

# The NEW IRELAND Fund



*Annual Report*  
*October 31, 2011*

*Cover photograph - University College Cork  
Provided courtesy of Tourism Ireland*

## ***Letter to Shareholders***

Dear Shareholder,

### **Introduction**

Although Ireland is still working its way through its problems, good progress has been made and, compared with other European countries such as Greece, Portugal etc., Ireland has been getting positive comments from the IMF, the European Commission, and others in relation to the actions it has been taking to bring its economy back on track. Progress has also been made in relation to the banking sector, which was a major cause of the Country's problems. In particular, the Government's holding in Bank of Ireland has been reduced due to the investments by U.S. and Canadian private equity firms and this is seen as a further positive indication that things are beginning to improve, although liquidity of the banks does remain a problem. Despite all of this, as detailed below, the economy is expected to grow in the current year.

While unemployment continues to be on the high side, exports remain strong and are expected to show further growth in 2012 and, with imports growing at a slower pace, the net trade surplus should remain positive, which would be a major factor in getting the Country back on track

As shown below, the Fund performed strongly for the fiscal year with its Net Asset Value ("NAV") increasing by 10.7% as compared to the increase of 9.9% for the Fund's benchmark index in U.S. dollar terms\* (the ISEQ index is the full index for the final quarter but it excluded Bank of Ireland for the first 9 months of the fiscal year). In recent months, along with stock markets around the World, the ISEQ has been hurting and, as a result, the NAV showed a decrease of 5.6% in the last fiscal quarter as compared to a decrease of 5.7% in the ISEQ.

As advised in our July press release, a new Investment Adviser, Kleinwort Benson Investors International Ltd. ("KBII") was appointed to manage the Fund's assets to replace Bank of Ireland Asset Management (U.S.) Limited ("BIAM"). This was necessitated due to Bank of Ireland being directed to exit the investment management business by the European Commission as part of its reorganization. KBII have been active in the Irish market since 1980 and with their investment expertise and solid record of managing Irish securities, their performance is expected to benefit the Fund, going forward. In July, Sean Hawkshaw, CEO of KBII was appointed as President and Director of the Fund and Noel O'Halloran, KBII's CIO, took on the role of the Fund's Portfolio Manager.

In December, the Board declared an annual distribution of \$0.02 per share, which is wholly attributable to income. This distribution will be paid by way of a cash dividend under date of December 30, 2011 to all shareholders of record on December 20, 2011.

\* All returns are quoted in U.S. Dollars unless otherwise stated

## Performance

The Fund's NAV decreased by 5.6% in the final fiscal quarter of the year, which compares to a decrease of 5.7% in the ISEQ over the same period. For the fiscal year the NAV increased by 10.7% as compared to an increase in the benchmark index of 9.9%

The final quarter was an extremely volatile quarter, dominated by news flow on the European debt crisis. On a monthly basis, the ISEQ returned -8% in August, -9% in September but bounced back sharply by 13% in October. The Irish market outperformed the Eurostoxx Index, which fell 12.8% over the three months to the end of October. For the fiscal year the ISEQ, with an increase of 4%, strongly outperformed the Eurostoxx index which fell by 12%. Currency movements were unfavorable for the Fund during the recent quarter, reversing some of the gains of the previous quarter. Consistent with concerns surrounding the future of the Eurozone, the euro weakened by close to 4% versus the U.S. dollar over the final quarter. Over the 12 months of the Fiscal year, the currency weakened by just under 1% versus the U.S. dollar.

Over the final quarter, sectoral performance was more erratic. In general, Irish stocks with more of a growth profile outperformed cyclical names. For example, Paddy Power, Elan and Ryanair all rose by 18%, 9% and 7%, respectively, while more economically sensitive stocks such as Kingspan, Origin and Grafton fell by 6%, 11% and 4% respectively. The financial stocks remain under pressure. At a stock specific level, other noteworthy movers over the quarter were C&C, which fell by 17% and IFG Group, which reversed its gains of the previous quarter falling 36% as a takeover bid for the company failed.

During fiscal 2011, we continued to implement the Share Repurchase Program and over the 12 months, the Fund repurchased and retired 280,053 shares at a cost of \$2.2 million. These repurchases represent a reduction of 4.19% of the shares outstanding at October 31, 2010, and they positively impacted the Fund's NAV by 4.5 cents per share.

## Irish Economic Review

In the first half of 2011, as per the latest available data, Irish GDP rose by 1.3% on a year-on-year basis, while the second quarter showed an equivalent growth rate of 2.3%, which was an encouraging outturn after the very poor macro environment of the previous two years. Exports rose by 1% in the second quarter, relative to the previous quarter, while imports declined 0.6%. This underlines the continued progress in improving Ireland's competitiveness over the past couple of years.

Consumer expenditure rose marginally during the second quarter, but remained well down, year-on-year, and fixed investment spending (capex etc.) was very strong, rising by 6.4%, which was particularly notable given that it followed a strong Q1 (+2.4%).

In October the Central Bank of Ireland (CBI) published its latest quarterly forecasts. The CBI now expects GDP to rise by 1.0% in 2011 (previously +0.8%) followed by growth of 1.8% in 2012 (formerly 2.1%). The changes in the

forecasts are broadly similar to those of other forecasters, i.e. revising up 2011 growth and revising down 2012 growth.

The export sector is the driver behind the forecast growth and the CBI estimates that the export sector will grow by 5.3% in 2011 and by 5.2% in 2012. Domestic demand is predicted to fall by over 3% this year but a much smaller decline is anticipated in 2012. Gross fixed capital formation is expected to decline by 9.2% in 2011 and by 0.5% in 2012.

Worries about the labor market and the government debt situation weigh on the Irish consumer, and retail sales have been poor, down 2% for the first nine months of the year compared with the same period in 2010. Consumer confidence has been steady (at a fairly low level) for some months, although it should be noted that one survey showed a huge surge in confidence in October. For now, this should probably be regarded as a “rogue” figure, which will need to be confirmed by a second monthly survey before it can be fully accepted.

Business confidence fell very sharply about a year ago, when the EU/IMF package was required but then recovered until around the spring of this year when it fell again and has remained broadly stable since then.

The “Live Register” measure of unemployment increased to 447,000 in October, roughly unchanged since July. Broadly speaking unemployment has been reasonably stable for the last year or so, with perhaps a very mild uptrend. Certainly the pace of increase is dramatically slower than it was in 2009 and 2010. In percentage terms, the unemployment rate now stands at 14.4%, down from a peak of 14.8% in November 2010.

The headline rate of inflation rose fractionally during the period under review, from 2.7% in July to 2.87% in October. The Harmonized Index of Consumer Prices (“HICP”) - (the common measure of inflation used by all EU countries) - showed a much lower rate, of just 1.5% in October, although this was up from 1% in July.

Demand for credit from businesses and households continue to remain depressed, but show modest signs of improvement. The annual rate of change in loans to households was 4% lower in September 2011, somewhat better than the rate observed at the beginning of the year (-5.3%). Lending for house purchases was 2.5% lower, on an annualized basis, in September, whereas lending to the non-financial corporate sector declined by 1.4% over the same period, a less steep rate of decline than earlier in the year. As the Irish economy is growing at only a very moderate pace, and financial institutions continue to shrink their balance sheets, private sector credit growth is likely to continue to be weak in the near term.

The budgetary outturn so far this year has been broadly in line with forecasts. Tax revenues have grown by 8%, year-on-year, although this is somewhat distorted by a classification change, while government expenditure has run at a slightly slower pace than forecast. The government won a significant concession at EU level, which will result in an annual budgetary saving of about one billion euros, arising from lower interest rates being paid

on the EU/IMF bailout funds. At this point of the year, it looks as though Ireland will meet the budgetary targets set out in the EU/IMF agreement, and the focus is now shifting to the scale of budgetary adjustment needed for 2012.

## Equity Market Review

During the fourth quarter, World stock markets posted negative returns, in local currency terms. Over the 12 months with the general exception of core Euro zone countries, markets delivered positive returns in local currencies.

