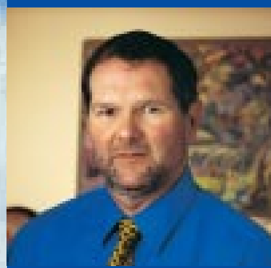
NATIONAL TREASURY MANAGEMENT AGENCY IRELAND

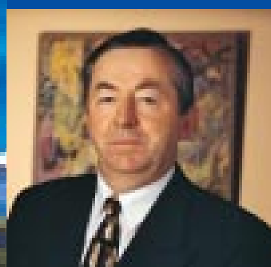
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

Michael J. Somers
Chief Executive

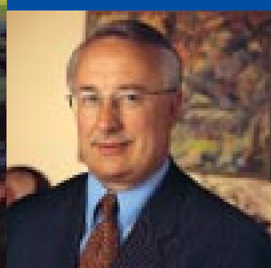


John C. Corrigan

Anne Counihan



Jim Farrell



Adrian J. Kearns

The National Treasury Management Agency Act 1990 provided for the establishment of the National Treasury Management Agency "to borrow moneys for the Exchequer and to manage the National Debt on behalf of and subject to the control and general superintendence of the Minister for Finance and to perform certain related functions and to provide for connected matters".

The 1990 Act enabled the Government to delegate the borrowing and debt management functions of the Minister for Finance to the NTMA, such functions to be performed subject to such directions or guidelines as he might give. Obligations or liabilities undertaken by the NTMA in the performance of its functions have the same force and effect as if undertaken by the Minister. The NTMA came into existence on 3 December 1990.

The Chief Executive, who is appointed by the Minister for Finance, is directly responsible to him and is the Accounting Officer for the purposes of the Dáil Public Accounts Committee. The NTMA has an Advisory Committee to assist and advise on such matters as are referred to it by the NTMA.

Substantial additional functions were given to the NTMA in the National Pensions Reserve Fund Act 2000 and the National Treasury Management Agency (Amendment) Act 2000. The Dormant Accounts Act 2001 also conferred additional responsibilities on the NTMA.

The Asset Covered Securities Act 2001 confers certain functions on the NTMA in the event of issuer default.

National Treasury Management Agency

28 June, 2002

Mr Charlie McCreevy, T.D.,
Minister for Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2

Dear Minister,

I have the honour to submit to you the Report and Accounts of the National Treasury Management Agency for the year ended 31 December 2001.

Yours sincerely,

Michael J. Somers
Chief Executive

Treasury Building, Grand Canal Street, Dublin 2, Ireland. Telephone: (353 1) 664 0800 Fax: (353 1) 664 0890 e-mail: info@ntma.ie Swift: NTMAIE2D

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INTRODUCTION

2001 - A YEAR OF CHANGE

The year 2001 brought with it the major challenge of absorbing in a practical way the growth and diversification in the NTMA's functions – as manager for the National Pensions Reserve Fund, as the State Claims Agency, as provider of the Central Treasury Service and as the manager of the Social Insurance Fund – prescribed in two Acts of the Oireachtas in 2000. Already in 2002, a further significant function is to be added, subject to final Government and then Oireachtas approval, namely the management of the proposed National Development Finance Agency. We welcome these new and proposed responsibilities and will ensure that they are discharged to the highest possible standards.

Although the new functions all relate to financial – both asset and liability – management, a wide range of expertise, from investment to claims management, had to be recruited, organised and given strategic focus through 2001. It would have been a challenge to establish and develop even one new business while maintaining the core activity of issuing and managing the National Debt. Doing so in the case of a spread of functions at once so diversified, so significantly-sized and far-reaching, proved an exciting and demanding task.

THE ADVISORY COMMITTEE: (back row from left to right) Donald C. Roth, Gerold W. Brandt, Tom Considine, Paul Carty, (front row from left to right) Joe Moran, John F. Daly, Lewis L. Glucksman.

CHIEF EXECUTIVE

Michael J. Somers

DIRECTORS

John C. Corrigan	National Pensions Reserve Fund
Anne Counihan	Legal & Corporate Affairs
Jim Farrell	Funding & Debt Management, Information Technology
Adrian J. Kearns	State Claims Agency, Risk & Financial Management

ADVISORY COMMITTEE

Joe Moran (Chairman)*	Director, Celtic Utility
Gerold W. Brandt	Former member of the Managing Board, Bayerische Landesbank, Munich
Paul Carty	Financial Consultant
John F. Daly	Chairman, High Skills Pool Limited
Lewis L. Glucksman	Private Investor
John Hurley	Secretary General, Department of Finance
Donald C. Roth	Managing Partner, Emerging Markets Partnership, Washington D.C.

The Advisory Committee met formally on five occasions in 2001. Other meetings with members of the Committee took place on a regular basis.

The NTMA thanks the Committee members for their advice and assistance during the year and for their commitment of time and effort.

In particular, the NTMA would also like to thank John Hurley for his contribution to the NTMA during his term of office.

** In March 2002 John F. Daly took over the chairmanship from Joe Moran who remains as a member of the Committee. Tom Considine, Secretary General, Department of Finance replaced John Hurley from March 2002.*

STAFF

The Chief Executive and Directors wish to acknowledge the effort and commitment of all staff members during the past year – a year of major change and progress for the NTMA.

SUMMARY OF ACTIVITY

The key features of 2001 were:

Debt and Debt Service

- Ireland continued to have the second lowest Debt/GDP ratio of the 15 EU Member States.
- The General Government Debt (GG Debt)/GDP ratio fell from 39 per cent at end 2000 to an estimated 37 per cent at end 2001 primarily as a result of the relatively strong economic growth, while the National Debt/GNP ratio fell from 42 per cent to an estimated 38 per cent over the same period.
- The GG Debt/GDP ratio is expected to fall by a further three percentage points by end 2002 and, in line with current budget figures, is expected to remain at around 34 per cent over the period 2003 - 2004.
- Total debt service expenditure was some €300 million below budget. This amount has been carried forward in the Capital Services Redemption Account (CSRA) and is available for use by the Government in 2002 and future years.
- Interest payments on the Debt as a percentage of tax revenue continued to fall; they stood at 6.7 per cent in 2001, which is only a quarter of what they were 10 years ago.
- Savings of €18.3 million were achieved against an externally audited benchmark.
- Preparations were made to facilitate substantial sales of bonds in 2002 to refinance maturing debt; these included the creation of two new benchmark bonds and their listing on the EuroMTS electronic trading system.

Credit Rating

- Standard & Poor’s upgraded Ireland to the top AAA credit rating. Ireland also has AAA ratings from Moody's and Fitch, as well as from Rating and Investment Information Inc., Japan.

Central Treasury Service

- From 31 January 2001 the NTMA may provide deposit and loan facilities to Local Authorities, Health Boards and Vocational Education Committees.
- Loan facilities (including short-term advances) amounting to some €100 million were committed by year end and since then a further €50 million has been committed.

National Pensions Reserve Fund

- In April 2001 the NTMA was appointed, under the National Pensions Reserve Fund Act 2000, as Manager of the Fund. At end 2001 the Fund stood at €7.7 billion (including accrued interest) and was entirely in cash deposits.
- By end 2001 the Fund had earned €229 million in interest since its inception on 6 April 2001. Prior to that date, the moneys were managed by the NTMA in the Temporary Holding Fund for Superannuation Liabilities and earned €358 million in interest.

State Claims Management

- Under the National Treasury Management Agency (Amendment) Act 2000, the management of certain personal injury and property damage claims against the State was delegated by the Government on 3 December 2001 to the NTMA, which, for this purpose, is known as the State Claims Agency (SCA).
- Approximately 700 existing claims have been transferred to the SCA from Government Departments and other State authorities. Based on present trends the annual throughput of new claims is expected to be in excess of 1,000.

Nítrigin Éireann Teoranta

- Pursuant to the Nítrigin Éireann Teoranta Act 2001 the NTMA paid off €241 million of Nítrigin Éireann Teoranta debt on 16 November 2001.

FUNDING & DEBT MANAGEMENT

During the course of 2001 the NTMA's sources of funds with respect to its funding and debt management activities were as follows:

	€ million
Bonds denominated in euro	83
Short-term Paper (net)	4,176
	4,259

These funds, together with the Exchequer cash surplus of €588 million[1] in respect of 2001, resulted in total resources of €4,847 million, which were used to repay debt and to provide a temporary loan facility to the Housing Finance Agency as outlined below:

	€ million
Bonds denominated in euro	2,189
National Savings Schemes (net)	186
Other domestic loans	22
Euro legacy & foreign currency debt[2]	1,219
Nítrigin Éireann Teoranta debt	241
Housing Finance Agency facility	628
Increase (net) in deposits and other cash balances	362
Total	**4,847**

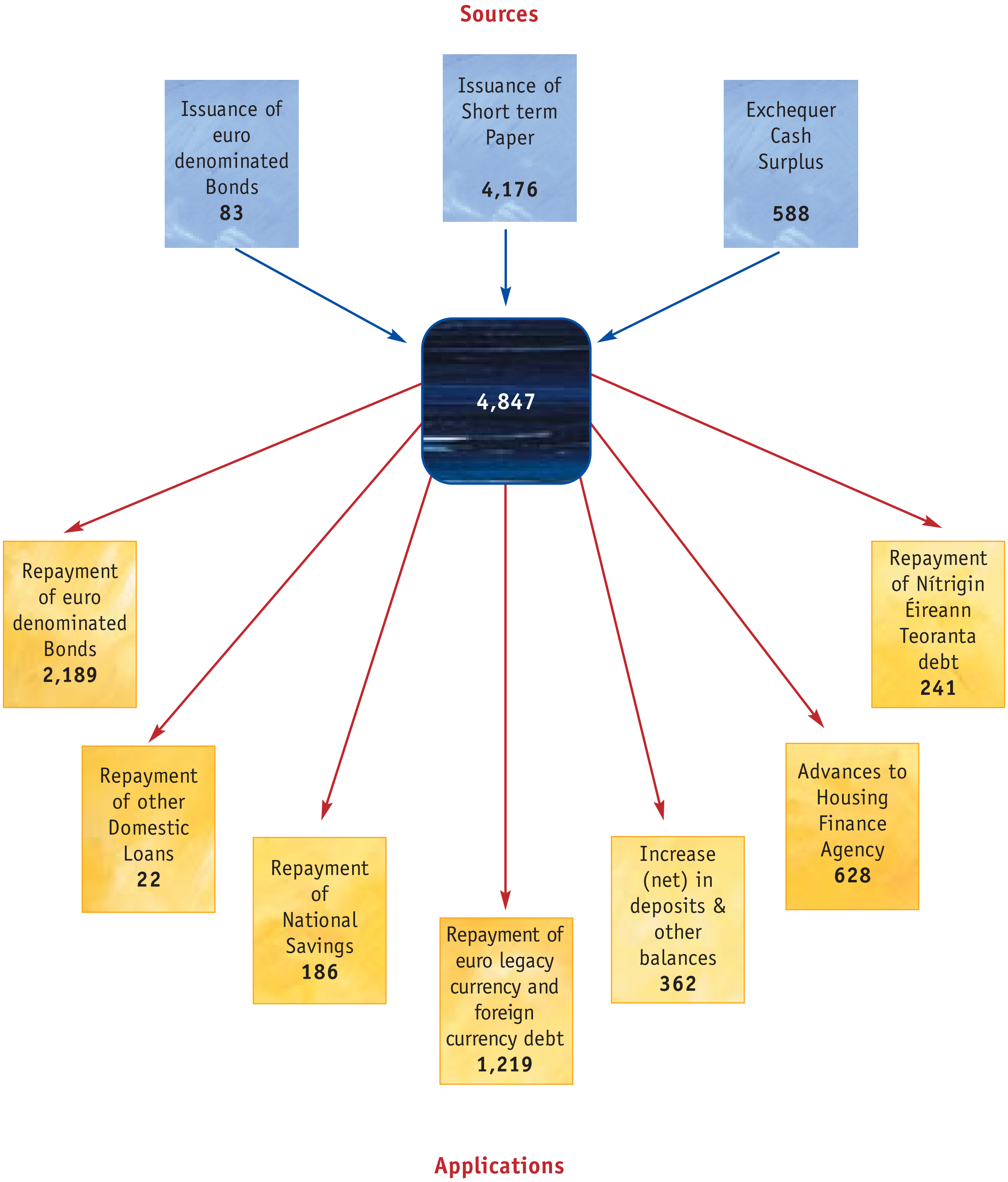
Gross cash flows increased by €5 billion to €300 billion compared with the year 2000. These flows consisted of gross receipts of €151 billion and gross payments of €149 billion.

[1] *Exchequer cash surplus is the Exchequer surplus (€653 million) less a reduction of €65 million in other balances.*

[2] *Euro legacy debt comprises debt contracted and denominated in the individual currencies of other EMU participant countries, now replaced by the euro.*

The diagram below shows the main sources and applications of funds:

Sources and Application of Funds - € Million



THE NATIONAL DEBT

The nominal value of the National Debt as traditionally measured, which is calculated net of cash balances, was €36.2 billion at end 2001; this is some €328 million below the end 2000 level. The drop would have been greater but for the requirement to repay the Nítrigin Éireann Teoranta debt of €241 million. The impact of the Exchequer surplus and other factors contributing to the fall in the Debt are shown below:

CHANGE IN NATIONAL DEBT IN 2001

	€ million	€ million
National Debt (end 2000)		**36,511**
Plus		
Repayment of Nítrigin Éireann Teoranta debt	241	
Reduction in balance on Capital Services Redemption Account	56	
Net discounts on Tranching and Cancellations[1]	15	
Exchange Rate Impact	13	325
Less		
Exchequer Surplus (-)		-653
Change in National Debt		**-328**
National Debt (end 2001)		**36,183**

[1] *Premiums/Discounts arise when bonds are issued at other than their par value due to a difference between the coupon on the debt and market yields.*

CURRENCY AND DURATION OF THE DEBT

The NTMA continued its policy of substantially eliminating foreign exchange risk by hedging most non-euro liabilities. As a result, some 94 per cent of the National Debt at the end of 2001 was denominated in euro with the balance of 6 per cent in sterling. Since then, taking advantage of the fall in the value of sterling, that balance has been further reduced.

The duration of the Debt during 2001 fell from 3.9 years at the beginning of the year to 3.4 years by the end of the year. This reflects the policy of funding by way of short term borrowing to take advantage of declining interest rates.

THE GENERAL GOVERNMENT DEBT

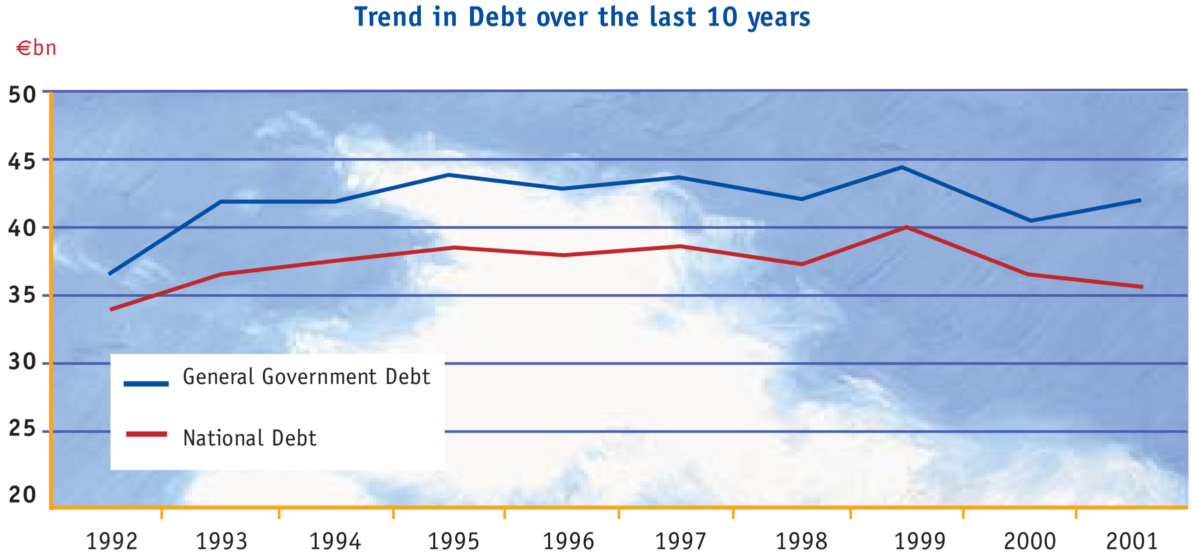
The General Government Debt (GGD) is the definition of debt used for comparative purposes within the European Union. The National Debt, as traditionally measured, is the principal component of the GGD. However, GGD is a gross measure of debt and, therefore, does not include any offset for Exchequer cash balances; in addition, GGD represents a wider definition of Government, including Local Government, certain extra-budgetary funds, and the estimated gross interest overhang on the National Savings Schemes (amounting to some €2,303 million at end 2001 and against which there is a provision of €1,111 million in the Small Savings Reserve Fund). The GGD does not include intra-Government debt; it calculates the consolidated gross debt owed by the Government sector as a whole.

