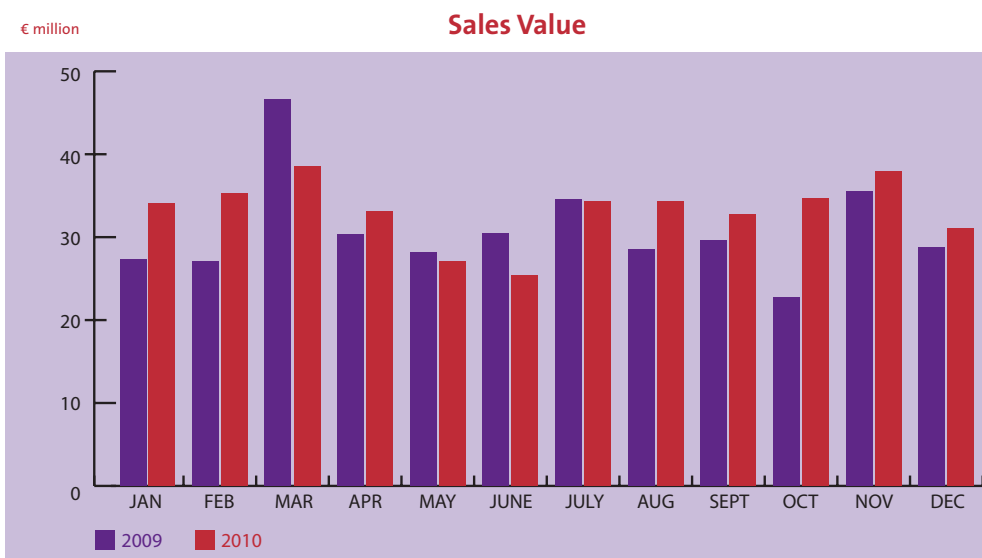
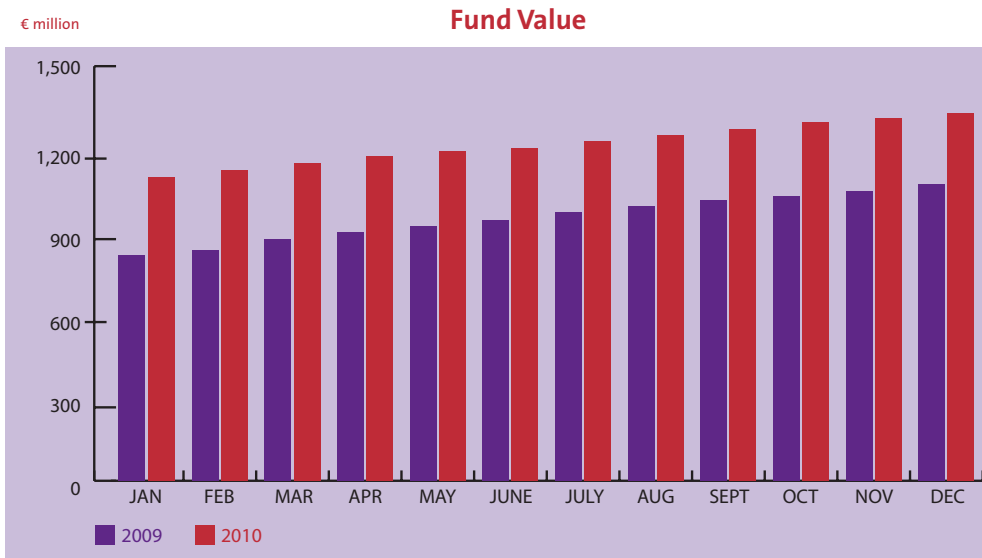
5. Sales channels

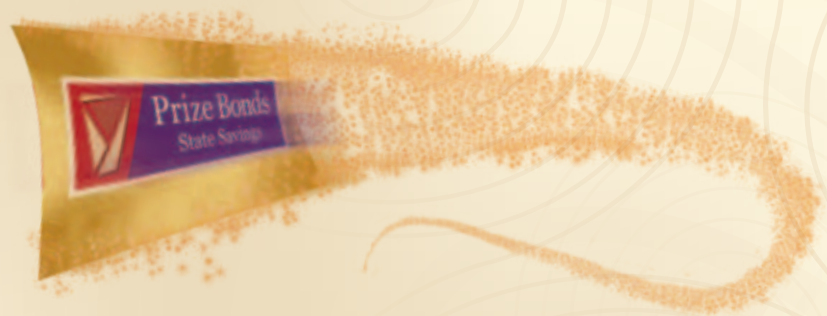
An Post:	Visit any Post Office
BY Mail:	State Savings, GPO, Dublin 1
By Telephone:	1850 30 50 60
BY Web:	www.StateSavings.ie

6. Prize Bond holdings at 31 December, 2010

Number of separate Prize Bond holdings	6.08 million
Fund value	€1,328.3 million

Operational Statistics (continued)







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