	<u>Quarter Ended October 31, 2011</u>		<u>12 Months Ended October 31, 2011</u>	
	<u>Local Currency</u>	<u>U.S. \$</u>	<u>Local Currency</u>	<u>U.S. \$</u>
Irish Equities (ISEQ)	-2.8%	-5.7%	+3.6%	+4.0%
US equities (S&P 500)	-2.5%	-2.5%	+8.1%	+8.1%
US Equities (NASDAQ)	-2.4%	-2.4%	+8.1%	+8.1%
UK Equities (FTSE 100)	-3.7%	-5.4%	+1.0%	+2.0%
Japanese Equities(Topix)	-8.3%	-9.2%	-3.5%	-0.3%
Dow Jones Eurostoxx 50	-10.2%	-12.8%	-12.2%	-11.9%
German Equities (DAX)	-14.2%	-16.7%	-7.0%	-6.6%
French Equities (CAC 40)	-11.3%	-13.9%	-11.8%	-11.4%
Dutch Equities (AEX)	-6.0%	-8.8 %	-5.7%	-5.4%

Note-Indices are total return

## Major stock moves over the Quarter (in Euro terms)

### Positive

Paddy Power PLC	+18%
Unilever NV-CVA	+10%
Elan Corp. PLC	+9%
Ryanair Holdings PLC	+7%
DCC PLC	+6%

### Negative

IFG Group PLC	-36%
ICON PLC	-33%
Continental Farmers Group	-21%
C&C Group PLC	-17%
Schneider Electric SA	-16%

## Major stock moves over the Fiscal Year (in Euro terms)

### Positive

Elan Corp. PLC	+110%
TVC Holdings PLC	+48%
Glanbia PLC	+39%
Paddy Power PLC	+38%
Dragon Oil PLC	+27%

### Negative

Aer Lingus Group PLC	-37%
ICON PLC	-24%
Ryanair Holdings PLC	-17%
IFG Group PLC	-16%

Highlighted below are comments on some of the contributors to performance during the most recent quarter:

**Paddy Power PLC :** Paddy Power saw a continuation in positive earnings, as well as benefiting from its defensive status during a period of heightened uncertainty. The company has seen increasing market share gains in its online strategy particularly in the UK and Australian markets.

**Ryanair Holdings PLC:** Ryanair boasts a strong balance sheet and strong business model, and tends to perform well on a relative basis when sentiment in markets deteriorates. The company further benefited from a 6% growth in traffic numbers during September.

**IFG Group PLC:** Shares in IFG Group reversed its gains of the previous quarter falling 36% as a takeover bid for the company failed. Both IFG and the interested acquirer, Bregal, agreed to discontinue discussions due to the current dislocation in global markets.

**ICON PLC:** ICON is a global provider of outsourced development services to the pharmaceutical, biotechnology and medical device industries. The company's share price fell on the back of continued profit downgrades and weak guidance for the company. It continues to suffer margin pressure from increased competition from the larger pharmaceutical companies.

**C&C Group PLC:** C&C Group reported interim results in October with a 5% decline in revenue. It also announced that CEO John Dunsmore is to step down at the end of the calendar year and will be replaced by CFO Stephen Glancey.

## **Current Outlook**

The Fund is actively managed with a stock picking perspective. It is believed that the Irish economy and the stock market are past their worst point and are also, in a relative sense, better positioned than other European markets. Twelve months after the EU/IMF bailout, it is believed that this is based on the following:

- A new stable government with a strong majority
- A banking system that has been heavily recapitalized
- Lower borrowing costs
- Fiscal and budgetary austerity
- Increasingly being seen as a poster child for the rest of Europe to follow

This newfound credibility is in its early days and has yet to manifest itself in terms of any meaningful foreign inflows to Irish equities but Irish equities themselves, in a relative sense, have been out-performers. From a micro perspective, Irish companies continue to be well managed and attractively valued.

We continue to remain invested in names with strong management teams and balance sheets, where despite the uncertainty surrounding the markets in Europe in general, we see potential for capital gains.

Sincerely

A handwritten signature in dark blue ink, reading "Peter Hooper". The signature is written in a cursive style with a prominent loop at the end of the last name.

Peter J. Hooper  
Chairman  
December 19, 2011

## Investment Summary (unaudited)

### Total Return (%)

	<u>Market Value (a)</u>		<u>Net Asset Value (a)</u>	
	<u>Cumulative</u>	<u>Average Annual</u>	<u>Cumulative</u>	<u>Average Annual</u>
One Year	17.91	17.91	10.69	10.69
Three Year	35.39	10.63	31.91	9.67
Five Year	-46.32	-11.70	-43.84	-10.90
Ten Year	75.06	5.76	61.30	4.90

### Per Share Information and Returns

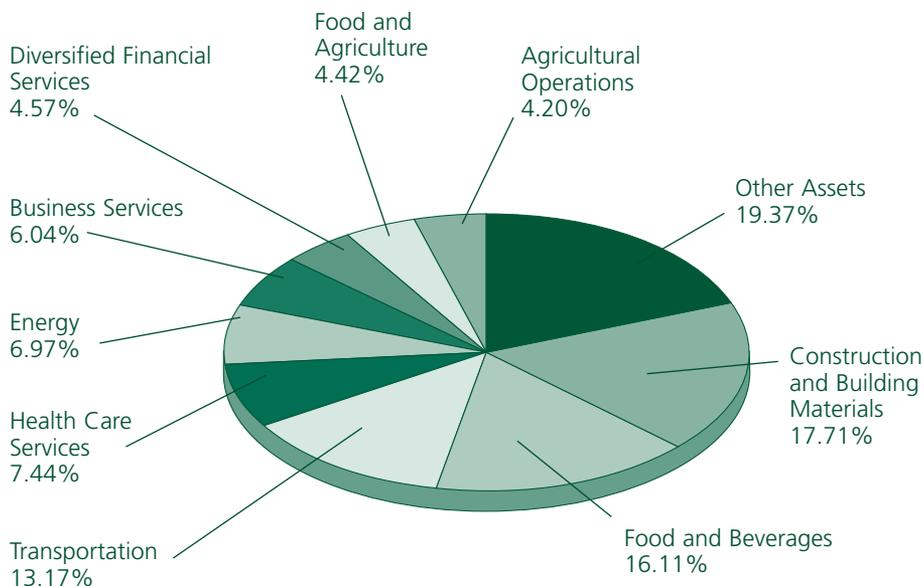
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Asset Value (\$)	11.04	16.29	20.74	24.36	32.55	30.95	10.18	8.20	7.70	8.45
Income										
Dividends (\$)	(0.03)	—	(0.09)	(0.03)	(0.16)	(0.24)	(0.36)	(0.33)	—	0.06
Capital Gains										
Other										
Distributions (\$)	(0.69)	—	—	—	(1.77)	(2.40)	(4.86)	(2.76)	—	—
Total Net Asset Value Return (%) (a)	-11.44	47.55	28.14	17.51	45.97	2.88	-58.62	26.91	-6.10	10.69

### Notes

- (a) Total Market Value returns reflect changes in share market prices and assume reinvestment of dividends and capital gain distributions, if any, at the price obtained under the Dividend Reinvestment and Cash Purchase Plan ("the Plan"). Total Net Asset Value returns reflect changes in share net asset value and assume reinvestment of dividends and capital gain distributions, if any, at the price obtained under the Plan. For more information with regard to the Plan, see page 24.