The GGD was some €42.1 billion at end 2001. This compares with a figure of €40.3 billion at end 2000, an increase of some €1.8 billion. While the National Debt declined by some €0.3 billion, there were counterbalancing adjustments amounting to some €2.1 billion. The main items accounting for the net increase of €1.8 billion were:

- €775 million belonging to the Social Insurance Fund was switched from Exchequer Notes to bank deposits and other assets in order to earn a higher rate of interest. The borrowings to replace this are added to the GGD (although there is no additional burden on the State).
- An increase of some €720 million debt in the Local Government sector in 2001, most of which was provided by the Housing Finance Agency.
- Debt was incurred to provide a temporary loan facility of some €628 million to the Housing Finance Agency in 2001 for on-lending to the Local Government sector as above. (The Housing Finance Agency is classified as outside the General Government sector). This temporary facility has no impact on the National Debt as it is regarded as a cash asset but it does impact the GGD.

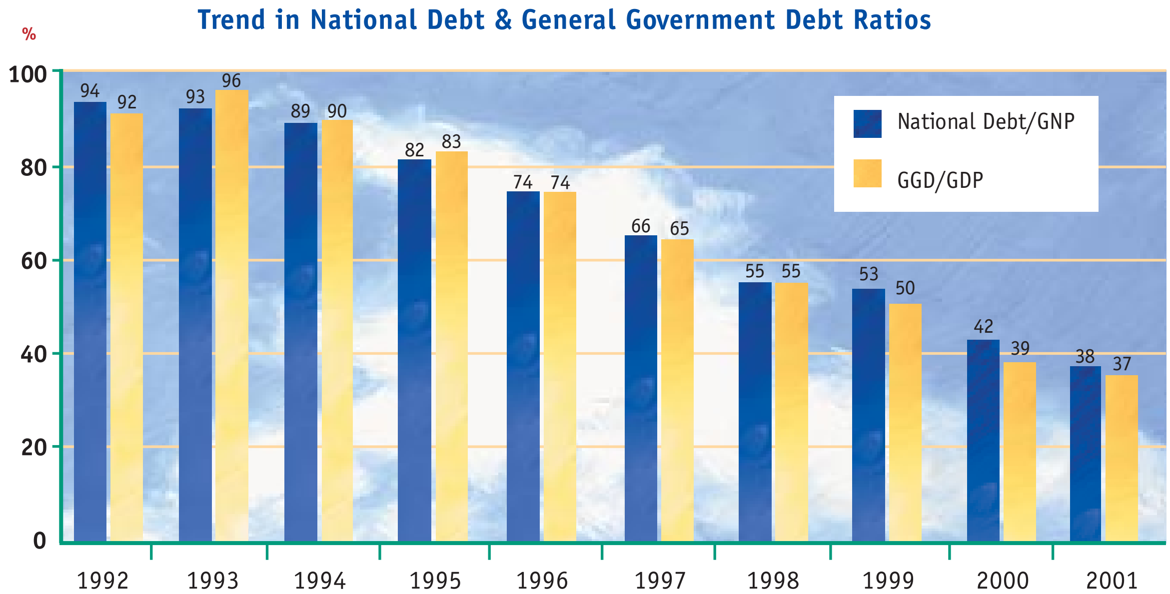
TREND IN THE NATIONAL DEBT AND GENERAL GOVERNMENT DEBT

As a result of the foregoing factors, there have been divergent trends in the National Debt and General Government Debt as shown in the graph below:



Source: Eurostat and NTMA

DEBT RATIOS



Source: Eurostat, Department of Finance & NTMA

The General Government Debt/GDP ratio fell by 2.4 percentage points during the year – from 39 per cent at end 2000 to an estimated 36.6 per cent at end 2001, reflecting mainly the relatively strong growth in GDP in 2001. Similarly, the National Debt expressed as a percentage of GNP decreased by 4 percentage points to an estimated 38 per cent at end 2001 from almost 42 per cent a year earlier.

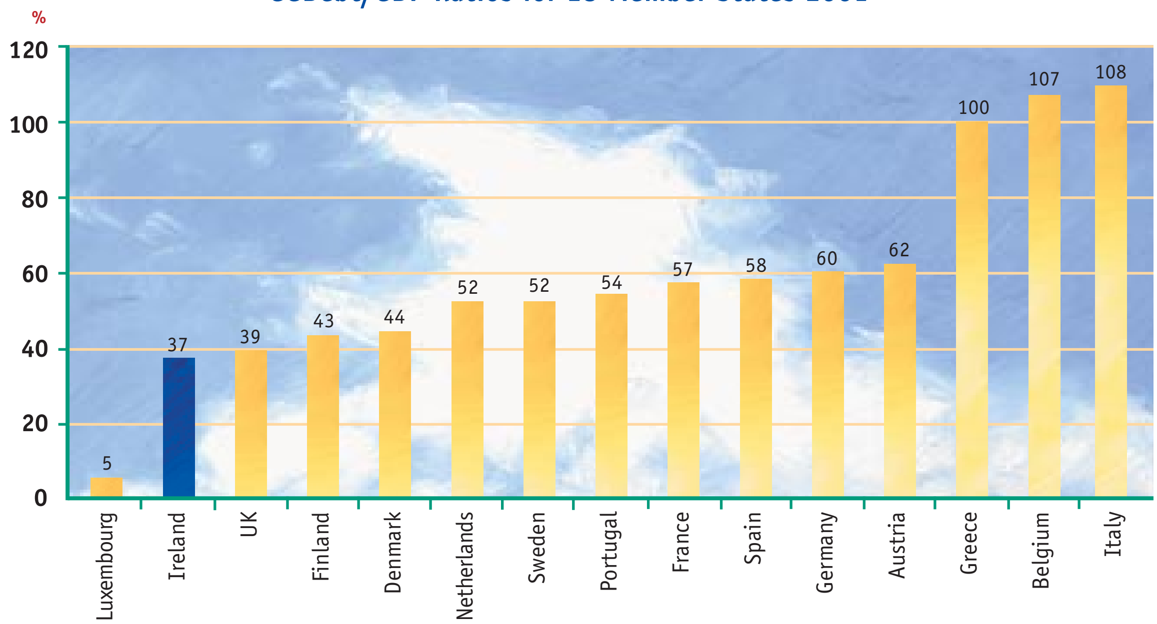
If the €7.7 billion invested at year end in the National Pensions Reserve Fund were to be included as an offset to the National Debt, as is the case with Exchequer cash balances, this would have reduced the National Debt/GNP ratio at end 2001 by an additional 8 percentage points, from 38 per cent to 30 per cent. Similarly, netting out the Fund from the General Government Debt would have reduced the GGD/GDP ratio by an additional 7 percentage points, from 37 per cent to 30 per cent.

The Government's three-year Budget Plan announced in December 2001 points to a further modest improvement in the GGD/GDP ratio for 2002 – from 37 per cent at end 2001 to some 34 per cent by end 2002, and remaining at around 34 per cent to 2004.

INTERNATIONAL COMPARISONS

International comparisons of indebtedness are normally based on the ratio of General Government Debt to Gross Domestic Product.

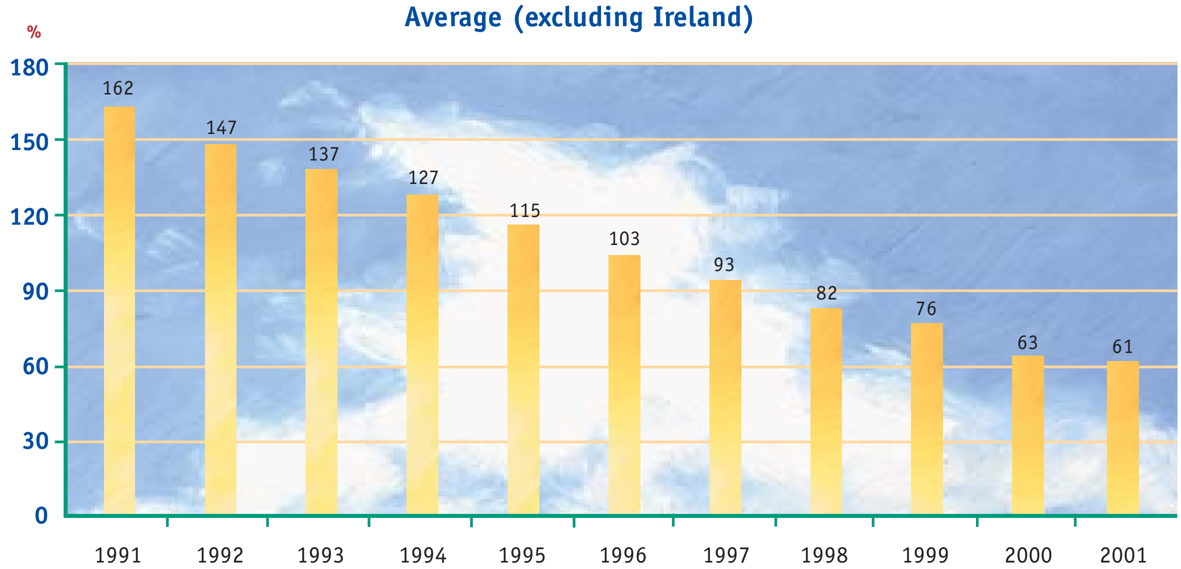
GGDebt/GDP Ratios for EU Member States 2001



Sources: Eurostat, 2001 estimate for Ireland – Dept. of Finance.

At end 2001, Ireland's comparative indebtedness remained the second lowest among the fifteen EU Member States at around two thirds of the EU average. This compares with a position well above the average in the first half of the 1990s.

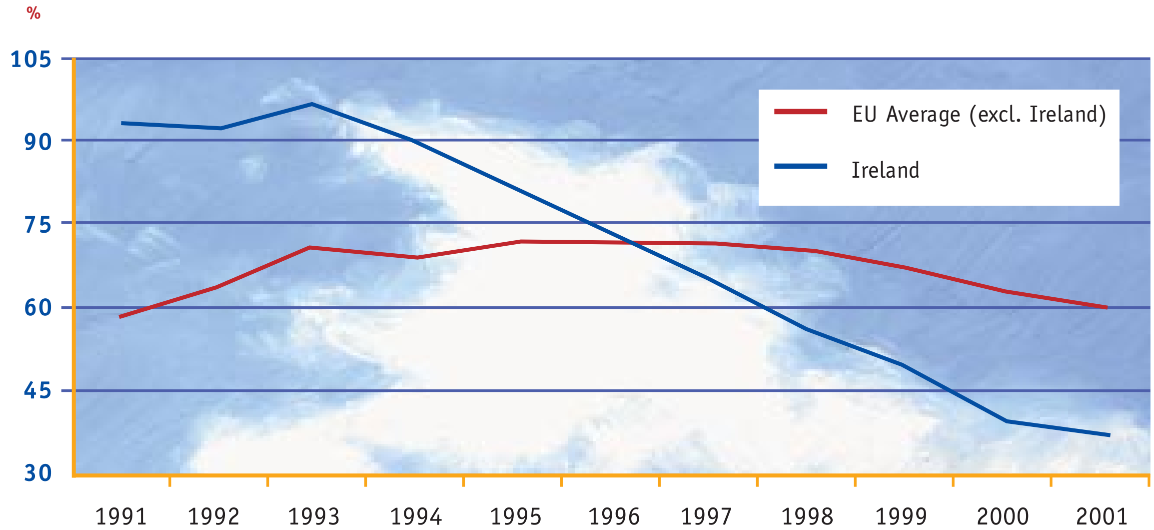
Ireland's Debt/GDP Ratio relative to the EU Average (excluding Ireland)



Sources: Eurostat, 2001 estimate for Ireland – Dept. of Finance.

This favourable position reflects Ireland's economic performance rather than a material change in the EU average itself, as can be seen from the graph below:

Ireland and EU Average Debt/GDP Ratio



Sources: Eurostat, 2001 estimate for Ireland – Dept. of Finance.

DEBT SERVICE COSTS

The total debt service budget for 2001 was €2,678 million (€2,170 million from the Exchequer and €508 million from the Capital Services Redemption Account (CSRA)). The outturn at €2,379 million was €299 million lower than budget, mainly due to favourable interest and exchange rate movements.

Of the expenditure of €2,379 million, €2,323 million came directly from the Exchequer, €153 million above the original estimate of €2,170 million. CSRA debt service expenditure was €56 million, some €452 million lower than the originally estimated expenditure of €508 million. This was in line with the Budget Statement of the Minister for Finance of 5 December 2001.