**Past results are not necessarily indicative of future performance of the Fund.**

## Portfolio by Market Sector as of October 31, 2011 (Percentage of Net Assets)



## Top 10 Holdings by Issuer as of October 31, 2011

<u>Holding</u>	<u>Sector</u>	<u>% of Net Assets</u>
CRH PLC	Construction and Building Materials	11.47%
Kerry Group PLC, Series A	Food and Beverages	9.89%
Ryanair Holdings PLC	Transportation	8.27%
DCC PLC	Business Services	6.04%
Dragon Oil PLC	Energy	5.02%
Elan Corp. PLC-Sponsored ADR	Health Care Services	4.75%
Kingspan Group PLC	Construction and Building Materials	4.50%
Aryzta AG	Food and Agriculture	4.42%
Paddy Power PLC	Leisure and Hotels	3.94%
Irish Continental Group PLC	Transportation	3.92%

# The New Ireland Fund, Inc.

## Portfolio Holdings

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October 31, 2011	Shares	Value (U.S.) (Note A)
<b>COMMON STOCKS (94.65%)</b>		
<b>COMMON STOCKS OF IRISH COMPANIES (85.64%)</b>		
<b><i>Agricultural Operations (4.20%)</i></b>		
Continental Farmer Group PLC*	765,697	\$ 266,998
Origin Enterprises PLC	434,790	<u>2,001,264</u>
		<u>2,268,262</u>
<b><i>Business Services (6.04%)</i></b>		
DCC PLC	116,820	<u>3,266,136</u>
<b><i>Business Support Services (3.41%)</i></b>		
CPL Resources PLC	497,050	<u>1,844,135</u>
<b><i>Construction and Building Materials (17.71%)</i></b>		
CRH PLC	339,786	6,201,407
Grafton Group PLC-UTS	240,238	938,233
Kingspan Group PLC	270,673	<u>2,435,094</u>
		<u>9,574,734</u>
<b><i>Diversified Financial Services (4.57%)</i></b>		
FBD Holdings PLC	74,014	665,759
IFG Group PLC	624,801	976,047
TVC Holdings PLC*	815,973	<u>830,825</u>
		<u>2,472,631</u>
<b><i>Energy (5.02%)</i></b>		
Dragon Oil PLC	296,983	<u>2,714,042</u>
<b><i>Food and Agriculture (4.42%)</i></b>		
Aryzta AG	49,417	<u>2,388,999</u>
<b><i>Food and Beverages (14.12%)</i></b>		
C&C Group PLC	269,779	1,102,521
Glanbia PLC	135,184	889,976
Kerry Group PLC, Series A	142,094	5,347,228
Total Produce PLC	552,258	<u>292,709</u>
		<u>7,632,434</u>

# The New Ireland Fund, Inc.

## Portfolio Holdings (continued)

October 31, 2011	Shares	Value (U.S.) (Note A)
<b>COMMON STOCKS (continued)</b>		
<b>Health Care Services (7.44%)</b>		
Elan Corp. PLC-Sponsored ADR*	214,066	\$ 2,566,651
ICON PLC-Sponsored ADR*	25,173	422,906
United Drug PLC	328,602	<u>1,030,791</u>
		<u>4,020,348</u>
<b>Leisure and Hotels (3.94%)</b>		
Paddy Power PLC	38,188	<u>2,130,580</u>
<b>Mining (1.60%)</b>		
Kenmare Resources PLC*	1,296,015	<u>867,685</u>
<b>Transportation (13.17%)</b>		
Aer Lingus Group PLC*	526,014	528,252
Irish Continental Group PLC	102,730	2,120,655
Ryanair Holdings PLC	937,342	<u>4,472,622</u>
		<u>7,121,529</u>
<b>TOTAL COMMON STOCKS OF IRISH COMPANIES</b>		
(Cost \$38,958,593)		<u>46,301,515</u>
<b>COMMON STOCKS OF DUTCH COMPANIES (1.99%)</b>		
<b>Food and Beverages (1.99%)</b>		
Unilever NV-CVA	30,921	<u>1,076,919</u>
<b>TOTAL COMMON STOCKS OF DUTCH COMPANIES</b>		
(Cost \$953,214)		<u>1,076,919</u>
<b>COMMON STOCKS OF GERMAN COMPANIES (3.20%)</b>		
<b>Information Technology (3.20%)</b>		
SAP AG	28,400	<u>1,728,084</u>
<b>TOTAL COMMON STOCKS OF GERMAN COMPANIES</b>		
(Cost \$1,690,141)		<u>1,728,084</u>
<b>COMMON STOCKS OF FRENCH COMPANIES (3.82%)</b>		
<b>Energy (1.95%)</b>		
Total SA	20,000	<u>1,054,885</u>
<b>Industrials (1.87%)</b>		
Schneider Electric SA	17,000	<u>1,011,298</u>
<b>TOTAL COMMON STOCKS OF FRENCH COMPANIES</b>		
(Cost \$2,559,869)		<u>\$ 2,066,183</u>

# The New Ireland Fund, Inc.

## Portfolio Holdings (continued)

October 31, 2011		Value (U.S.) (Note A)
<b>COMMON STOCKS (continued)</b>		
<b>TOTAL COMMON STOCKS BEFORE FOREIGN CURRENCY ON DEPOSIT</b>		
(Cost \$44,161,817)		<u>\$ 51,172,701</u>
	Face Value	
<b>FOREIGN CURRENCY ON DEPOSIT (2.93%)</b>		
Euro	€ 1,137,420	<u>1,586,471</u>
<b>TOTAL FOREIGN CURRENCY ON DEPOSIT</b>		
(Cost \$1,612,401)**		<u>1,586,471</u>
<b>TOTAL INVESTMENTS (97.58%)</b>		
(Cost \$45,774,218)		52,759,172
<b>OTHER ASSETS AND LIABILITIES (2.42%)</b>		<u>1,306,525</u>
<b>NET ASSETS (100.00%)</b>		<u><u>\$ 54,065,697</u></u>

\* Non-income producing security.

\*\* Foreign currency held on deposit at JPMorgan Chase & Co.

ADR – American Depositary Receipt traded in U.S. dollars.

UTS – Units

# The New Ireland Fund, Inc.

## Portfolio Holdings (continued)

October 31, 2011

The Inputs of methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period. The summary of inputs used to value the Fund's net assets as of October 31, 2011 is as follows (See Note A – Security Valuation in the Notes to Financial Statements):

	<b>Total Value at 10/31/11</b>	<b>Level 1 Quoted Price</b>	<b>Level 2 Significant Observable Input</b>	<b>Level 3 Significant Unobservable Input</b>
Investments in Securities †				
Common Stocks*				
Agricultural Operations	\$ 2,268,262	\$ 2,001,264	\$ 266,998	\$ —
Business Services	3,266,136	3,266,136	—	—
Business Support Services	1,844,135	1,844,135	—	—
Construction and Building Materials	9,574,734	9,574,734	—	—
Diversified Financial Services	2,472,631	1,641,806	830,825	—
Energy	3,768,927	3,768,927	—	—
Food and Agriculture	2,388,999	2,388,999	—	—
Food and Beverages	8,709,353	8,709,353	—	—
Health Care Services	4,020,348	4,020,348	—	—
Industrials	1,011,298	1,011,298	—	—
Information Technology	1,728,084	1,728,084	—	—
Leisure and Hotels	2,130,580	2,130,580	—	—
Mining	867,685	867,685	—	—
Transportation	7,121,529	7,121,529	—	—
<b>Total Common Stocks</b>	<b><u>\$51,172,701</u></b>	<b><u>\$50,074,878</u></b>	<b><u>\$ 1,097,823</u></b>	<b><u>\$ —</u></b>

† Total Investments exclude Foreign Currency on Deposit.

\* See Portfolio Holdings detail for country breakout.

The Fund did not have any significant transfers in and out of Level 1 and Level 2 during the period.