ANALYSIS OF EXCHEQUER DEBT SERVICE OUTTURN RELATIVE TO BUDGET

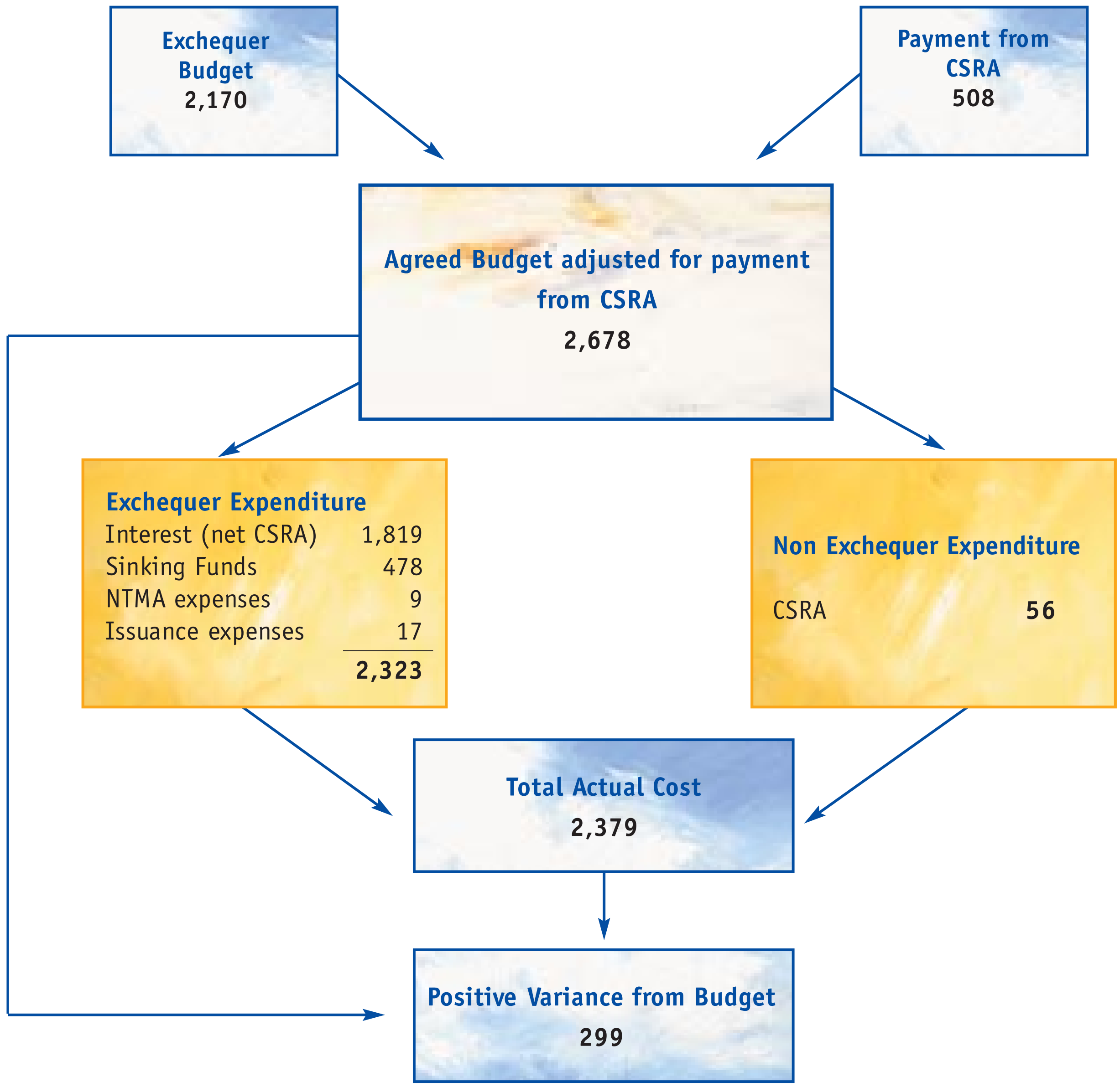
	(€ million)	
	Budget	**Outturn**
Exchequer Debt Service Expenditure	2,170	2,323
Plus: Payment from CSRA	508	56
Underlying Debt Service Expenditure	2,678	2,379
Favourable Variance from Budget		**299**

Debt service costs of €2,379 million include interest payments of €1,875 million, sinking fund payments of €478 million, fees of €17 million and administration expenses of €9 million. The interest payments of €1,875 million include the above mentioned payment of €56 million from the CSRA.

The favourable variance of €299 million on debt service cost is reflected in the balance of €750 million in the CSRA at end 2001. In his Budget Statement, the Minister for Finance announced that he will use €500 million and €250 million of this CSRA balance in 2002 and 2003 respectively.

A diagram showing the breakdown of debt service costs is set out below:

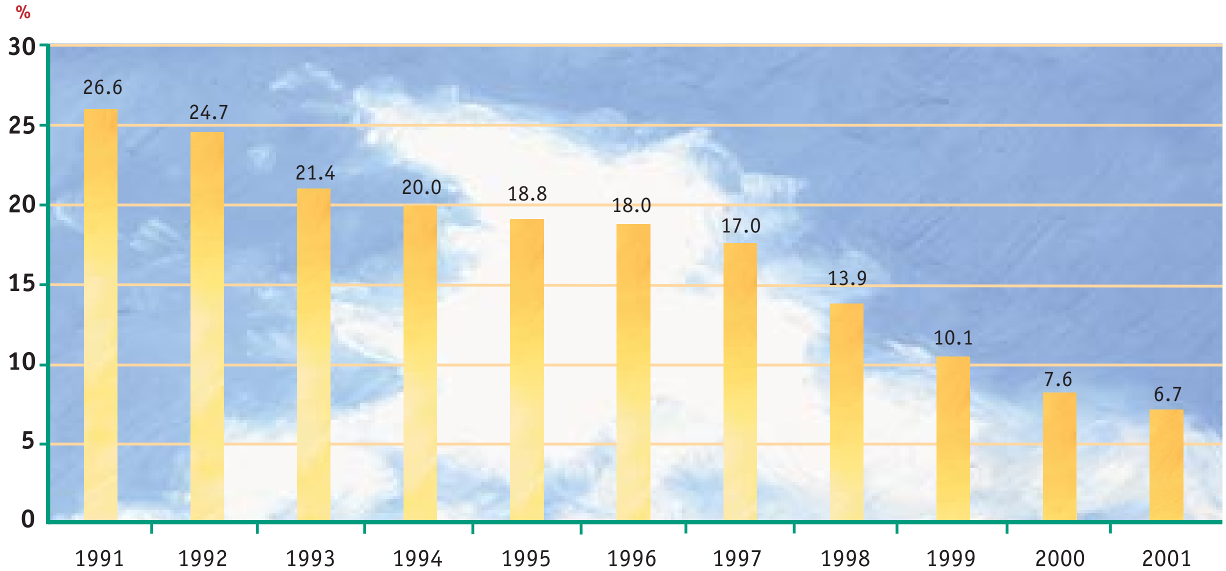
Analysis of Debt Service Outturn relative to Budget - € Million



Included in the debt service expenditure is €403 million for interest on the National Savings Schemes. This reflects the estimated interest accruing on these schemes in 2001. The interest actually paid out on repayments from the schemes in 2001 was €412 million. The additional €9 million (representing the excess over the accrual) was paid from the Small Savings Reserve Fund.

The interest burden of the National Debt continued to fall in 2001. As represented by the ratio of interest payments to tax revenue, the interest burden declined by an estimated 1 percentage point to 6.7 per cent. This compares with almost 26.6 per cent in 1991, resulting in the freeing up of substantial financial resources for other purposes.

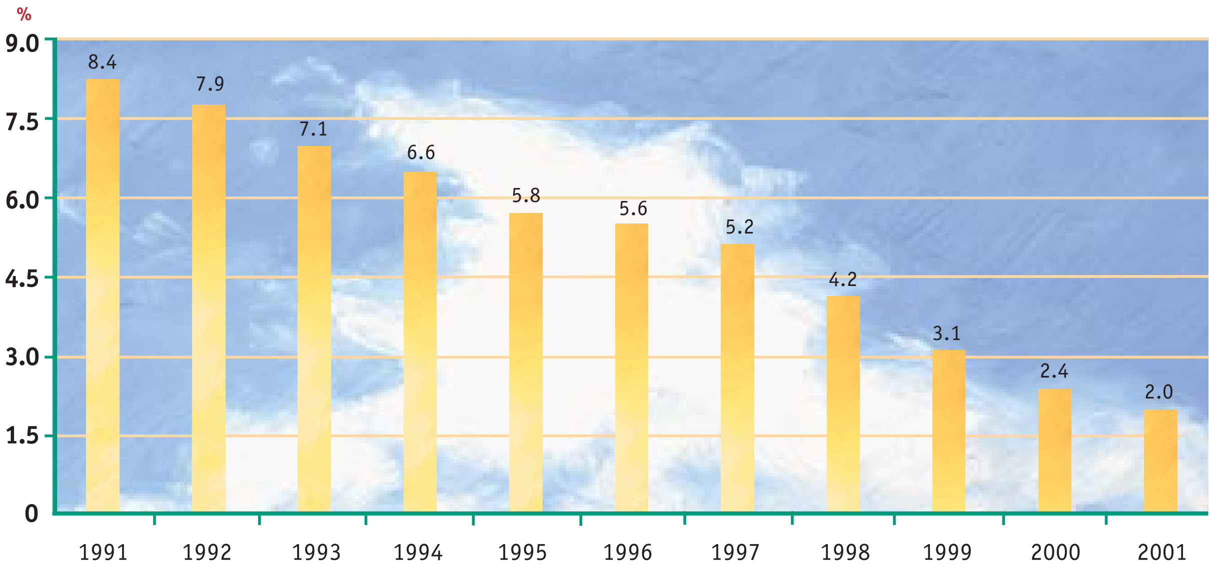
Interest as % of Tax Revenue



The interest series has been adjusted to reflect the cost of accrued interest on the National Savings Schemes.
Source: Department of Finance and NTMA

The interest burden expressed relative to GNP declined further in 2001, falling to 2 per cent.

Interest as % of GNP



The interest series has been adjusted to reflect the cost of accrued interest on the National Savings Schemes.
Source: Department of Finance and NTMA

INTEREST ACCRUING ON NATIONAL SAVINGS SCHEMES

In the 2001 Budget, the Minister for Finance continued to provide for full accrual of interest on the National Savings Schemes – estimated at €406 million.

The Small Savings Reserve Fund was established in 1994 to address the growing interest overhang on Savings Certificates, Savings Bonds and Instalment Savings. At end 2001, the reserve was €1,111 million, or 48 per cent of the estimated interest overhang of €2,303 million.

DEBT MANAGEMENT

The composition of the National Debt as at end 2001, together with comparative figures for 2000, is shown below:

	€ million (nominal)			
	31 December 2000		31 December 2001	
Bonds denominated in euro		21,784		19,632
(quoted on Irish Stock Exchange)				
of which:				
Domestic holders	11,448		9,142	
Non-resident holders	10,336		10,490	
Other Medium Term Debt				
Euro and foreign currency debt hedged into euro	4,940		3,784	
Foreign currency debt	1,118	6,058	1,059	4,843
National Savings Schemes		5,308		5,140
Short Term Debt				
Euro and foreign currency debt hedged into euro, net of cash deposits	2,373		5,555	
Foreign currency debt, net of cash deposits	988	3,361	1,013	6,568
Total:		**36,511**		**36,183**

Euro denominated bonds outstanding decreased by €2.2 billion as bond redemptions were financed through the issuance of short term paper. Other medium term debt declined by €1.3 billion, the latter being the result both of debt maturities and of the early redemption of debt where opportunities arose to buy back outstanding debt at competitive prices.

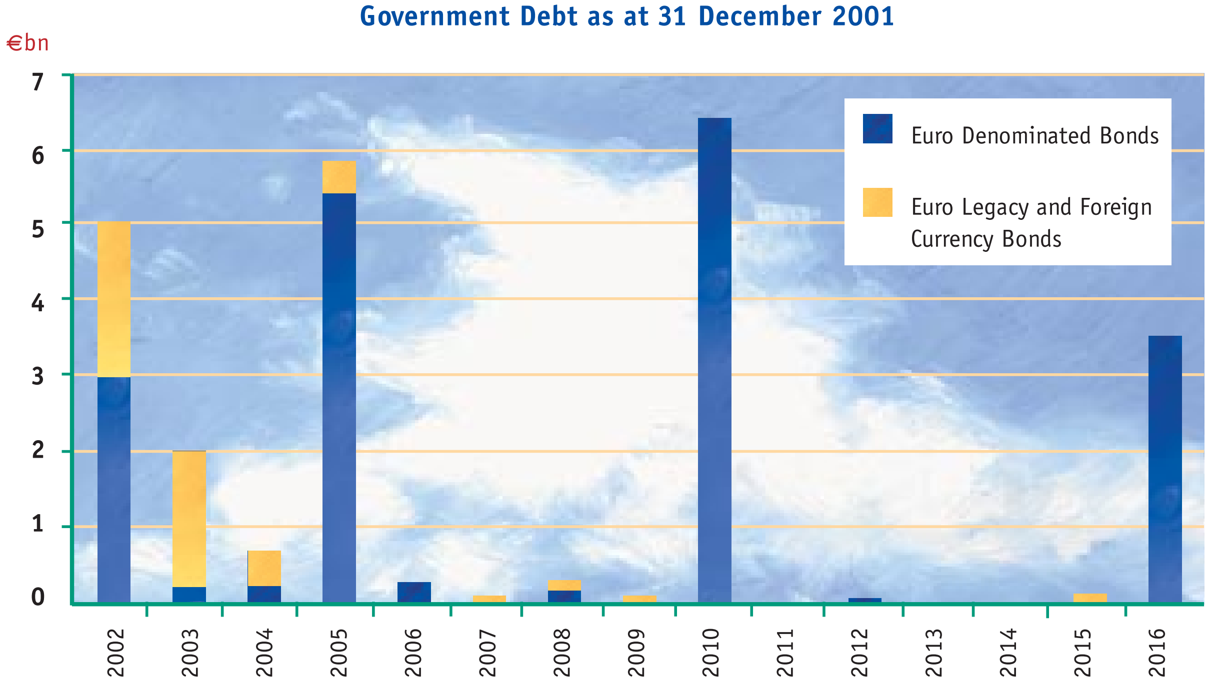
MATURITY PROFILE

At end 2001 euro denominated bonds outstanding had maturities ranging out to 2016 while most of the medium and long term foreign currency and euro legacy currency debt will mature in the years 2002 and 2003.

The short term debt portfolio is made up of Exchequer Notes, Section 69 Notes and Commercial Paper, all of which have a maximum maturity of twelve months.

The maturity profile of outstanding medium and long term debt as at year end is shown below:

Maturity Profile of Medium and Long Term Government Debt as at 31 December 2001



Source: NTMA

FUNDING ACTIVITY

All funding in 2001 was by way of short term borrowing to take advantage of the lower short term rates which prevailed and continue to prevail in a relatively stable interest rate environment. Details of funding activity, including short term debt issuance, are shown below:

		€ million (cash amounts)
Sale of euro denominated bonds [1]	83	
Sale (net) of short term paper	4,176	
Sub-total		**4,259**
Less		
Maturities of euro denominated bonds	2,189	
Maturities and early redemption of euro legacy and foreign currency debt	1,219	
Other domestic debt	22	
Repayment (net) of National Savings	186	
Sub-total		**3,616**
Net funding		**643**

The net funding of €643 million together with the Exchequer cash surplus of €588 million was used to repay Nítrigin Éireann Teoranta debt of €241 million, to provide a temporary loan facility of €628 million to the Housing Finance Agency and to increase cash balances by €362 million.

[1] *Excludes net purchases of Irish Government bonds by the NTMA's secondary trading desk.*

CURRENT LIQUID BOND ISSUES

The NTMA's Primary Dealers are obliged to make continuous two-way prices during market hours in the following three bonds:

Bond	Maturity	Amount Outstanding € million (end June 2002)
4.25% Treasury Bond 2007	18 October 2007	5,199
5.00% Treasury Bond 2013	18 April 2013	6,249
4.60% Treasury Bond 2016	18 April 2016	3,636

These three benchmark bonds represent more than 75 per cent of the amount outstanding in euro denominated bonds with more than one year to maturity.

Bond Switching Programme January 2002

In January 2002 the NTMA conducted its first major bond switch since the 1999 Securities Exchange Programme. Two of the benchmark bonds (the 3.5% Treasury Bond 2005 and the 4% Treasury Bond 2010) were by end 2001 "off the run" in terms of their remaining life compared with their euro zone peer group. The objective was to create two new benchmark bonds which would have a good shelf life to provide new funding and sufficient critical mass (€5 billion) to join the EuroMTS electronic trading system by mid 2002. The best way to achieve these strategic objectives was to offer investors switching terms out of the 3.5% Treasury Bond 2005 and 4% Treasury Bond 2010 into two new "on the run" benchmark issues, the 4.25% Treasury Bond 2007 and the 5% Treasury Bond 2013.

On 24 January 2002 the switch was successfully conducted via the Primary Dealers. Some 56 per cent of the 2005 bond and 77 per cent of the 2010 bond were exchanged into the new 2007 and 2013 bonds respectively on the day of the switch. After the formal switch the NTMA bought back some additional amounts of the 2005 bond so that the total amount retired exceeded 60 per cent. Consequently, both the 3.5% Treasury Bond 2005 and the 4% Treasury Bond 2010 have ceased to be benchmark bonds as more than 60 per cent of the amount in issue has been retired.

PRIMARY DEALER SYSTEM

There are six Primary Dealers recognised by the NTMA, who make continuous two-way prices in designated bonds in minimum specified amounts and within maximum specified spreads. There are also a number of stockbrokers who match client orders. However, the Primary Dealers account for about 95 per cent of turnover. The Primary Dealer system, which was introduced at the end of 1995, has brought improved depth and liquidity to the market while the bond REPO market has grown in tandem, adding to overall liquidity.