# The New Ireland Fund, Inc.

## Statement of Assets and Liabilities

October 31, 2011

### ASSETS:

Investments at value (Cost \$44,161,817)	
See accompanying schedule	U.S. \$ 51,172,701
Cash	58,653
Foreign currency (Cost \$1,612,401)	1,586,471
Dividends receivable	51,498
Receivable for investment securities sold	1,338,430
Prepaid expenses	33,240
Total Assets	<u>54,240,993</u>

### LIABILITIES:

Accrued audit fees payable	40,300
Investment advisory fee payable (Note B)	28,497
Printing fees payable	26,067
Directors' fees and expenses	27,896
Accrued legal fees payable	20,000
Custodian fees payable (Note B)	16,517
Administration fee payable (Note B)	8,334
Accrued expenses and other payables	7,685
Total Liabilities	<u>175,296</u>

### NET ASSETS

U.S. \$ 54,065,697

### AT OCTOBER 31, 2011 NET ASSETS CONSISTED OF:

Common Stock, U.S. \$.01 Par Value -	
Authorized 20,000,000 Shares	
Issued and Outstanding 6,396,431 Shares	U.S. \$ 63,964
Additional Paid-in Capital	62,991,137
Undistributed Net Investment Income	115,616
Accumulated Net Realized Loss	(16,072,813)
Net Unrealized Appreciation of Securities, Foreign Currency and Net Other Assets	<u>6,967,793</u>

### TOTAL NET ASSETS

U.S. \$ 54,065,697

### NET ASSET VALUE PER SHARE

(Applicable to 6,396,431 outstanding shares)	
(authorized 20,000,000 shares)	
(U.S. \$54,065,697 ÷ 6,396,431)	U.S. \$ <u>8.45</u>

See Notes to Financial Statements.

**The New Ireland Fund, Inc.**  
*Statement of Operations*

For the Year Ended  
 October 31, 2011

**INVESTMENT INCOME**

Dividends	U.S. \$	1,348,412
Less: foreign taxes withheld		<u>(20,042)</u>

**TOTAL INVESTMENT INCOME**

1,328,370

**EXPENSES**

Investment advisory fee (Note B)	\$	363,397
Directors' fees and expenses		238,181
Legal fees		128,260
Administration fee (Note B)		100,001
Printing and mailing expenses		82,797
Compliance fees		65,467
Insurance premiums		54,560
Audit fees		40,300
Custodian fees (Note B)		30,386
Other		<u>140,088</u>

**TOTAL EXPENSES**

1,243,437

**NET INVESTMENT INCOME**

U.S. \$ 84,933

**REALIZED AND UNREALIZED GAIN ON INVESTMENTS  
 AND FOREIGN CURRENCY (NOTE D)**

Realized gain on:

Securities transactions	381,038
Foreign currency transactions	<u>56,888</u>

Net realized gain on investments and foreign  
 currency during the year

437,926

Net change in unrealized appreciation/(depreciation) of:

Securities	4,746,146
Foreign currency and net other assets	<u>(42,825)</u>

Net unrealized appreciation of investments and  
 foreign currency during the year

4,703,321

**NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS  
 AND FOREIGN CURRENCY**

5,141,247

**NET INCREASE IN NET ASSETS RESULTING FROM  
 OPERATIONS**

U.S.\$ 5,226,180

See Notes to Financial Statements.

# The New Ireland Fund, Inc.

## Statement of Changes in Net Assets

	Year Ended October 31, 2011	Year Ended October 31, 2010
Net investment income	U.S.\$ 84,933	U.S.\$ 363,722
Net realized gain/(loss) on investments	437,926	(12,866,449)
Net unrealized appreciation of investments, foreign currency holdings and net other assets	<u>4,703,321</u>	<u>8,776,154</u>
Net increase/(decrease) in net assets resulting from operations	<u>5,226,180</u>	<u>(3,726,573)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income	<u>(400,589)</u>	<u>—</u>
Total distributions	<u>(400,589)</u>	<u>—</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Value of 280,053 and 367,300 shares repurchased, respectively (Note F)	<u>(2,187,501)</u>	<u>(2,631,382)</u>
<b>NET DECREASE IN NET ASSETS RESULTING FROM CAPITAL SHARE TRANSACTIONS</b>	<u>(2,187,501)</u>	<u>(2,631,382)</u>
Total Increase/(decrease) in net assets	<u>2,638,090</u>	<u>(6,357,955)</u>
<b>NET ASSETS</b>		
Beginning of year	<u>51,427,607</u>	<u>57,785,562</u>
End of year (Including undistributed net investment income of \$115,616 and \$374,384, respectively)	U.S.\$ <u>54,065,697</u>	U.S.\$ <u>51,427,607</u>

See Notes to Financial Statements.

# The New Ireland Fund, Inc.

## Financial Highlights *(For a Fund share outstanding throughout each period)*

	Year Ended October 31,				
	2011	2010	2009	2008	2007
Operating Performance:					
Net Asset Value, Beginning of Year	U.S. <u>\$7.70</u>	<u>\$8.20</u>	<u>\$10.18</u>	<u>\$30.95</u>	<u>\$32.55</u>
Net Investment Income/(Loss)	0.01	0.05	(0.06)	0.34	0.35
Net Realized and Unrealized Gain/(Loss) on Investments	<u>0.76</u>	<u>(0.61)</u>	<u>1.23</u>	<u>(15.77)</u>	<u>0.69</u>
Net Increase/(Decrease) in Net Assets Resulting from Investment Operations	<u>0.77</u>	<u>(0.56)</u>	<u>1.17</u>	<u>(15.43)</u>	<u>1.04</u>
Distributions to Shareholders from:					
Net Investment Income	(0.06)	—	(0.33)	(0.36)	(0.24)
Net Realized Gains	<u>—</u>	<u>—</u>	<u>(2.76)</u>	<u>(4.86)</u>	<u>(2.40)</u>
Total from Distributions	<u>(0.06)</u>	<u>—</u>	<u>(3.09)</u>	<u>(5.22)</u>	<u>(2.64)</u>
Anti-Dilutive/(Dilutive) Impact of Capital Share Transactions					
	<u>0.04††††</u>	<u>0.06††††</u>	<u>(0.06)†††</u>	<u>(0.12)††</u>	<u>0.00†</u>
Net Asset Value, End of Year	U.S. <u>\$8.45</u>	<u>\$7.70</u>	<u>\$8.20</u>	<u>\$10.18</u>	<u>\$30.95</u>
Share Price, End of Year	U.S. <u>\$7.61</u>	<u>\$6.51</u>	<u>\$7.09</u>	<u>\$8.95</u>	<u>\$28.96</u>
Total NAV Investment Return (a)	<u>10.69%</u>	<u>(6.10)%</u>	<u>26.91%</u>	<u>(58.62)%</u>	<u>2.88%</u>
Total Market Investment Return (b)	<u>17.91%</u>	<u>(8.18)%</u>	<u>25.06%</u>	<u>(61.20)%</u>	<u>2.17%</u>

### RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA:

Net Assets,					
End of Year (000's)	U.S. \$54,066	\$51,428	\$57,786	\$50,896	\$145,765
Ratio of Net Investment Income/(Loss) to Average Net Assets					
	0.15%	0.69%	(0.87)%	1.67%	1.02%
Ratio of Operating Expenses to Average Net Assets					
	2.22%	2.02%	2.65%	1.56%	1.31%
Portfolio Turnover Rate					
	23%	11%	16%	21%	13%

(a) Based on share net asset value and reinvestment of distribution at the price obtained under the Dividend Reinvestment and Cash Purchase Plan.

(b) Based on share market price and reinvestment of distributions at the price obtained under the Dividend Reinvestment and Cash Purchase Plan.

† Amount represents \$0.07 per share impact for shares repurchased by the Fund under the Share Repurchase Program and \$0.07 per share impact for the new shares issued as Capital Gain Stock Distribution.

†† Amount represents \$0.13 per share impact for shares repurchased by the Fund under the Share Repurchase Program and \$0.25 per share impact for the new shares issued as Capital Gain Stock Distribution.

††† Amount represents \$0.08 per share impact for shares repurchased by the Fund under the Share Repurchase Program and \$0.14 per share impact for the new shares issued as Capital Gain Stock Distribution.

†††† Amount represents \$0.06 per share impact for shares repurchased by the Fund under the Share Repurchase Program.

††††† Amount represents \$0.04 per share impact for the shares repurchased by the Fund under the Share Repurchase Program.