The Primary Dealers are:

ABN AMRO, London

AIB Capital Markets, Dublin

Credit Agricole Indosuez, Paris

Davy Stockbrokers, Dublin

Deutsche Bank, Frankfurt

NCB Stockbrokers, Dublin

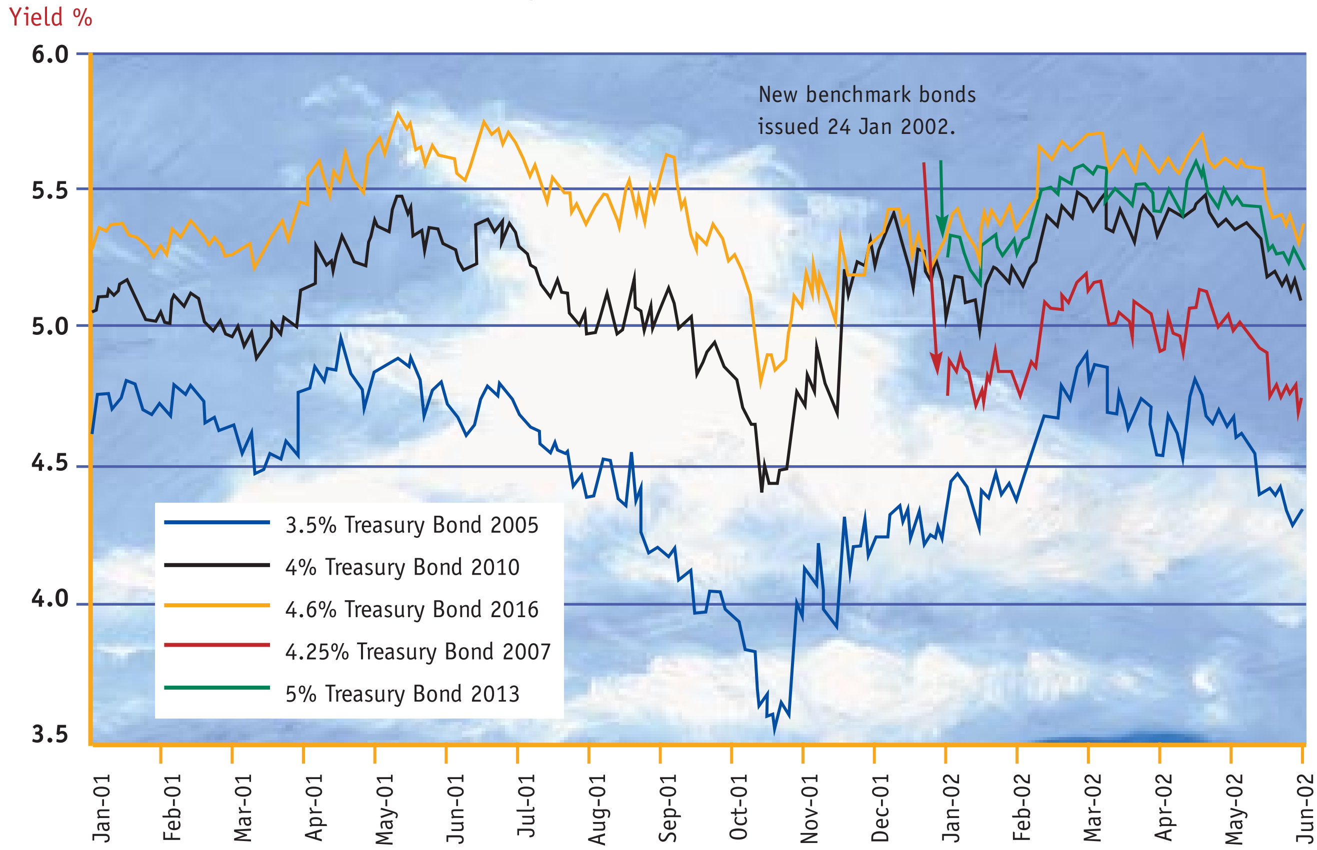
Primary Dealers are members of the Irish Stock Exchange on which the bonds are listed. With the switch to electronic trading, two of the new benchmark bonds, the 4.25 per cent 2007 and the 5 per cent 2013 issues, have been listed on the EuroMTS platform, with effect from 25 June 2002. In addition, the benchmark 4.6 per cent Treasury Bond 2016 has been listed on a new domestic MTS system.

The current dealer system has been augmented by two new institutions, Commerzbank and Schroder Salomon Smith Barney, who are market makers in these bonds on EuroMTS. Unlike Primary Dealers, market makers do not have access to bond auctions.

BOND MARKET DEVELOPMENTS

Euro area government bond yields were quite volatile over the course of 2001, reflecting changing market sentiment regarding the outlook for the euro area and the wider global economy. Having traded at an average of 4.8 per cent in the first quarter of the year, the German government 10 year bond – generally regarded as the benchmark for sovereign issuance in the eurozone - reached a peak of 5.20 per cent in May, declined by 93 basis points to a low of 4.27 per cent in November and subsequently increased by 73 basis points to finish the year at 5 per cent. The yields on Irish government 5, 10 and 16 year bonds since the beginning of 2001 are shown in the graph overleaf. The 10 year bond was yielding 5.09 per cent at the beginning of the year. During the year it traded in a range of 102 basis points from a high of 5.40 per cent in May to a low of 4.38 per cent in November, closing the year at 5.33 per cent. The new 5 and 10 year benchmark bonds were issued on 24 January 2002. Since that time the 10 year benchmark bond has traded in a range of 42 basis points from a low of 5.08 per cent on 5 February 2002 to a high of 5.50 per cent on 25 March.

Irish Government Bond Yields from 1 Jan 2001



Source: Bloomberg

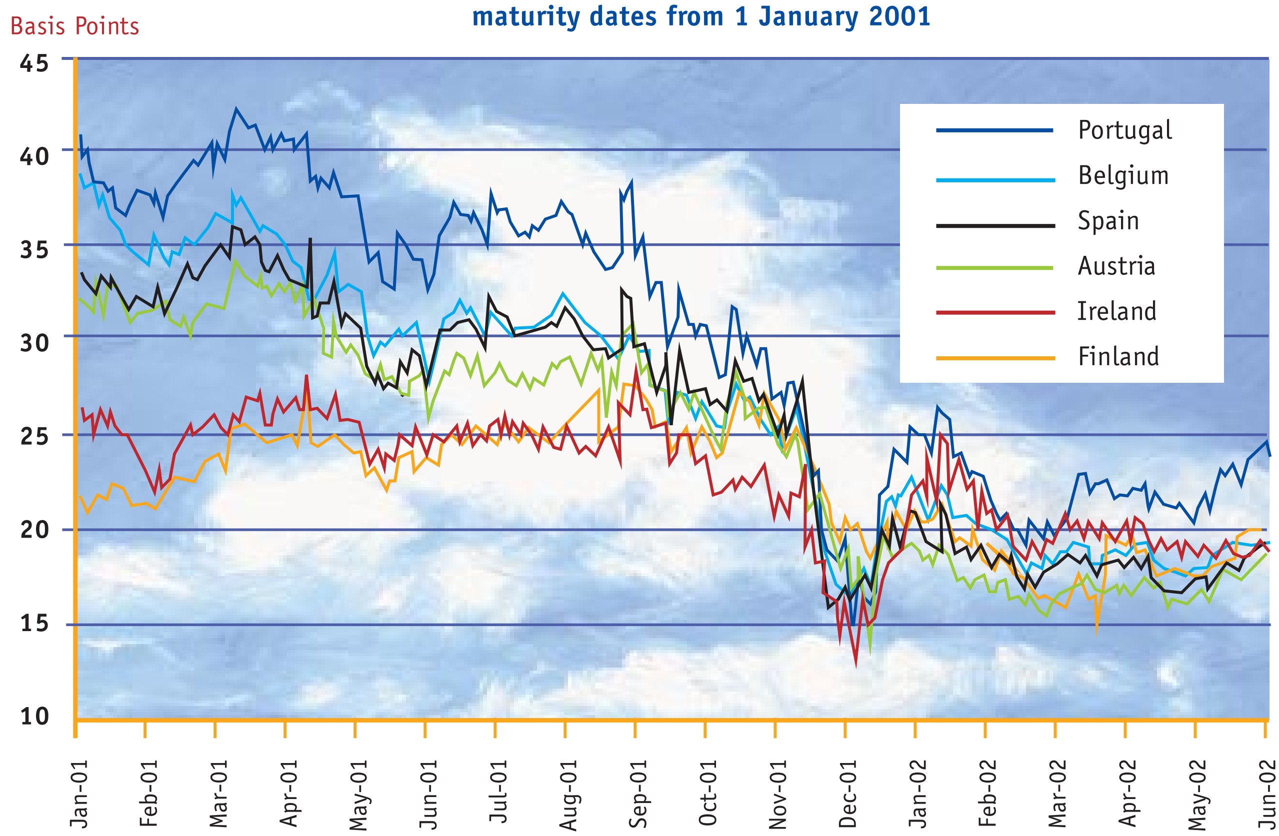
During 2001 the Irish government 10 year bond tracked the yield changes on the German ten year benchmark at an average spread of about 24 basis points. This spread tended to narrow over the course of the year, apart from a temporary widening following 11 September, and ended the year at about 15 basis points as compared with an average of 25 basis points in the first quarter of the year. The spread over German yields for the bonds of the other smaller sovereign euro area issuers also declined over the course of the year.

While a number of factors, such as the greater homogeneity and integration of government bond markets in the euro area, contributed to this narrowing of spreads, it is generally agreed that the most significant factor at work in the process was the narrowing of interest rate swap spreads. The 10 year German government benchmark bond traded at about 60 basis points under swaps at the beginning of the year; by end year this spread had narrowed by some 34 basis points to a level of about 26 basis points.

The narrowing of swap spreads is traditionally associated with a steepening of the yield curve, and can result from an increased supply of government bonds or investors selling low yielding assets such as government bonds in order to invest in higher yielding assets. All of those factors which favour the narrowing of spreads were at work in 2001. The German government yield curve steepened considerably last year as the yield spread between 2 year and 10 year bonds increased by 95 basis points in response to the series of interest rate reductions by the ECB. The slowdown in the global economy introduced the prospect of increased supply of government bonds as public finances generally deteriorated. The relatively low yields on government bonds, particularly at the shorter maturities, encouraged investors to seek higher returns either through investment in higher yielding assets or through the swap market itself as receivers of fixed payments.

The tightening of government bond yield spreads within the euro area can be seen as a consequence of a narrowing of the swap spread versus the German government bond. It can be expected that euro area governments, given their creditworthiness, should trade under the swap rate.

Spreads to 10 Year German Government Bund – interpolated to Bund maturity dates from 1 January 2001



Source: Bloomberg

IRISH GOVERNMENT BOND ISSUANCE

In the declining interest rate environment, and given the limited funding requirement that then prevailed, a decision was taken in early 2001 to fund exclusively from the short term market and to make arrangements to enter the bond market in 2002 when yields were expected to be close to their lows in the current cycle and a continuous issuance programme could be sustained. It was decided following a review to leave this strategy unchanged despite the increased funding requirement which emerged later in the year.

A regular schedule of bond auctions was resumed in February 2002 following the successful completion of the bond switch programme in January. The auctions, which are held on the third Thursday of each month, are conducted through the Bloomberg Auction System. Normally some €600 million of either the 4.25% Treasury Bond 2007 or the 5% Treasury Bond 2013 is auctioned. In addition, for each auction there is a non-competitive "auction" for 20 per cent of the amount sold in the competitive auction.

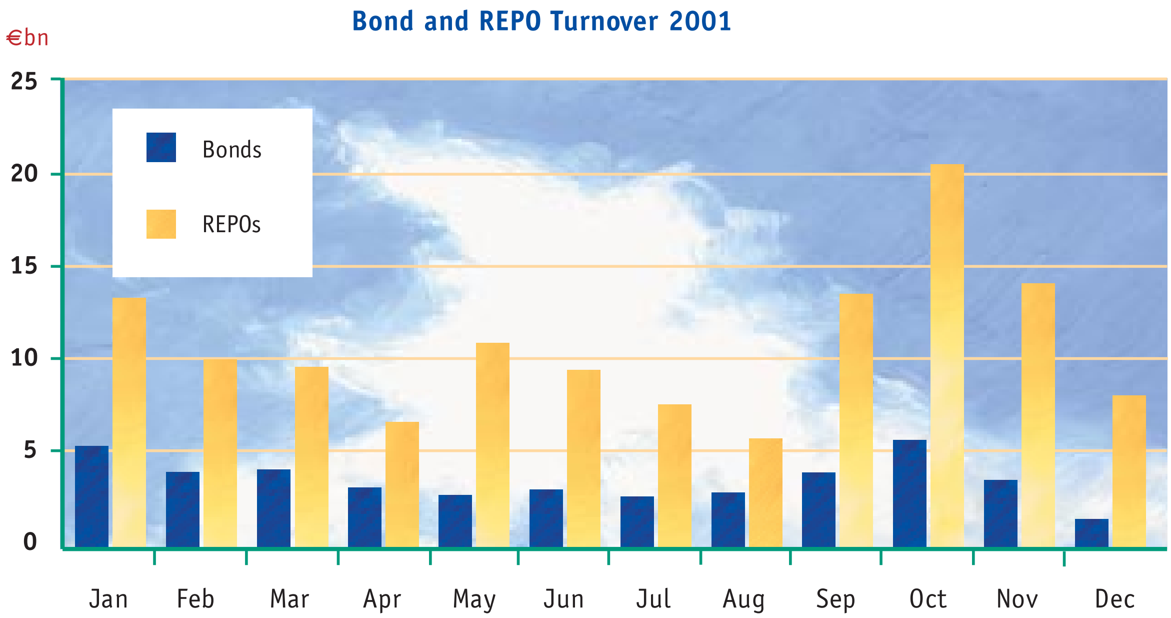
NON RESIDENT HOLDINGS

Non resident holdings of Irish government bonds have increased significantly since the introduction of the euro. At end 1998, non-resident holdings amounted to €4.4 billion, or 21.8 per cent of the total bonds outstanding. Since that time the non-resident participation in the market has increased steadily and the amount held by non-residents at end 2001 stood at €10.5 billion, or 53.4 per cent of the total bonds outstanding.

TURNOVER

Turnover in Irish government bonds in 2001 (excluding REPOs), as reported by the Irish Stock Exchange, was €43.6 billion. This figure includes turnover of €9.1 billion by the Inter Dealer Broker (IDB). This compares with €44.9 billion in 2000, including turnover of €8.2 billion by the IDB from 10 April to 31 December 2000 which was included in the annual figure published by the Irish Stock Exchange. The 2001 figure represents a decline of some 6 per cent on the 2000 figure (excluding the IDB turnover in both years) which is not unexpected given that there was no new issuance in 2001. Turnover in the first quarter of 2002 was €16.7 billion (excluding the bond switch programme of 24 January 2002), or 27 per cent above the corresponding quarter of the preceding year.

Reported turnover figures are understated to the extent that intermediaries who are not members of the Irish Stock Exchange, notably non-residents, dealt in Irish Government bonds via Euroclear and Clearstream with counterparties who likewise are not members of the Irish Stock Exchange; such deals would not be included as part of the turnover reported by the Irish Stock Exchange. Total REPO turnover reported by the Exchange in 2001 amounted to €136.6 billion, a decrease of 22.9 per cent on the 2000 figure of €177.1 billion.



Source: The Irish Stock Exchange

Bond Market* Turnover in 2001

	€ million
2.75% Treasury Bond 2002[1]	7,246
3.5% Treasury Bond 2005	13,339
4% Treasury Bond 2010	17,021
4.6% Treasury Bond 2016	3,792
Total	**41,398**

Source: The Irish Stock Exchange
**Bonds for which Primary Dealers quote continuous prices*

The above bonds represented 95 per cent of total Irish government bond market turnover in 2001.