# The New Ireland Fund, Inc.

## Notes to Financial Statements

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The New Ireland Fund, Inc. (the "Fund") was incorporated under the laws of the State of Maryland on December 14, 1989 and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's investment objective is long-term capital appreciation through investment primarily in equity securities of Irish Companies. The Fund is designed for U.S. and other investors who wish to participate in the Irish securities markets. In order to take advantage of significant changes that have occurred in the Irish economy and to advance the Fund's investment objective, the investment strategy now has a bias towards Ireland's growth companies.

Under normal circumstances, the Fund will invest at least 80% of its total assets in equity and fixed income securities of Irish companies. To the extent that the balance of the Fund's assets is not so invested, it will have the flexibility to invest the remaining assets in non-Irish companies that are listed on a recognized stock exchange. The Fund may invest up to 25% of its assets in equity securities that are not listed on any securities exchange.

### A. Significant Accounting Policies:

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

**Security Valuation:** Securities listed on a stock exchange for which market quotations are readily available are valued at the closing prices on the date of valuation, or if no such closing prices are available, at the last bid price quoted on such day. If there are no such quotations available for the date of valuation, the last available closing price will be used. The value of securities and other assets for which no market quotations are readily available, or whose values have been materially affected by events occurring before the Funds' pricing time but after the close of the securities' primary markets, are valued by methods deemed by the Board of Directors to represent fair value. Short-term securities that mature in 60 days or less are valued at amortized cost.

**Fair Value Measurements:** As described above, the Fund utilizes various methods to measure the fair value of most of its investments on a recurring basis. U.S. Generally Accepted Accounting Principals ("GAAP") establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation

# The New Ireland Fund, Inc.

## Notes to Financial Statements (continued)

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is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. A summary of the levels of the Fund's investments as of October 31, 2011 is included with the Fund's Portfolio of Investments.

At the end of each calendar quarter, management evaluates the Level 2 and Level 3 assets and liabilities, if any, for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and Level 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

**Dividends and Distributions to Stockholders:** Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some point in the future. Differences in classification may also result from the treatment of short-term gain as ordinary income for tax purposes.

For tax purposes at October 31, 2011 and October 31, 2010, the Fund distributed \$400,589 and \$0, respectively, of ordinary income. The Fund also distributed, for tax purposes at October 31, 2011 and October 31, 2010, \$0 and \$0, respectively, of long-term capital gains.

Permanent differences between book and tax basis reporting for the year ended October 31, 2011 have been identified and appropriately reclassified to reflect an increase in undistributed net investment income of \$56,888, and a decrease in accumulated net realized gain (loss) of \$56,888. These adjustments were related to Section 988 gain (loss) reclasses and net operating losses. Net assets were not affected by this reclassification.

**U.S. Federal Income Taxes:** It is the Fund's intention to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and distribute all of its taxable income within the prescribed time. It is also the intention of the Fund to make distributions in sufficient amounts to avoid Fund excise tax. Accordingly, no provision for U.S. Federal income taxes is required.

Management has analyzed the Fund's tax positions taken on Federal income tax returns for all open tax years (October 31, 2011, 2010, 2009 and 2008), and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Management reviewed the treatment of tax positions taken by the Fund, including but

not limited to whether the Fund satisfies the various requirements to be treated as a regulated investment company under the Code. Although there is some uncertainty as to whether the Fund satisfies these requirements, management determined that the Fund has satisfied such requirements.

**Currency Translation:** The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars at the spot rate of such currencies against U.S. dollars by obtaining from FT-Interactive Data Corp. ("FT-IDC") each day the current 4:00pm London time spot rate and future rate (the future rates are quoted in 30-day increments) on foreign currency contracts. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amount actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gains and losses on security transactions.

**Forward Foreign Currency Contracts:** The Fund may enter into forward foreign currency contracts for non-trading purposes in order to protect investment securities and related receivables and payables against future changes in foreign currency exchange rates. Fluctuations in the value of such contracts are recorded as unrealized gains or losses; realized gains or losses include net gains or losses on contracts which have been terminated by settlements or by entering into offsetting commitments. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. There were no such contracts open in the Fund as of October 31, 2011.

**Securities Transactions and Investment Income:** Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates. Non-cash dividends, if any, are recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis.

**Use of Estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncement:** In May 2011, FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This update includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. This update will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, this update will require reporting entities to make disclosures about

# The New Ireland Fund, Inc.

## Notes to Financial Statements (continued)

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amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. Management is currently evaluating the impact, if any, that the implementation of this update will have on the Fund's financial statement disclosures.

### **B. Management Services:**

The Fund had entered into an investment advisory agreement (the "Investment Advisory Agreement") with Bank of Ireland Asset Management (U.S.) Limited ("Bank of Ireland Asset Management"), an indirect wholly-owned subsidiary of The Governor and Company of the Bank of Ireland ("Bank of Ireland"). Under the Investment Advisory Agreement, the Fund paid a monthly fee at an annualized rate equal to 0.65% of the value of the average daily net assets of the Fund up to the first \$100 million and 0.50% of the value of the average daily net assets of the Fund on amounts in excess of \$100 million. In addition, Bank of Ireland Asset Management provided investor services to existing and potential shareholders. This agreement was terminated on July 20, 2011.

Effective July 21, 2011, the Fund has entered into an investment advisory agreement (the "Investment Advisory Agreement") with Kleinwort Benson Investors International Ltd ("KBII"). Effective July 21, 2011, under the Investment Advisory Agreement, the Fund pays a monthly fee at an annualized rate equal to 0.65% of the value of the average daily net assets of the Fund up to the first \$50 million, 0.60% of the value of the average daily net assets of the Fund over \$50 million and up to and including \$100 million and 0.50% of the value of the average daily net assets of the Fund on amounts in excess of \$100 million. In addition, KBII provides investor services to existing and potential shareholders. For the period November 1, 2010 Through July 20, 2011, Bank of Ireland Asset Management (U.S.) Limited received advisory fees of \$268,657 and for the period July 21, 2011 through October 31, 2011, KBII received advisory fees of \$94,740. These advisory fees make up the investment advisory fee on the Statement of Operations.

The Fund has entered into an administration agreement (the "Administration Agreement") with BNY Mellon Investment Servicing (US) Inc. ("BNY Mellon"). The Fund pays BNY Mellon an annual fee payable monthly. During the year ended October 31, 2011, the Fund incurred expenses of U.S. \$100,001 in administration fees to BNY Mellon.

The Fund has entered into an agreement with JPMorgan Chase & Co. to serve as custodian of the Fund's assets. During the year ended October 31, 2011, the Fund incurred expenses for JPMorgan Chase & Co. of U.S. \$30,386.

### **C. Purchases and Sales of Securities:**

The cost of purchases and proceeds from sales of securities for the year ended October 31, 2011 excluding U.S. government and short-term investments, aggregated U.S. \$12,755,112 and U.S. \$16,703,898, respectively.

### **D. Components of Distributable Earnings:**

At October 31, 2011, the components of distributable earnings on a tax basis were as follows:

Capital Loss <u>Carryforward</u>	Undistributed Ordinary <u>Income</u>	Undistributed Long-Term <u>Gains</u>	Net Unrealized <u>Appreciation</u>
\$13,763,909	\$115,616	\$—	\$4,658,889

# The New Ireland Fund, Inc.

## Notes to Financial Statements (continued)

As of October 31, 2011, the Fund had a capital loss carryforward of \$13,763,909, of which \$886,798 and \$12,877,111 will expire on October 31, 2017, and October 31, 2018, respectively.