Dealing spreads of 5 cent for short maturity bonds (out to 5 years) and 7 cent for medium maturity bonds (6 to 10 years) were typical and the normal deal size in both maturity ranges was around €10 million.

Activity between Primary Dealers via the Inter Dealer Broker (IDB) - which enables Primary Dealers to transact with each other on an anonymous basis – continued to contribute to the liquidity of the market.

[1] *The obligation of the Primary Dealers to quote two way prices for this bond ceased in April 2001 when its remaining life became less than 18 months.*

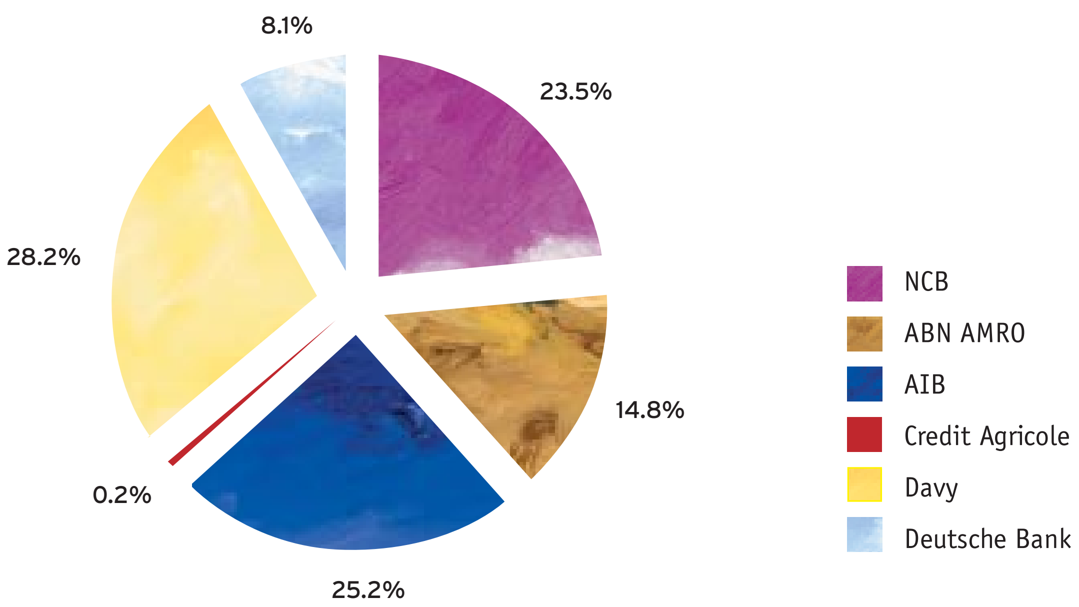
SECONDARY TRADER

The NTMA maintains a secondary trading function to trade in its bonds with other market participants. This is separated from primary bond desk activity by means of "Chinese Walls". The role of the secondary trader is to provide liquidity to the market and to act as a source of market intelligence for the NTMA.

PRIMARY DEALERS' ACTIVITIES

The shares of the Primary Dealers in the retail market in 2001 are shown below:

Primary Dealers' Share of Turnover in 2001



PRICE MAKING OBLIGATIONS OF PRIMARY DEALERS

Bond Maturity	Minimum Size € million	Maximum Spread € cent
Over 18 months and under 6 years to maturity	4	15
6 years to 11 years to maturity	3	25
Over 11 years to maturity	2	35

CLEARING AND SETTLEMENT OF IRISH GOVERNMENT BONDS

In December 2000 the NTMA outsourced the clearing and settlement function for Irish government bonds to Euroclear Bank, Brussels, from the Central Bank of Ireland. This arrangement allows financial institutions to safekeep Irish government bonds and to settle domestic and cross-border transactions in a single location. It increases the liquidity of the bonds in the international capital markets by facilitating access for a broader range of investors. It meets the standards for real-time delivery-versus-payment in relation to accounts at a central bank which the European Central Bank has set as a requirement for settlement systems to be eligible for use in its monetary policy operations from 1 January 2002.

The Central Bank of Ireland continues to act as Registrar for Irish government bonds. The total of all holdings of Euroclear participants in each bond is recorded in an omnibus account on the Central Bank's register. Transactions between Euroclear participants are made within the Euroclear system without affecting the Central Bank's register while transactions between the local market and Euroclear participants are notified between the Central Bank and Euroclear Bank.

MEDIUM TERM FOREIGN CURRENCY AND EURO LEGACY CURRENCY DEBT

Medium term foreign currency and euro legacy currency debt (excluding the National Savings Schemes) amounted to €4,843 million at end 2001. Some €3,752 million, or 77 per cent, of this debt is scheduled to mature over the two year period 2002 and 2003.

Euro legacy debt comprises outstanding debt contracted prior to 1999 and originally denominated in the individual currencies of countries which are now members of the eurozone. Outstanding debt in non-euro currencies such as the US dollar, Swiss franc and Japanese yen, but excluding liabilities in sterling, is fully hedged into euro. The sterling medium term liabilities amounted to €919 million. In addition, there was €1,187 million in short term sterling liabilities to give a total sterling liability of €2,106 million, or 6 per cent of the National Debt.

BOND INDICES

Irish government bonds are included in the following international bond indices:

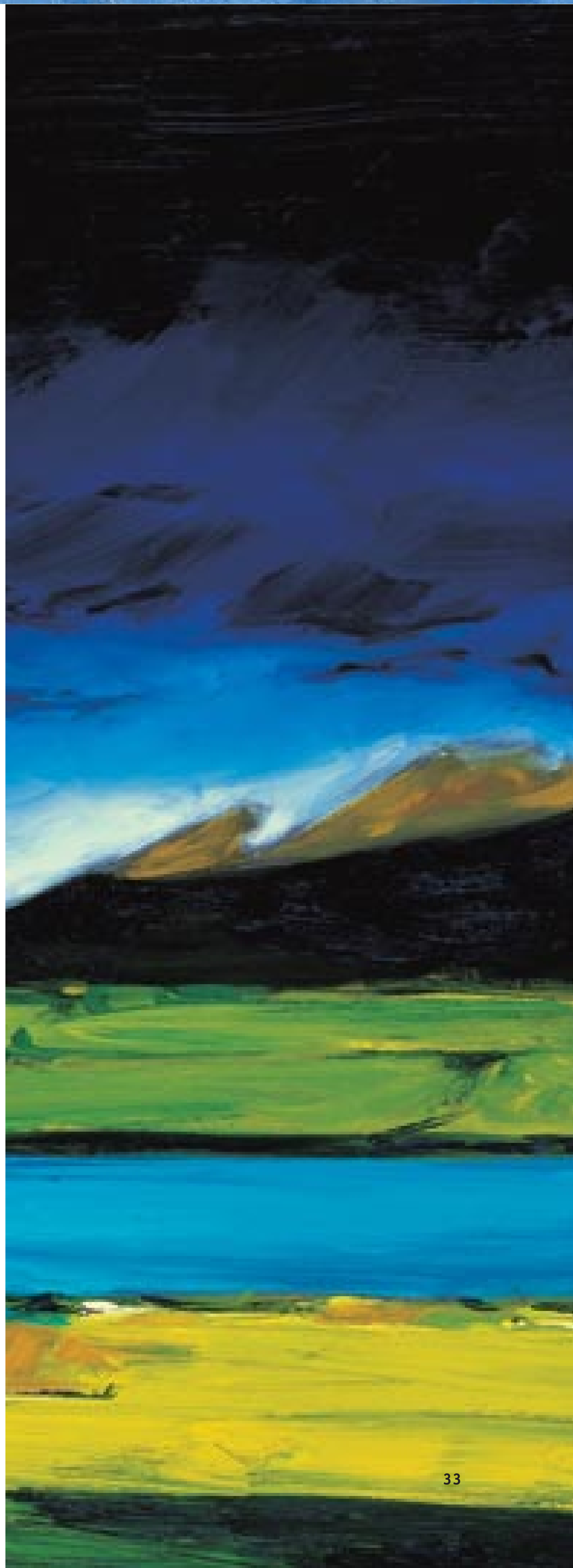
- Bloomberg / EFFAS – Government Bond Index
- JP Morgan – Irish Government Bond Index
- Lehman Brothers – Global Bond Index
- Merrill Lynch – Global Government Bond Index II
- Salomon Smith Barney – World Government Bond Index

SHORT TERM PAPER

The NTMA has a number of short term paper programmes which are used to source funds at attractive rates for cash management purposes. Details of these programmes are outlined below:

Commercial Paper

The NTMA has a €2 billion Commercial Paper Programme, a US$7 billion multi-currency Euro Commercial Paper Programme and a US Domestic $1 billion Commercial Paper Programme. The proceeds of any drawdowns, which are hedged into euro if they are denominated in a foreign currency, are available for liquidity management and for refinancing other more expensive forms of borrowing.



"Section 69" Notes

Section 69 Notes are tax-exempt securities, which are issued in a range of currencies to eligible foreign-owned companies located in Ireland. They are sold directly by the NTMA and also through designated banks in Ireland. These Notes are flexible short term instruments producing cost-effective funding for the Exchequer.

Exchequer Notes

Exchequer Notes in euro are sold to a range of investors, including companies, banks and other institutions. Available maturities range from one day to one year with a minimum €250,000 investment. The NTMA makes two-way prices in Exchequer Notes; these prices are shown on Reuters and Bloomberg, page "NTMA".

AGRICULTURAL COMMODITY INTERVENTION BILLS

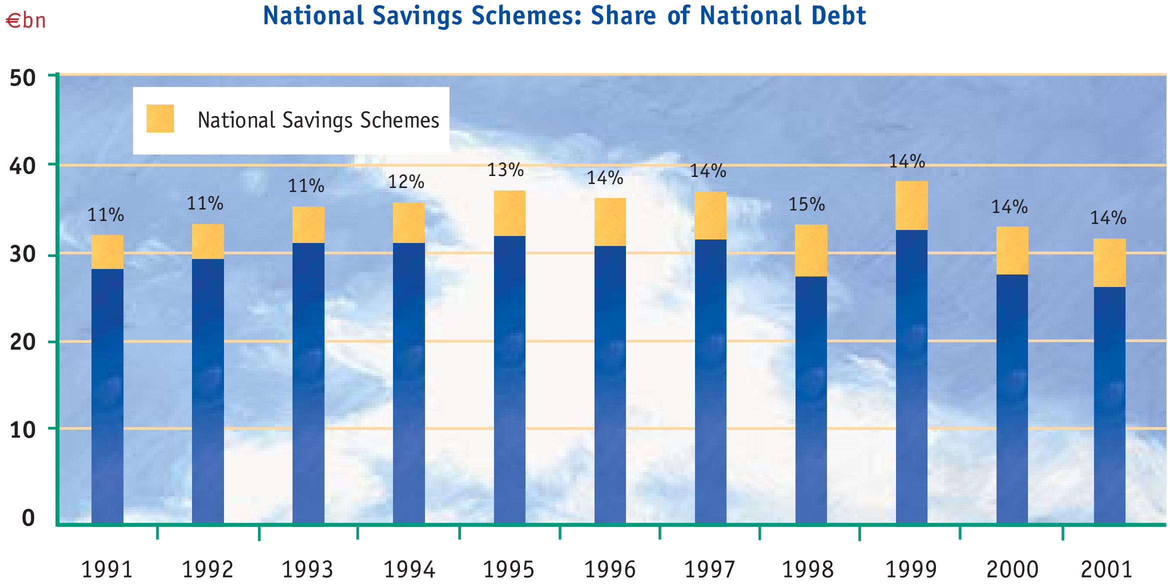
Agricultural Commodity Intervention Bills carry similar terms to Exchequer Notes but are issued by the NTMA on behalf of the Minister for Agriculture and Food.

NATIONAL SAVINGS SCHEMES

There was a net outflow from the National Savings Schemes of €186 million in 2001 (2000 outflow: €237 million). At end year the total amount outstanding on the schemes was €5,140 million, representing a decrease of 3.2 per cent on the equivalent 2000 figure.

The schemes accounted for some 14 per cent of the National Debt and this share has remained relatively unchanged since 1996 as can be seen from the graph below:

National Savings Schemes: Share of National Debt



With the lower rates now on offer, moneys are being repaid from all the schemes except the Post Office Savings Bank (POSB) and Prize Bonds. The POSB grew by €110 million in 2001. A contributor to this has been the new Special Savings Incentive Accounts which were introduced in May 2001. The net inflow of funds to Prize Bonds in 2001 was €35 million.

The net outflow on the other schemes, namely Savings Certificates, Savings Bonds and Instalment Savings was €331 million in 2001.

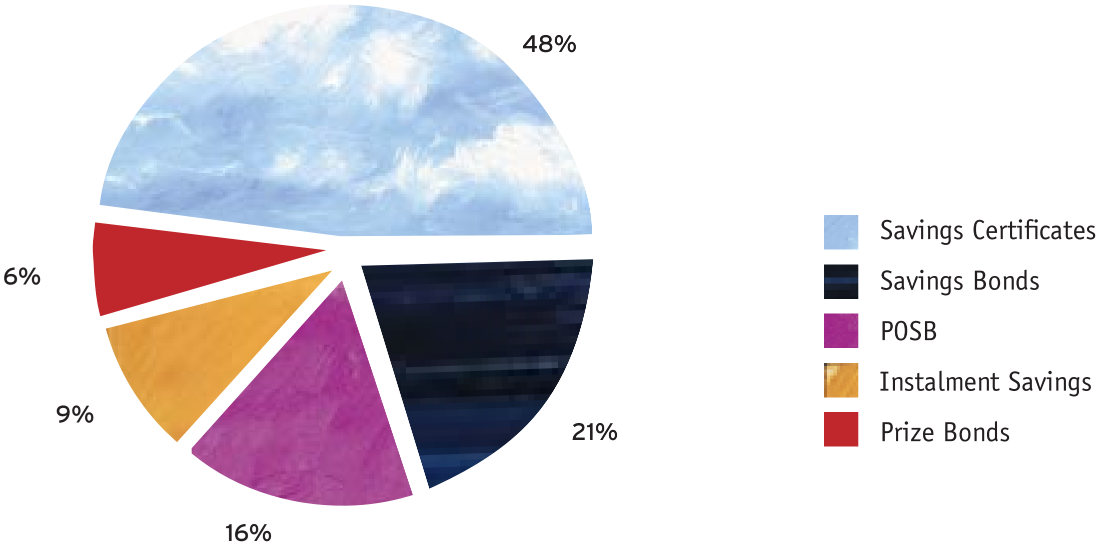
The savings schemes offer a unique mix of attractive characteristics, including:

- Government guarantee;
- no investment costs or commissions; and
- repayment flexibility.

The schemes, with the exception of Prize Bonds, are operated by An Post on behalf of the NTMA; Prize Bonds are operated by The Prize Bond Company Limited, a joint venture between An Post and the Foreign Exchange Company of Ireland (FEXCO).

The composition of the outstanding debt in the National Savings Schemes at end 2001 is shown below:

Composition of National Savings Schemes at end 2001



Details of the total amounts outstanding at end 2001 and of the net amounts raised or repaid in 2001 in each of the savings schemes are as follows:

Savings Schemes	**Total outstanding at end 2001 € million**	**Money raised/repaid in 2001 (net) € million**
Savings Certificates	2,491	-215
Savings Bonds	1,052	-111
National Instalment Savings	451	-5
Prize Bonds	332	35
Savings Stamps	2	0
Post Office Savings Bank (POSB)	812	110
Total	**5,140**	**-186**

In addition, an estimated €2,303 million was outstanding at end 2001 in accrued interest on Savings Certificates, Savings Bonds and Instalment Savings (compared to €2,378 million at end 2000). A sum of €9 million was paid out of the Small Savings Reserve Fund in 2001, bringing the total provision for outstanding accrued interest to €1,111 million. This represents 48 per cent of the total accrued interest outstanding.

ADMINISTRATION COSTS

The total cost of administration for the schemes in 2001 was €35.1 million. A breakdown for each of the schemes is set out below:

Savings Schemes	€ million
Savings Certificates	4.4
Savings Bonds	2.1
Instalment Savings	2.6
Prize Bonds	5.0
Savings Stamps	1.0
Post Office Savings Bank[1]	20.0
Total:	**35.1**

SAVINGS CERTIFICATES, SAVINGS BONDS AND INSTALMENT SAVINGS

The current rates of return on these investment products, which are free of Irish income tax, are set out below:

- **Savings Certificates:** 16 per cent over a 5½ year period, equivalent to an average annual rate of return of 2.74 per cent if held to maturity. Minimum investment is €50 with a maximum of €80,000 for an individual and €160,000 for a joint holding.
- **Savings Bonds:** 8 per cent over 3 years, equivalent to an average annual rate of return of 2.6 per cent if held to maturity. The minimum investment is €100 with a maximum of €80,000 for an individual and €160,000 for a joint holding.
- **Instalment Savings:** 15 per cent after 5 years, equivalent to an average annual rate of interest of 2.57 per cent after allowance is made for the payment of the instalments over 12 months. The minimum monthly investment is €25 with a maximum monthly investment limit of €500.

[1] *Fees relating to the Post Office Savings Bank (POSB) are paid from the POSB Fund.*

POST OFFICE SAVINGS BANK

The Post Office Savings Bank (POSB) grew by €110 million to €812 million by end 2001. The rate of inflow was particularly marked in the last quarter of 2001 with a net inflow of €48 million, coinciding with the euro changeover. This strong performance continued into 2002, with net inflows of over €105 million in the first half.

Most of the growth in the POSB came from the book-based demand deposit account. Deposit Account Plus saw a net outflow of €6 million in 2001. There are tiered interest rates on both these accounts. The rates which applied throughout 2001 are as follows:

Demand Account	Rates per annum
Under €6,000	0.25%
€6,000 and over	0.50%
Demand Account Plus	**Rates per annum**
Under €50,000	2.0%
€50,000 and over	2.5%

SPECIAL SAVINGS INCENTIVE ACCOUNTS

Two Special Savings Incentive Accounts (SSIAs) were launched in May 2001, giving customers the option of a fixed or variable rate of return. An initial interest rate of 4% per annum was offered on both SSIA products, with the variable rate product carrying a guarantee to remain within 1 per cent of the ECB main refinancing rate. These SSIAs had attracted some €11 million by end 2001. At end June 2002, this had risen to €36 million.

SSIAs offer an incentive to savers in the form of a Government bonus of 25 per cent which is added monthly to the amount saved. To benefit from this bonus, an individual must keep his or her savings in the account for the full five year period of the scheme. Interest is earned on the amount saved plus bonus, and only this interest attracts tax at 23 per cent provided the SSIA is held for the full five years. Early withdrawal will attract an exit tax of 23 per cent on the total amount withdrawn.

PRIZE BONDS

The rate of interest used to determine the prize fund is 2.75 per cent of the amount outstanding.

The current terms for Prize Bonds are:

- unit price of €6.25;
- minimum purchase price of €25 (or four units); and
- minimum prize of €75 and a monthly jackpot prize of €150,000.

Over 1,600 prizes are awarded each week.

CREDIT RATINGS

In October 2001, Standard & Poor's upgraded Ireland's long term credit rating to AAA from AA+. In April 2001, the Japanese credit rating agency, Rating and Investment Information Inc., announced that it had assigned new top grade ratings of AAA to Ireland's euro-denominated and foreign currency long term debt and a-1+ to short term debt. Rating and Investment Information Inc. had previously rated only individual Irish Government Samurai bonds, where the rating had been AA+.

Moody's and Fitch both reaffirmed the AAA rating for Ireland's long term debt. Likewise, Moody's, Standard & Poor's and Fitch reaffirmed the top short term ratings. The details of the ratings are:

LONG TERM	
Moody's:	**Aaa**
Standard & Poor's:	**AAA**
Fitch:	**AAA**
Rating & Investment Information Inc.:	**AAA**
SHORT TERM	
Moody's:	**P-1**
Standard & Poor's:	**A-1+**
Fitch:	**F1+**
Rating & Investment Information Inc.:	**a-1+**

RISK

In managing the National Debt and certain fixed interest asset portfolios the NTMA has to deal with market risk, liquidity risk, counterparty credit risk and operational risk. These are risks that cannot be eliminated; the objective, therefore, is to control and manage them in accordance with the highest professional standards.

In the case of market risk, the NTMA has in place a number of risk management procedures in order to quantify and manage, in a timely manner, the effects of movements in interest rates and, where applicable, foreign exchange rates. The risk management tools include systems such as Value at Risk (VAR) to quantify the sensitivity of budgeted debt service costs, both in the current year and in future years, to movements in market rates; internal risk limits are used to contain these exposures.

Liquidity risks are associated with the need to have sufficient cash to meet all liabilities as they arise. These are actively controlled. The NTMA manages liquidity by continuously updating cash flow forecasts and by managing issuance dates and volumes.

Counterparty credit exposures arising from the placing of deposits, as well as transactions in derivatives, are monitored and managed closely within approved limits. These exposures are measured on an aggregate basis across the various portfolios.

Operational risk is controlled by rigorous policies and procedures governing payments and by the separation of duties, in line with best domestic and international practice in the financial sector.

DEBT MANAGEMENT BENCHMARK

The Benchmark reflects the medium term debt management objectives of the Exchequer and represents the optimal duration target, maturity profile and currency mix for the portfolio, consistent with written guidelines set by the Minister for Finance. An annual assessment of the Benchmark is carried out by independent advisers, UBS AG. In addition, revisions to the Benchmark are made from time to time (subject to the Minister's approval) to take account of significant changes in economic and financial circumstances.

This Benchmark performance measurement system takes account not just of current cash flows, but also of the net present value of all future cash flows; in effect, it calculates the impact of the NTMA's actions not only in the year under review, but also their projected impact over the full life of the debt. This measurement of performance against the Benchmark was carried out in 2001 by UBS AG, based on data audited by PricewaterhouseCoopers.

The NTMA has developed risk management tools – incorporating both sensitivity and VAR – that measure and forecast the sensitivity of performance relative to the Benchmark to possible future movements in interest rates. Risk control limits are used to contain, within an acceptable range, the NTMA's performance exposure.

The NTMA follows best practice in having in place systems that allow detailed performance and risk management information to be calculated daily and communicated electronically to the NTMA's portfolio managers and senior management.

NATIONAL PENSIONS RESERVE FUND – PASSIVE BOND PORTFOLIO

In June 2001, the NTMA was mandated by the National Pensions Reserve Fund Commission to manage the passive bond portfolio of the Fund. The objective of this portfolio is to track the Merrill Lynch – Euro Government Bond 5 year + index, excluding Ireland.

In 2001, a framework was established to provide for daily reporting of performance, tracking error and a number of other standard risk statistics as provided for in the mandate.

FINANCIAL MANAGEMENT

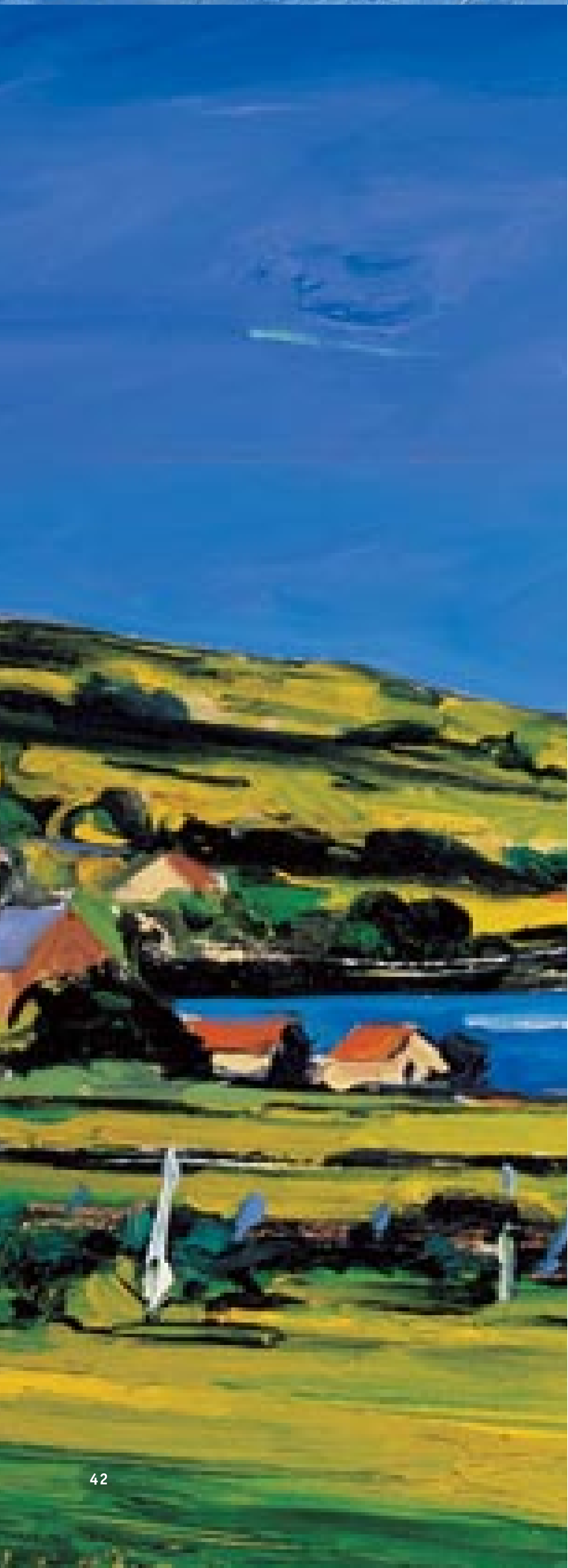
Financial Management encompasses both Financial Control and Transaction Processing.

In the year 2001 the NTMA expanded from a debt management business to the management of four distinct businesses, namely National Debt, National Pensions Reserve Fund, State Claims Agency and the management of State funds such as the Social Insurance Fund. In addition, the NTMA successfully commenced the provision of a Central Treasury Service to Local Authorities, Health Boards and Vocational Educational Committees.

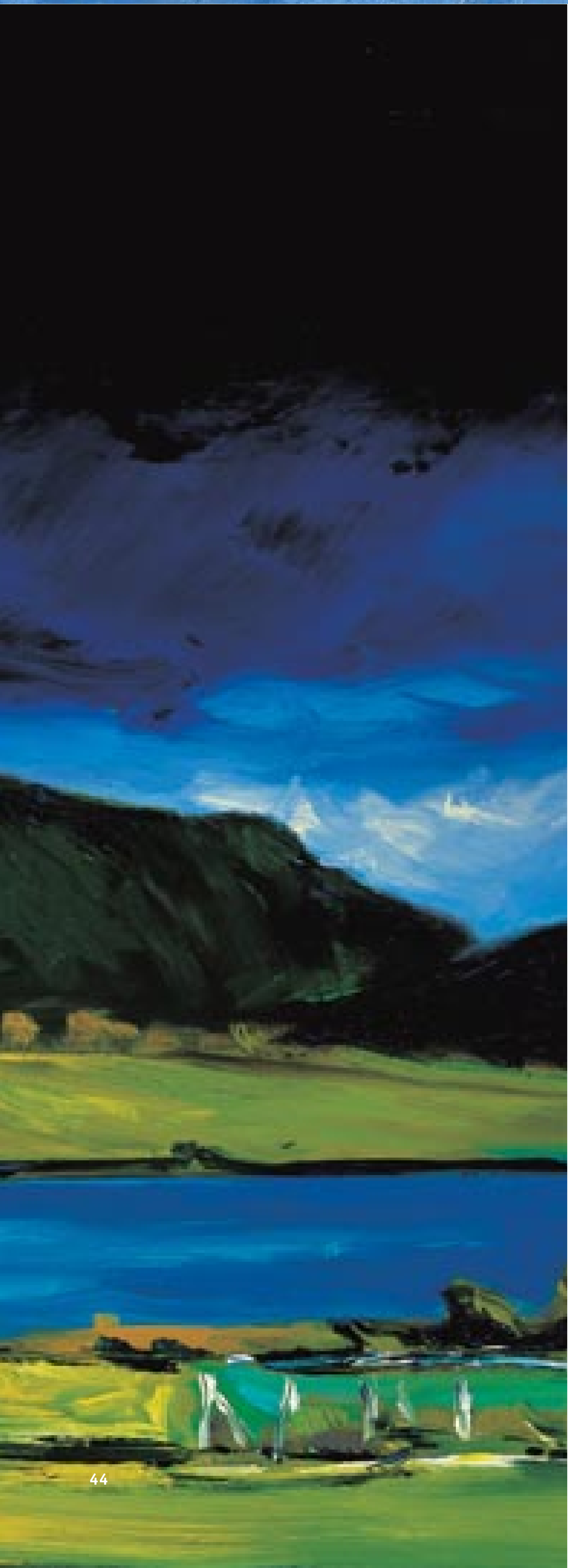
Strategic and detailed planning ensured that these new business areas became operational on schedule without disruption to the NTMA's comprehensive network of systems and controls. As these businesses develop, further demands will be placed on the financial management unit to continue to underpin them.

In the area of financial management, the NTMA is at the leading edge of best international practice. Maintaining and, where possible, improving its standards is a demanding task, but the benefits are significant in terms of managing operational and systemic risk. Additionally, it also ensures that the NTMA is well placed to cater for the changing environment as it relates to all its businesses, and to handle new functions efficiently without undue increases in staff numbers and associated costs.

Due to the budget surplus in 2001 and the consequent low funding requirement, the volume of transactions declined by 10 per cent to 22,500 in 2001 versus 2000. However, cashflows increased from €295 billion to €300 billion. As the year 2001 was the last year in which dealing was conducted in euro legacy currencies, there was significant effort in preparing the NTMA's systems and procedures to cater for euro conversion for customers who continued to use legacy currencies in the transition period since 1 January 1999. This was successfully completed on time for 1 January 2002 in line with the statutory guidelines prescribed.



In accordance with statutory requirements the NTMA continues to be audited by the Comptroller and Auditor General. The annual internal audit for 2001 was conducted by PricewaterhouseCoopers. Satisfactory reports were received in respect of both audits. The NTMA was also certified as 100 per cent compliant with the Prompt Payments of Accounts Act 1997.



INFORMATION TECHNOLOGY

The I.T. department is responsible for developing, installing and maintaining the NTMA's information technology systems. The task of providing new systems has expanded greatly due to the requirements of the new businesses, principally the National Pensions Reserve Fund and the State Claims Agency.

While the NTMA built its own debt management systems, software packages have been purchased for the new businesses. These packages have been installed by the NTMA and the data needs are being supported by the I.T. department. In addition to catering to the needs of the new businesses, in excess of ten major projects were completed. These ranged from developing websites for the new businesses to major enhancements of the existing systems and the SWIFT messaging system.

LEGAL AND CORPORATE AFFAIRS

LEGAL

The NTMA's in-house legal service provides advice in connection with all of its functions including the negotiation of documentation for the NTMA borrowing and derivatives transactions, its new Central Treasury Service activities and other functions conferred by the National Pensions Reserve Fund Act and the National Treasury Management Agency (Amendment) Act, both of which were enacted in the year 2000.