For federal income tax purposes, capital loss carryforwards represent net capital losses of a Fund that may be carried forward for a maximum period of eight years and applied against future net realized gains. On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 was enacted to modernize several of the federal income and excise tax provisions related to regulated investment companies. Under pre-enactment law, capital losses could be carried forward for eight years, and carried forward as short-term capital losses, irrespective of the character of the original loss. New net capital losses (those earned in taxable years beginning after December 22, 2010) may be carried forward indefinitely and must retain the character of the original loss. Such new net capital losses generally must be used by a regulated investment company before it uses any net capital losses incurred in taxable years beginning on or before December 22, 2010. This increases the likelihood that net capital losses incurred in taxable years beginning on or before December 22, 2010 will expire unused.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation on investments and appreciation on assets and liabilities in foreign currencies on a tax basis as of October 31, 2011 were as follows:

	Gross Unrealized Appreciation on Investments	Gross Unrealized Depreciation on Investments	Net Unrealized Appreciation on Investments	Gross Unrealized Depreciation on Foreign Currency	Net Unrealized Appreciation
Total Cost of Investments	\$11,425,474	(\$6,723,494)	\$4,701,980	\$(43,091)	\$4,658,889

There were no permanent tax and book differences in gross appreciation/depreciation of securities or the cost basis of securities. The difference between book basis net unrealized appreciation and tax basis net unrealized depreciation is attributable to the tax deferral to losses on wash sales.

### E. Common Stock:

For the year ended October 31, 2011, and for the year ended October 31, 2010, the Fund issued no shares in connection with stock distribution.

### F. Share Repurchase Program:

In accordance with Section 23(c) of the Investment Company Act of 1940, as amended, the Fund hereby gives notice that it may from time to time repurchase shares of the Fund in the open market at the option of the Board of Directors and upon such terms as the Directors shall determine.

For the year ended October 31, 2011, the Fund repurchased 280,053 (4.19% of the shares outstanding at October 31, 2010) of its shares for a total cost of \$2,187,501, at an average discount of 11.86% of net asset value.

For the year ended October 31, 2010, the Fund repurchased 367,300 (5.21% of the shares outstanding at October 31, 2009 year end) of its shares for a total cost of \$2,631,382, at an average discount of 12.84% of net asset value.

### G. Market Concentration:

Because the Fund concentrates its investments in securities issued by corporations in Ireland, its portfolio may be subject to special risks and considerations typically not associated with investing in a broader range of domestic securities. In addition, the Fund

# The New Ireland Fund, Inc.

## *Notes to Financial Statements (continued)*

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is more susceptible to factors adversely affecting the Irish economy than a comparable fund not concentrated in these issuers to the same extent.

### **H. Risk Factors:**

Investing in the Fund may involve certain risks including, but not limited to, those described below.

The prices of securities held by the fund may decline in response to certain events, including those directly involving the companies whose securities are owned by the fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. The growth-oriented, equity-type securities generally purchased by the fund may involve large price swings and potential for loss.

Investments in securities issued by entities based outside the United States may also be affected by currency controls; different accounting, auditing, financial reporting, and legal standards and practices in some countries; expropriation; changes in tax policy; greater market volatility; differing securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries.

### **I. Subsequent Event:**

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued.

# **The New Ireland Fund, Inc.**

## *Report of Independent Registered Public Accounting Firm*

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### **To the Board of Director and Shareholders of The New Ireland Fund, Inc.**

We have audited the accompanying statements of assets and liabilities of The New Ireland Fund, Inc.(the "Fund"), including the portfolio holdings, as of October 31, 2011, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2011, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The New Ireland Fund, Inc. as of October 31, 2011, the result of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

### **TAIT, WELLER & BAKER LLP**

Philadelphia, Pennsylvania  
December 15, 2011

### **Dividend Reinvestment and Cash Purchase Plan**

The Fund will distribute to shareholders, at least annually, substantially all of its net income from dividends and interest payments and expects to distribute substantially all its net realized capital gains annually. Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the "Plan") approved by the Fund's Board of Directors (the "Directors"), each shareholder will be deemed to have elected, unless American Stock Transfer & Trust Company (the "Plan Agent") is instructed otherwise by the shareholder in writing, to have all distributions automatically reinvested by the Plan Agent in Fund shares pursuant to the Plan. Distributions with respect to Fund shares registered in the name of a broker-dealer or other nominee (i.e., in "street name") will be reinvested by the broker or nominee in additional Fund shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own Fund shares registered in street names may not be able to transfer those shares to another broker-dealer and continue to participate in the Plan. These shareholders should consult their broker-dealer for details. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check in U.S. dollars mailed directly to the shareholder by the Plan Agent, as paying agent. Shareholders who do not wish to have distributions automatically reinvested should notify the Fund, in care of the Plan Agent for The New Ireland Fund, Inc.

The Plan Agent will serve as agent for the shareholders in administering the Plan. If the Directors of the Fund declare an income dividend or a capital gains distribution payable either in the Fund's common stock or in cash, as shareholders may have elected, non-participants in the Plan will receive cash and participants in the Plan will receive common stock to be issued by the Fund. If the market price per share on the valuation date equals or exceeds net asset value per share on that date, the Fund will issue new shares to participants at net asset value or, if the net asset value is less than 95% of the market price on the valuation date, then at 95% of the market price. The valuation date will be the dividend or distribution payment date or, if that date is not a trading day on the New York Stock Exchange, Inc. ("New York Stock Exchange"), the next preceding trading day. If the net asset value exceeds the market price of Fund shares at such time, participants in the Plan will be deemed to have elected to receive shares of stock from the Fund, valued at market price on the valuation date. If the Fund should declare a dividend or capital gains distribution payable only in cash, the Plan Agent as agent for the participants, will buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, with the cash in respect of such dividend or distribution, for the participants' account on, or shortly after, the payment date.

Participants in the Plan have the option of making additional cash payments to the Plan Agent, annually, in any amount from U.S. \$100 to U.S. \$3,000, for investment in the Fund's common stock. The Plan Agent will use all funds received from participants (as well as any dividends and capital gain distributions received in cash) to purchase Fund shares in the open market on or about January 15 of each year. Any voluntary cash payments received more than thirty days prior to such date will be returned by the Plan Agent, and interest will not be paid on any uninvested cash payments. To avoid unnecessary cash accumulations and to allow ample time for receipt and processing by the Plan Agent, it is suggested that the participants send in voluntary cash payments to be received by the Plan Agent approximately ten days before January 15. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than forty-eight hours before such payment is to be invested.

## *Additional Information (unaudited) (continued)*

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The Plan Agent maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by shareholders for personal and U.S. Federal tax records. Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan.

In the case of shareholders such as banks, brokers or nominees who hold shares for beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the shareholder as representing the total amount registered in the shareholder's name and held for the account of beneficial owners who are participating in the Plan.

There is no charge to participants for reinvesting dividends or capital gains distributions. The Plan Agent's fee for the handling of the reinvestment of dividends and distributions will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends or capital gains distributions. A participant will also pay brokerage commissions incurred in purchases in connection with the reinvestment of dividends or capital gains distributions. A participant will also pay brokerage commissions incurred in purchases from voluntary cash payments made by the participant. Brokerage charges for purchasing small amounts of stock of individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions, because the Plan Agent will be purchasing stock for all participants in blocks and prorating the lower commission thus attainable.

The automatic reinvestment of dividends and distributions will not relieve participants of any U.S. Federal income tax which may be payable on such dividends or distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payment made and any dividend or distribution paid subsequent to notice of the change sent to all shareholders at least ninety days before the record date for such dividend or distribution. The Plan also may be amended or terminated by the Plan Agent with at least ninety days written notice to all shareholders. All correspondence concerning the Plan should be directed to the Plan Agent for The New Ireland Fund, Inc. in care of American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York, 10038, telephone number (718) 921-8283.

## *Meeting of Shareholders*

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On June 7, 2011 the Fund held its Annual Meeting of Shareholders. The following Director was elected by the following votes: Margaret Duffy 3,514,915 For, 779,155 Abstaining. David Dempsey, George Moore, Peter Hooper and Denis Kelleher continue to serve in their capacities as Directors of the Fund. The Annual Meeting of Shareholders was adjourned on June 7, 2011 and reconvened on July 21, 2011 at which time the shareholders approved the investment advisory agreement with KBII. The shares voted in relation to KBII's appointment were as follows: 3,486,637 For, 1,059,798 Against and 98,987 Abstaining. Also, on July 21, 2011, Leona Nicholson resigned as President and Sean Hawkshaw was appointed to take her place as President and was also appointed as a Director of the Fund.