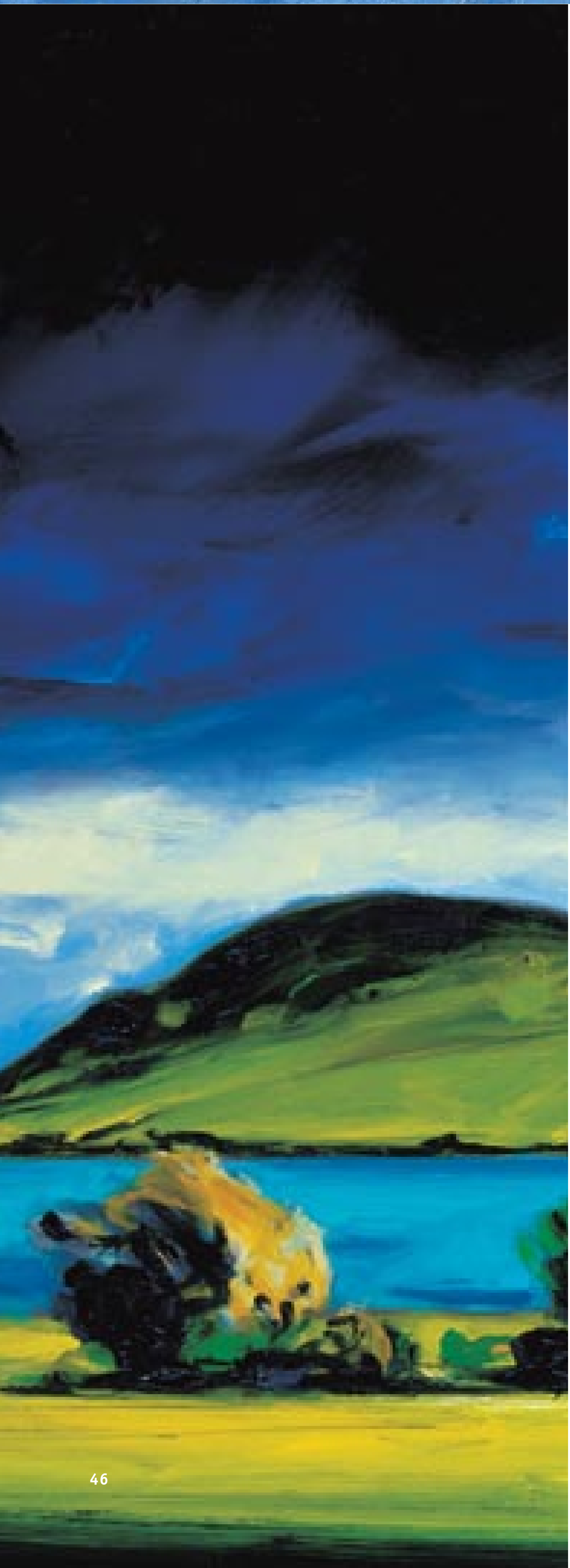
During 2001 and into 2002, advice was provided to the National Pensions Reserve Fund Commission on a wide range of legal issues including public procurement and legislative and regulatory matters, including guidance on the disclosure of interests in line with the Ethics in Public Office Act. The legal service was also responsible for all contractual matters including the negotiation of the Fund's global custody, transition management and investment management agreements.

The NTMA's legal service also advises on legislative and regulatory developments and provides day to day advice on contracts and other legal matters. It is also responsible for ensuring compliance with professional conduct rules in the areas of confidentiality, conflicts of interest and other procedures associated with best business practice.

PERSONNEL

The introduction of new businesses, in particular the National Pensions Reserve Fund and the State Claims Agency, gave rise to the addition of new staff with specialist knowledge appropriate to each of these activities. The number of staff currently employed stands at seventy-two.

It is the NTMA's policy to protect the health and welfare of its staff by maintaining a safe and healthy working environment in line with its Safety Statement. During 2001 a new Staff Handbook reflecting standards of best professional practice and changes in employment law was put in place.



ULYSSES SECURITISATION P.L.C.

Ulysses Securitisation p.l.c. was established in 1995 for the purpose of securitising local authority mortgage payments and is managed by the NTMA under a Corporate Services Agreement.

To date a portfolio of mortgage payments has been securitised through the issuance of bonds totalling some €240 million.

Ulysses continued to operate successfully in 2001 and returned a net profit of €15.6 million.

The 2001 audited accounts of Ulysses have been lodged with the Companies Office.

NATIONAL PENSIONS RESERVE FUND

The National Pensions Reserve Fund was established under the National Pensions Reserve Fund Act 2000 to meet as much as possible of the cost to the Exchequer of social welfare and public service pensions from 2025 to at least 2055. The Act provides that the National Pensions Reserve Fund Commission shall have absolute discretion to control, manage and invest the assets of the Fund: the Commission is a body corporate consisting of seven commissioners appointed by the Minister for Finance and includes, ex officio, the Chief Executive of the NTMA. The Act requires that the Commission shall perform its functions through the Manager of the Fund and that the Commission shall, on the establishment day provided for under the Act, appoint the NTMA to be the Manager for a period of 10 years. Thereafter, the Commission may reappoint the NTMA or such other person as it considers to be best qualified to be the Manager for a period of five years. The NTMA was duly appointed as Manager on 2 April 2001.

The Act provides that, without prejudice to the responsibility of the Commission for the functions conferred on it under the Act, the Commission may delegate to the Manager any of its functions as it considers appropriate or expedient for the purpose of the Act. Under the Act the Commission is required to submit to the Minister for Finance an annual report of its activities and the annual audited accounts of the Fund. The report of the Commission is published separately and includes details of, inter alia, how the Commission determined the Fund's long term investment strategy. Neither the Commission nor the NTMA is involved in stock selection. The following are the main functions delegated by the Commission to the NTMA as Manager:

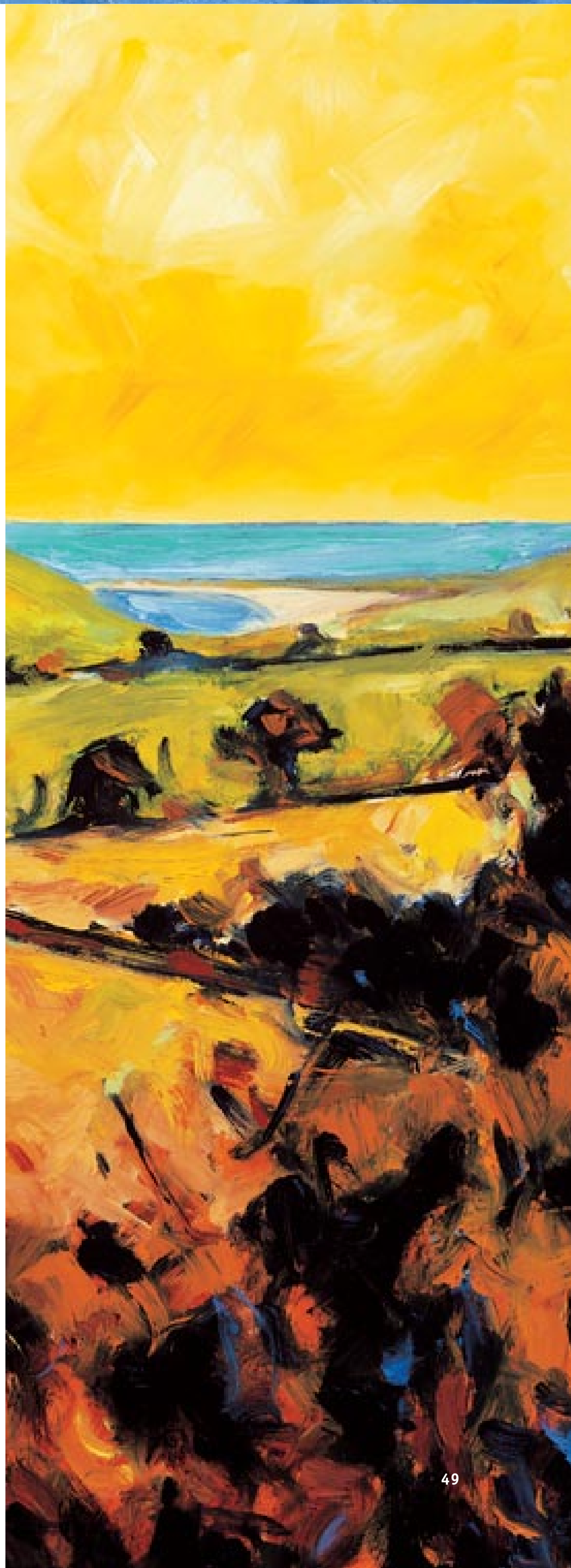
- cash management, including the setting of banking counterparty limits;
- the opening of bank accounts;
- the keeping of the accounts of the Fund;
- the conduct of competitions for the appointment by the Commission of advisers on:
    - the Fund's long term investment strategy
    - the selection of institutional investment managers
    - the selection of a transition manager
    - the selection of a global custodian;
- the conduct of competitions under the EU Public Procurement Directive for the appointment by the NTMA of the following service providers, subject to their appointment being ratified by the Commission:
    - institutional investment managers
    - transition manager
    - global custodian;

- the making of payments covered by the operating budget adopted by the Commission under the Act;
- the rebalancing of the Fund's investment portfolios in order to keep them within the parameters set by the Commission in the context of its strategic benchmark for the Fund;
- the management of a passive bond portfolio;
- the management of the currency overlay hedging strategy adopted by the Commission;
- the conduct of a competition to select a best-execution monitoring service with respect to equity transactions executed for the Fund by institutional investment managers;
- in order to ensure best execution, the monitoring of foreign exchange and bond transactions carried out on behalf of the Fund;
- the measurement of investment performance in accordance with the Global Investment Performance Standards (GIPS) methodology and the provision of appropriate performance attribution both for the overall Fund level and individual investment portfolios; and
- the monitoring of risk for the Fund as a whole and for individual investment portfolios to ensure that it is within the risk budgets established by the Commission.

As indicated above, the NTMA was given the responsibility of selecting, subject to ratification by the Commission, the institutional investment managers, transition manager and global custodian. These selection processes were conducted under the restricted tendering procedures provided for in the relevant EU Public Procurement Directives. With respect to investment managers 581 expressions of interest in a range of mandates were received from some 200 managers: of these 178 invitations to tender were sent to some 100 managers. Fifteen external institutional investment managers were selected to manage portfolios in accordance with the asset allocation decisions made by the Commission. Expressions of interest in tendering for transition manager were received from 12 firms, all of whom were invited to tender. Tenders were received from all 12 firms. Expressions of interest in tendering for global custodian were received from 12 firms, 11 were invited to tender and 10 tenders were received. The names of all the service providers appointed are contained in the Commission's annual report.

The assets of the Fund were held in cash from 6 April 2001 to 31 December 2001, pending the selection of investment managers. The NTMA's management of the cash was measured against a short term benchmark, agreed by the Commission, which consisted of an equal mix of 1, 3 and 6 months deposits at Euribor minus 5 basis points, provided at least 75% of the investments matured before December 2001 and 100% matured before March 2002. In the period under review the Fund earned an interest return of 3.27% compared to the short term benchmark return of 3.24%. The Fund has, since year-end, moved to a substantially invested position, in line with its chosen investment policy.

In order to discharge its functions as Manager of the Fund, the NTMA has set up a small specialist unit, recruiting the skills, where necessary, particularly in the area of manager selection, performance measurement and attribution and equity risk management. The Fund's asset management functions devolved on the NTMA, namely, cash management, currency overlay and passive bond management are carried out at arm's length and are subject to risk monitoring arrangements external to the unit with overall responsibility for the Fund.



SOCIAL INSURANCE FUND

All social insurance contributions are paid into the above Fund, while payments in respect of items such as unemployment and disability benefits, retirement pensions and contributory old age pensions are made out of it.

In July 2001 the NTMA commenced managing the surplus in the Fund against a benchmark agreed with the Minister for Finance. The yield achieved in the Fund was 5.8 per cent while the benchmark yield was 5.68 per cent. The balance grew steadily throughout the year and amounted to €1.19 billion at year end. The cash was invested in a combination of bank deposits and euro sovereign bonds (with a maximum tenor of 5 years) to gain an enhanced return while at the same time ensuring adequate liquidity to meet unforeseen needs.

CENTRAL TREASURY SERVICE

In early 2001 the NTMA commenced marketing the Central Treasury Service to Local Authorities, Health Boards and Vocational Education Committees. The enabling legislation to provide this service was enacted in December 2000.

Some 130 bodies are currently eligible to avail of this service and the NTMA has been engaged throughout the year on an extensive marketing programme to inform the various bodies of the benefits of the service. As at year end over 40 bodies have provided mandates to the NTMA, while some €150 million in loan facilities, including short term advances, have been negotiated to date. While volumes on the deposit side are considerably lower, a significant amount of deposit business has nevertheless been transacted.

STATE CLAIMS AGENCY

Under the National Treasury Management Agency (Amendment) Act 2000, the management of personal injury and property damage claims against the State and of the underlying risks was delegated to the NTMA. When performing these functions, the NTMA is known as the State Claims Agency (SCA). The SCA began operations on 3 December 2001 and, at that stage, over 700 existing claims were transferred to it by State authorities. In general, these were claims which were either at an early stage in the litigation process or were otherwise considered amenable to early resolution. In its first six months of operations, an additional 500 new claims were submitted for management to the SCA.

CLAIMS UNDER MANAGEMENT

The SCA manages personal injury and property damage claims against certain State authorities, including the State itself, Ministers, the Attorney General, the Commissioner of the Garda Síochána, prison governors, community and comprehensive schools and various other bodies listed in the Schedule to the Act.

The following classes of claim are expressly excluded from the SCA's remit:

- Claims which give rise to Constitutional issues.
- Claims for compensation under the Garda Síochána (Compensation) Acts.
- Claims against the Minister for Justice, Equality and Law Reform, the Garda Commissioner or a prison governor in respect of alleged assault by a member of the Garda Síochána or a prison officer.
- Claims under the non-statutory scheme providing compensation for personal injury criminally inflicted on prison officers.
- Hearing-loss claims against the Minister for Defence or the Minister for Justice, Equality and Law Reform.
- Claims arising from infection with Hepatitis C through the administration of blood or blood products.
- Child abuse claims against the State.
- Claims in which torts other than negligence are pleaded.

These classes of claim have been excluded either because alternative compensation arrangements have already been put in place by the Government or because they give rise to issues of legal policy which require the ongoing close involvement of the Attorney General.

OBJECTIVES

The Act sets out two principal objectives for the SCA:

- To manage claims so as to ensure that the State's liability and associated legal and other expenses are contained at the lowest achievable level; and
- To provide risk advisory services to State authorities with the objective of reducing over time the frequency and severity of claims.

CLAIMS MANAGEMENT

The claims management objective - that claims should be managed so as to minimise the State's liability – has the following practical implications:

- In cases where the State is considered liable or which involve an apportionment of liability as between the State and the claimant, the SCA's approach is to settle such claims expeditiously in so far as it is possible to do so on reasonable terms.
- In cases where liability is disputed by the State, all necessary resources are applied to vigorously defending such claims.

Under the Act, State authorities are obliged to report adverse incidents promptly to the SCA, to preserve and furnish relevant evidence and to facilitate the SCA's investigations. The SCA assumes ownership of claims from the point at which it first receives notification of adverse incidents right through to final resolution. Incidents are investigated in a thorough and timely fashion in order to facilitate early decision-making in relation to liability and strategy. The SCA uses panels of service providers, such as solicitors, medical consultants and engineers to provide expert advice on the State's behalf. Each claim is allocated a notional reserve and this is updated as new medical and other expert information becomes available. The SCA then decides, in relation to each claim, whether it should be contested in the Courts or whether settlement negotiations should begin.

RISK MANAGEMENT

The SCA's risk management objective is to advise and assist State authorities on measures to be taken to prevent the occurrence, or to reduce the incidence, of acts or omissions that may give rise to claims. The risk management process includes the following:

- Identifying litigation risks with a particular attention to high risk activities and possible mass action claims. The identification of risks will be conducted through analysis of claims data, reviews of occupational risks, safety audits and site inspections.