## *Fund's Privacy Policy*

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The New Ireland Fund, Inc. appreciates the privacy concerns and expectations of its registered shareholders and safeguarding their nonpublic personal information ("Information") is of great importance to the Fund.

The Fund collects Information pertaining to its registered shareholders, including matters such as name, address, tax I.D. number, Social Security number and instructions regarding the Fund's Dividend Reinvestment Plan. The Information is collected from the following sources:

- Directly from the registered shareholder through data provided on applications or other forms and through account inquiries by mail, telephone or e-mail.
- From the registered shareholder's broker as the shares are initially transferred into registered form.

Except as permitted by law, the Fund does not disclose any Information about its current or former registered shareholders to anyone. The disclosures made by the Fund are primarily to the Fund's service providers as needed to maintain account records and perform other services for the Fund's shareholders. The Fund maintains physical, electronic, and procedural safeguards to protect the shareholders' Information in the Fund's possession.

The Fund's privacy policy applies only to its individual registered shareholders. If you own shares of the Fund through a third party broker, bank or other financial institution, that institution's privacy policies will apply to you and the Fund's privacy policy will not.

## *Portfolio Information*

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The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available (1) by calling 1-800-468-6475; (2) on the Fund's website located at <http://www.newirelandfund.com>; (3) on the SEC's website at <http://www.sec.gov>; or (4) for review and copying at the SEC's Public Reference Room ("PRR") in Washington, DC. Information regarding the operation of the PRR may be obtained by calling 1-800-SEC-0330.

## *Proxy Voting Information*

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A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities held by the Fund is available, without charge and upon request, by calling 1-800-468-6475. This information is also available from the EDGAR database or the SEC's website at <http://www.sec.gov>. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available at <http://www.sec.gov>.

## *Certifications*

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The Fund's president has certified to the New York Stock Exchange ("NYSE") that, as of July 1, 2011, she was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund's reports to the SEC on Forms N-CSR and N-CSRS contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's disclosure in such reports and that are required by rule 30a2(a) under the Investment Company Act.

## *Tax Information*

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For non-corporate shareholders 100%, or the maximum amount allowable under the Jobs and Growth Tax Relief Reconciliation Act of 2003, of income earned by the Fund for the period November 1, 2010 to October 31, 2011 may represent qualified dividend income.

For the fiscal year ended October 31, 2011, the Fund had no designated long-term capital gains.

## *Advisory Agreement*

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(In this disclosure, the term "Fund" refers to The New Ireland Fund, Inc., the term "Adviser" refers to Kleinwort Benson Investors International Ltd. and the term "Administrator" refers to BNY Mellon).

At a special meeting held on January 11, 2011, the Directors unanimously approved, subject to approval by the Fund's shareholders, an Investment Advisory Agreement (the "Advisory Agreement") between the Fund and the Adviser. Shareholders of the Fund subsequently approved the Advisory Agreement at a meeting of shareholders held on July 21, 2011.

In preparation for the meeting, the Directors had requested and evaluated various materials from the Adviser and the Administrator, including performance and expense information for other investment companies with analogous objectives. Prior to voting, the Directors reviewed the proposed Advisory Agreement with management and with experienced counsel to the Fund and received a memorandum from such counsel discussing the legal standards for their consideration of the proposed Advisory Agreement. The Directors who were not "interested persons" of the Fund or the Adviser also discussed the proposed agreement in a private session with counsel at which no representatives of the Adviser were present. In reaching their determinations relating to approval of the Advisory Agreement in respect of the Fund, the Directors considered all factors they believed relevant, including the following:

1. the total compensation to be received, directly or indirectly by the Adviser, including cash compensation and benefits;

## *Additional Information (unaudited) (continued)*

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2. the expenses incurred by the Adviser in performing services under the Advisory Agreement;
3. the total cost to the Fund of using the Adviser's services, taking into account any expenses of operating the Fund which the Adviser would not be obligated to pay;
4. the Fund's expense ratio (i.e., the ratio of total expenses of the Fund to its total assets);
5. any special fees to be paid to the Adviser;
6. the possible reduction in advisory fees to reflect economies of scale;
7. the basis of the fee arrangement, including the breakdown of fees for investment and non-investment services;
8. competitive prices for comparable services;
9. competitive expense ratios;
10. past performance and reliability of the Adviser;
11. the Adviser's services to more than one client and the terms of other advisory agreements to which it is a party; and
12. the possible value of internalizing certain functions to be performed by the Adviser

The Directors determined that the overall arrangements between the Fund and the Adviser, as provided in the Advisory Agreement, were fair and reasonable in light of the services that would be performed, the expenses incurred and such other matters as the Directors considered relevant in the exercise of their reasonable judgment.

### **Nature, extent and quality of services provided by the Adviser**

Under the proposed Advisory Agreement, the Adviser would be responsible for managing the investment of the assets of the Fund, including making purchases and sales of portfolio securities consistent with the Fund's investment objective and policies. Although the Fund retains the Administrator, the Adviser would also be providing the Fund with certain other services (exclusive of, and in addition to, any such services provided by any others retained by the Fund) and with certain executive personnel necessary for its operations. The Adviser pays all of the compensation of the Director and the Officers of the Fund who are employees of the Adviser, or retained as a consultant by them.

The Directors considered the scope and quality of services anticipated to be provided by the Adviser under the Advisory Agreement and noted that the Adviser would be responsible for maintaining and monitoring its own compliance program and coordinates certain activities with the Fund's Chief Compliance Officer, and these compliance programs would need to be routinely refined and enhanced in light of new regulatory requirements and current market conditions. The Directors considered the quality of the investment research capabilities that were described by the Adviser and the other resources it would dedicate to performing services for the Fund. The quality of other services, including the Adviser's assistance in the coordination of the activities of some of the Fund's other service providers, also was considered. The Directors concluded that, overall, they were satisfied with the nature, extent and quality of services to be provided to the Fund under the Advisory Agreement.

### **Costs of services provided and profitability to the Adviser**

The Directors recognized that they would not be able to make any determinations regarding the profitability of the Advisory Agreement to the Adviser due to the fact that the Adviser had not yet begun to manage the Fund. The Directors would expect that the Adviser would be able to provide additional information regarding the profitability of the Advisory Agreement after the expiration of the initial two-year term.

### **Fall-Out benefits**

The Adviser advised the Directors that no portfolio transactions were expected to be allocated pursuant to arrangements whereby the Adviser receives brokerage and research services from brokers that execute the Fund's purchases and sales of securities. As a result, none of the Adviser's research or other expenses was anticipated to be offset by the use of the Fund's commissions.

The Directors also noted that the Adviser would derive reputational and other benefits from its association with the Fund.

### **Investment results**

The Directors recognized that they were not able to compare the performance of the Adviser in managing the Fund, to the relative performance of other funds with similar investment objectives and to appropriate securities indices, as the Adviser had not yet commenced managing the Fund. The Directors would expect that the Adviser would be able to provide such information on a regular basis, once the Adviser would commence to provide investment management services to the Fund. The Directors did, however, consider the historical performance of the Adviser in managing other advisor clients that were similar to the Fund.

### **Advisory Fee**

The Directors also considered the management fees paid to the Adviser by its other advisory clients.

The Directors also recognized the limitations on the usefulness of these comparisons, given the nature, extent and quality of the services provided by the advisers of other portfolios. Similar limitations are inherent in comparing services etc. being provided by the Adviser to its other clients.

The Directors took into account that, although the Adviser may realize economies of scale in managing the Fund, as its assets increase, there are substantial restraints on the growth of Fund assets. These are: (a) a public offering may only reasonably be made in rights offerings, or when the market price of the Fund's shares exceeds the net asset value per share; and (b) stockholders either take dividends or distributions in cash or they reinvest them in secondary market purchases of Fund shares, neither of which serves to increase Fund assets.

After considering this information, the Directors concluded that they believed that the Fund's advisory fee was reasonable, with the breakpoint set at a relatively low level of assets. They also concluded that the absolute dollar fees paid to the Adviser were modest, in light of the commitment required to advise the Fund, and that they were satisfied with the nature and quality of the services to be provided.

In addition, the Directors recognized that many industry observers have noted that the level of services required and risks involved in managing registered investment companies are significantly different from those for pension and institutional accounts and that market fees vary accordingly. Although for investment advisers (such as the Adviser), who are not also administrators of closed-end funds, this may be true to a

*Additional Information* (unaudited) (continued)

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lesser extent than for more full-service fund managers. However, the Directors noted that institutional client accounts are more portable than registered investment companies that require Board and stockholder approval, prior to changing investment advisers.

*Board of Directors/Officers (unaudited)*

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Name, Address, and Age	Position(s) Held with The Fund	Term of Office and Length of Time Served*	Principal Occupation(s) and Other Directorships During Past Five years	Number of Portfolios in Fund Complex Overseen by Director
<b>NON-INTERESTED DIRECTORS:</b>				
Peter J. Hooper, 71 Westchester Financial Center, Suite 1000 50 Main Street White Plains, NY 10606	Director and Chairman of the Board	Since 1990 Current term expires in 2012.	President of Hooper Associates- Consultants (1994 to present); Director, The Ireland United States Council for Commerce and Industry (1984 to present); Director, Flax Trust – America (1988 to 2007).	1
David Dempsey, 62 360 Lexington Avenue 3rd Floor New York, NY 10017	Director	Since 2007 Current term expires in 2013.	Managing Director, Bentley Associates L.P., (1991 to present); Director and Vice President, 205-69 Inc. (2000 to 2006).	1
Margaret Duffy, 68 164 East 72 Street Suite 7B New York, NY 10021	Director	Since 2006 Current term expires in 2014.	Retired Partner Arthur Andersen LLP and currently a Financial Consultant, Director, The Dyson-Kissner-Moran Corporation (2000 to present).	1
Denis P. Kelleher, 72 17 Battery Place New York, NY 10004	Director	Since 1991 Current term expires in 2013.	Chief Executive Officer, Wall Street Access-Financial Services (1981 to present); Director, Independence Community Bank (1992 to 2006); Chairman and Member of the Board of Trustees, St. John's University (1998 to 2007).	1
George G. Moore, 60 8010 Towers Crescent Drive Vienna, VA 22182	Director	Since 2004 Current term expires in 2012.	Chairman/Chief Executive Officer, TARGUSinfo (1993 to present); Chairman, AMACAI Information Corp., a wholly-owned subsidiary of TARGUSinfo, (2001 to 2007); Chairman, Erne Heritage Holdings (1990 to present).	1

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\* Each Director shall serve until the expiration of their current term and until their successor is elected and qualified.

## *Board of Directors/Officers (unaudited)*

Name, Address, and Age	Position(s) Held with The Fund	Term of Office and Length of Time Served*	Principal Occupation(s) and Other Directorships During Past Five years	Number of Portfolios in Fund Complex Overseen by Director
<b>INTERESTED DIRECTOR:</b>				
Sean Hawkshaw, 47** Kleinwort Benson Investors Joshua Dawson House Dawson Street Dublin 2 Ireland	Director and President	Since 2011	Chief Executive Officer & Director, Kleinwort Benson Investors International Ltd (2002 to Present) Director, Kleinwort Benson Investors Dublin Limited (1994 to Present); Director, Kleinwort Benson Fund Managers Limited (2002 to Present); Director Kleinwort Benson Investors Institutional Fund PLC (2004 to Present); Director, Kleinwort Benson/Lothbury Qualifying Investor Fund Public Limited Company (2006 to Present); Director, Irish Auditing and Accounting Supervisory Authority (2005 to Present); Director KBC Asset Management (U.K.) Ltd (2002 to 2010); Director KBC Life Fund Management Ireland Ltd (2003 to 2009); Director Fusion Alternative Investments PLC (2008 to Present); Irish Association of Investment Managers (2003 to present)	1

### **OFFICERS\*\*\*:**

Sean Hawkshaw	see description above			
Elia Long, 49 BNY Mellon Center One Boston Place 201 Washington Street 34 <sup>th</sup> Floor Boston, MA 02109	Treasurer	Since 2002	Consultant (2009 to present); Senior Vice President & Director, Bank of Ireland Asset Management (U.S.) Limited (1999 to 2008).	
Salvatore Faia, 48 BNY Mellon Center One Boston Place 201 Washington Street 34 <sup>th</sup> Floor Boston, MA 02109	Chief Compliance Officer	Since 2005	President, Vigilant Compliance Services, (2004 to present); Trustee, Energy Income Partnership, (2005 to present).	
Colleen Cummings, 40 4400 Computer Drive Westborough, MA 01580	Assistant Treasurer	Since 2006	Vice President and Director, BNY Mellon Investment Servicing (US) Inc. (2004 to present).	

\* Each Director shall serve until the expiration of their current term and until their successor is elected and qualified.

\*\* Mr. Hawkshaw is deemed to be an "interested" Director because of his affiliation with the Investment Adviser.

\*\*\* Each Officer of the Fund will hold office until a successor has been elected by the Board of Directors.

## *Board of Directors/Officers (unaudited)*

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<b>Name, Address, and Age</b>	<b>Position(s) Held with The Fund</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) and Other Directorships During Past Five years</b>	<b>Number of Portfolios in Fund Complex Overseen by Director</b>
<b>OFFICER***</b>				
Vincenzo A. Scarduzio, 39 301 Bellevue Parkway, 2nd Floor Wilmington, DE 19809	Secretary	Since 2005	Vice President & Assistant Counsel, BNY Mellon Investment Servicing (US) Inc. (2010 to Present); Assistant Vice President, BNY Mellon Investment Servicing (US) Inc. (2006 to 2010); Senior Regulatory Administrator, BNY Mellon Investment Servicing (US) Inc. (2001 to 2006).	

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\*\*\* Each Officer of the Fund will hold office until a successor has been elected by the Board of Directors.

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# The New Ireland Fund, Inc.

## Directors and Officers

Peter J. Hooper – *Chairman of the Board*  
Sean Hawkshaw – *President and Director*  
David Dempsey – *Director*  
Margaret Duffy – *Director*  
Denis P. Kelleher – *Director*  
George G. Moore – *Director*  
Lelia Long – *Treasurer*  
Colleen Cummings – *Assistant Treasurer*  
Vincenzo Scarduzio – *Secretary*  
Salvatore Faia – *Chief Compliance Officer*

## Principal Investment Adviser

Kleinwort Benson Investors  
International Ltd  
One Rockefeller Plaza, 32<sup>nd</sup> Floor  
New York, NY 10020

## Administrator

BNY Mellon Investment Servicing (US) Inc.  
4400 Computer Drive  
Westborough, Massachusetts 01581

## Custodian

JPMorgan Chase & Co.  
North America Investment Services  
3 Metro Tech - 7<sup>th</sup> Floor  
Brooklyn, New York 11245

## Shareholder Servicing Agent

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, New York 10038

## Legal Counsel

Seward & Kissel LLP  
One Battery Park Plaza  
New York, New York 10004

## Independent Registered Public Accounting Firm

Tait, Weller & Baker LLP  
1818 Market Street  
Philadelphia, PA 19103

## Correspondence

*All correspondence should be addressed to:*

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One Boston Place  
201 Washington Street  
34th Floor  
Boston, Massachusetts 02109

*Telephone inquiries should be directed to:*

1-800-GO-TO-IRL (1-800-468-6475)

*Website address:*

[www.newirelandfund.com](http://www.newirelandfund.com)