- Assessing the adequacy of measures already in place to counter such risks including the extent to which each authority fulfils its common law and statutory duties.
- Providing risk advice and assistance, including training, so as to ensure that State authorities are fully aware of the measures necessary to address any risks highlighted by their claims records and by any risk evaluations or audits.

ACCOUNTABILITY

As with the NTMA's other functions, the Chief Executive is accountable for the SCA to the Minister for Finance and the Dáil's Public Accounts Committee. In addition, the Act requires the SCA, inter alia, to advise Ministers and other State authorities of the status and progress of claims made against them. The SCA ensures that each State authority is fully informed about the state-of-play in relation to its claims, including the projected costs of resolving them.

There is provision also in the Act for the Minister for Finance and the Attorney General to issue directions and guidelines to the SCA in relation to the performance of its claims and risk management functions.

CLAIMS PORTFOLIO

Among the features of the claims portfolio as at end June 2002 are:

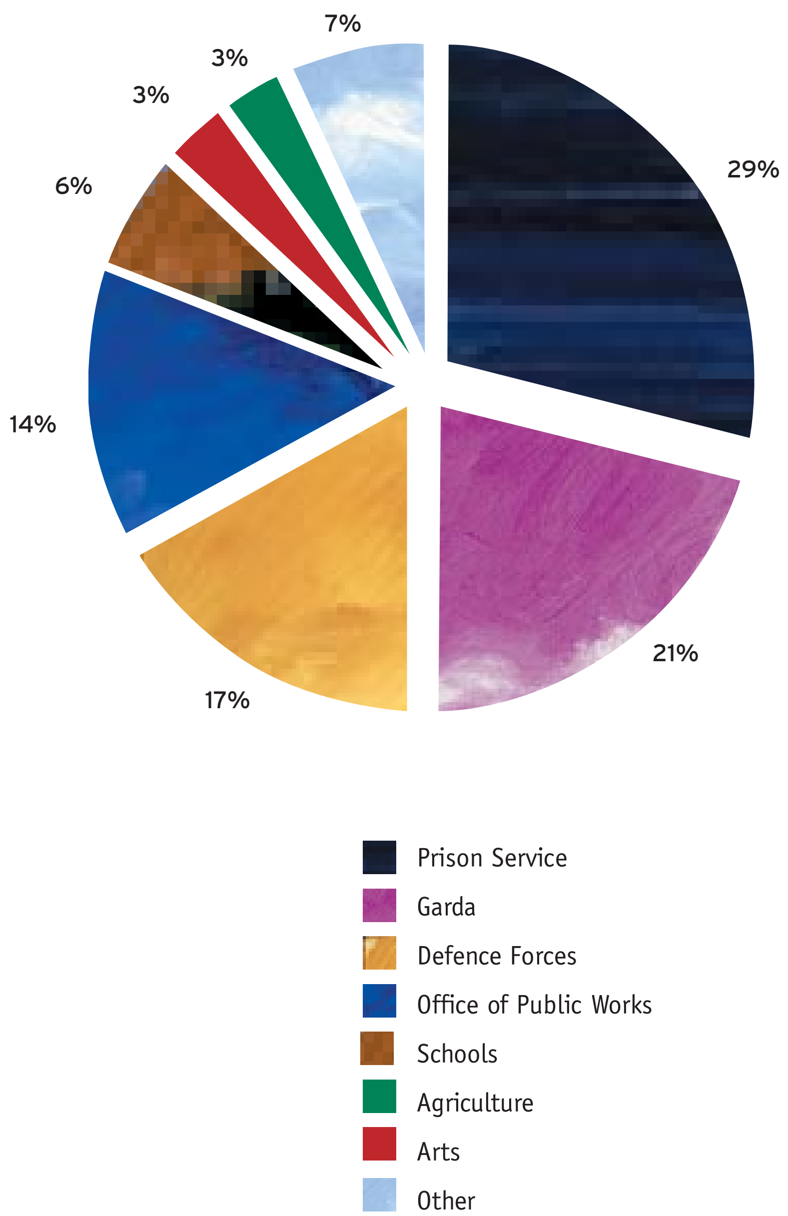
Personal Injuries – 94 per cent of claims

- 61 per cent of claims are brought by State employees. Of these, a third are by prison officers, another third by civil servants, 22 per cent by members or ex-members of the Defence Forces and 12 per cent by members of the Garda Síochána.
- 33 per cent of claims are by members of the public.

Property Damage – 6 per cent of claims

- Property damage claims typically involve damage to third-party vehicles by State vehicles.

Breakdown of Claims Portfolio by State Authority (end June 2002)

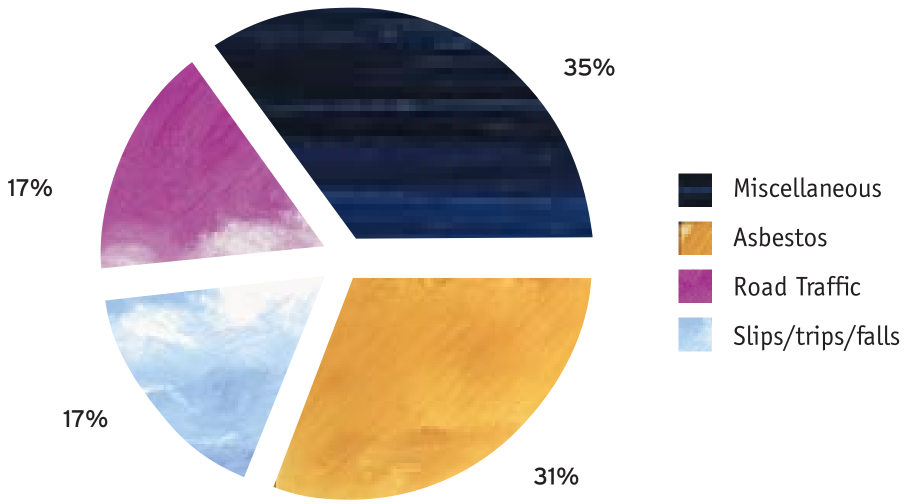


Source: SCA

CAUSE OF ALLEGED INJURY

The following is a breakdown of the claims portfolio by stated cause of alleged injury:

Cause of Alleged Injury (end June 2002)



Source: SCA

Almost one-third of personal injury claims are from employees or ex-employees of the State who allege that they were exposed to asbestos in the course of their employment. The basis for these claims is the so-called 'worried well' syndrome, i.e. alleged psychological trauma associated with potential rather than actual ill-health.

POLICY COMMITTEE

The Act provides for the establishment of a Policy Committee to advise the SCA on policy and procedures relating to the performance of its claims management and risk management functions. The Committee, which consists of seven members including the Chairman, was appointed by the Minister for Finance on 17 April 2002.

The members of the Committee are:

- Dr. Noel Whelan (Chairman) – former Secretary of the Department of the Taoiseach, currently Vice President of the University of Limerick.
- Mr John F Dunne – Managing Director, J F Dunne Insurances.
- Mr Michael Grace – Associate Director, AIB Investment Managers Limited.
- Ms Anne Marie Hayes – Lead International Accountant, Apple Computers Limited.
- Ms Margaret Lane – Claims and Insurance Manager, Bord Gáis.
- Judge Frank Martin – former Judge of the Circuit Court.
- Ms Anne Nolan – Principal Officer, Department of Finance.

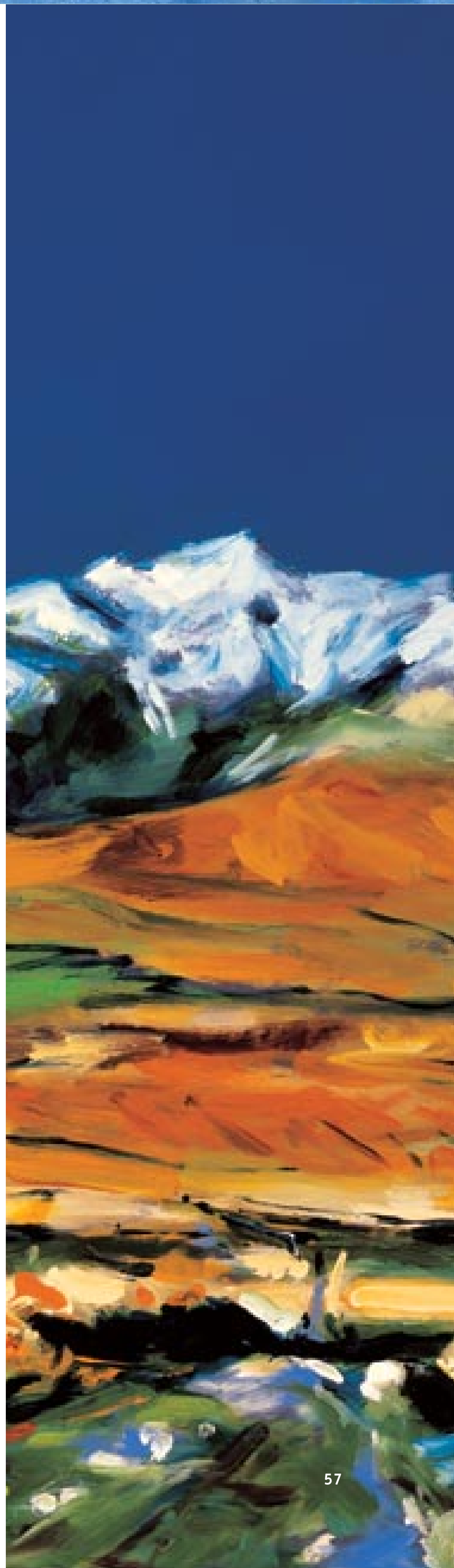
The Committee met for the first time on 20 May 2002.

DORMANT ACCOUNTS

The Dormant Accounts Act 2001 provides that balances on dormant accounts in certain financial institutions be remitted to the State and used for charitable purposes or purposes of societal or community benefit. The balances in question will be transferred not later than 30 April each year, commencing 2003. The period for determining dormancy is 15 years since the last customer-initiated transaction. Notwithstanding that accounts may be declared dormant, the Act guarantees the right of account holders to reclaim their moneys at any time.

The balances on dormant accounts, including accrued interest, will be remitted to a new fund – the Dormant Accounts Fund – which will be managed by the NTMA. Moneys from the Intestate Estates Fund Deposit Account may, on the direction of the Minister for Finance, also be paid into the Dormant Accounts Fund.

Disbursements from the Fund will be made on the direction of the Dormant Accounts Disbursement Board, established under the Act and consisting of nine members who were appointed by the Minister for Social, Community and Family Affairs on 5 June 2002. Pending disbursement, moneys in the Fund will be invested by the NTMA in a range of eligible assets.



THE ASSET COVERED SECURITIES ACT 2001

The Asset Covered Securities Act 2001 provides that, in the event of any issuer of securities defaulting, the NTMA must in the following order:

- Secure an alternative service provider to manage relevant asset pools; or
- Secure an alternative obligor for the relevant pools; or
- Manage the pools itself.

The Act further provides that the NTMA should have priority with respect to expenses incurred in the performance of its functions and will derive fee income in return for accepting its functions under this Act.

CONSULTANCY

The National Treasury Management Agency (Amendment) Act 2000 empowered the NTMA to provide consultancy services. The NTMA provides advice and assistance to the Courts Service in respect of arrangements being put in place to manage funds under the control of the Courts.

At the request of the Minister for the Environment and Local Government, the NTMA is chairing a consultation group on greenhouse gas emissions trading which is providing advice in that regard on Ireland's position with respect to the UN Framework Convention on Climate Change and the Kyoto Protocol.

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Note: images are low res -
please update with hi res images

financial accounts
start page 60

FINANCIAL STATEMENTS PREPARED BY THE NATIONAL TREASURY MANAGEMENT AGENCY IN ACCORDANCE WITH SECTION 12 OF THE NATIONAL TREASURY MANAGEMENT AGENCY ACT, 1990

1. *National Debt of Ireland*
2. *National Treasury Management Agency - Administration Account*
3. *Post Office Savings Bank Fund*
4. *Capital Services Redemption Account*
5. *National Loans Advance Interest Account*
6. *National Loans (Winding Up) Account*
7. *National Treasury Management Agency (Unclaimed Dividends) Account*
8. *Deposit Monies Investment Account*
9. *Account of Stock Accepted in Payment of Inheritance Tax and Death Duties*
10. *Small Savings Reserve Fund*
11. *Prompt Payment of Accounts Act*

FINANCIAL STATEMENTS OF THE NATIONAL DEBT OF IRELAND
FOR THE YEAR ENDED 31 December 2001

NATIONAL DEBT OF IRELAND

CONTENTS ***Pages***

STATEMENT OF AGENCY'S RESPONSIBILITIES

The Agency is required by the National Treasury Management Agency Act, 1990 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency is 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;
- disclose and explain any material departure from applicable accounting standards.

The Agency is responsible for keeping in such form as may be approved by the Minister all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency, its funds and the national debt.

The Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Michael J Somers, Chief Executive
National Treasury Management Agency

27 June 2002

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have audited the financial statements on pages 65 to 87 in accordance with Section 12 of the National Treasury Management Agency Act 1990.

Respective Responsibilities of The Agency and of The Comptroller And Auditor General

The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities on page 63. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Agency and to report on them.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

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 judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, proper books of account have been kept by the Agency and the financial statements, which are in agreement with them properly present the results of the Agency's operations for the year ended 31 December 2001 and its balances at that date.

John Purcell
Comptroller and Auditor General

28 June 2002

ACCOUNTING POLICIES

Background

The National Treasury Management Agency (NTMA) was established under the National Treasury Management Agency Act, 1990 to perform the borrowing and National Debt Management function on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

The financial statements set out on pages 67 to 78 are for the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Basis of Accounting

The measurement base adopted is that of historical cost except where otherwise stated. Transactions are recognised using the cash basis of accounting.

The National Debt Statement is a statement of the total amounts of principal borrowed by Ireland not repaid at the end of the year, less liquid assets available for redemption of those liabilities at the same date. The Minister for Finance under various statutes also guarantees borrowings by State and other agencies. These guarantees are not included in these financial statements.

Reporting Period

The reporting period is for the year ended 31 December 2001.

Reporting Currency

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

Receipts and Payments

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

Liability Valuation

Debt balances are recorded at redeemable par value.

Derivatives

Swap agreements and other financial instruments are entered into for hedging purposes as part of the process of managing the National Debt. The results of those hedging activities linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities not linked with specific borrowing transactions are included in debt service costs at the time the funds are received or payment made. Where swaps are terminated and converted into other swap instruments the fund flows impact upon debt service in accordance with the terms of the revised instrument.

Foreign Currencies

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

SERVICE OF DEBT STATEMENT

Year ended 31 December 2001

		Notes	2001 Total Cost €'000	2000 Total Cost €'000
Interest paid				
	Medium / Long Term Debt*	2	1,379,629	1,501,386
	Short Term Debt**	3	117,724	177,589
	National Savings Schemes	4, 9	403,012	440,190
Other Movements		5	68,934	95,497
Sinking Fund payments		6	478,017	480,437
Fees and Expenses		7	17,280	17,664
Expenses of NTMA			9,018	7,709
Interest received on deposits with Central Bank and other banks			(94,215)	(145,405)
Total Service Cost €		**1**	**2,379,399**	**2,575,067**
Total Service Cost IR£			***1,873,929***	***2,028,030***

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

Michael J Somers, Chief Executive
National Treasury Management Agency

27 June 2002

The notes on pages 71 to 78 form part of these financial statements.

NATIONAL DEBT STATEMENT

31 December 2001

	Notes	2001	2001	2000	2000
			€million		€million
Medium / Long Term Debt *					
Irish Government Bonds listed on The Irish Stock Exchange			19,632		21,784
Other Irish Government Public Bond Issues			2,056		2,759
Private Placements			1,639		2,126
European Investment Bank Loans			454		541
Medium Term Notes			943		1,052
Miscellaneous Debt			(312)		(345)
	8		24,412		27,917
Short Term Debt **					
Commercial Paper		7,002		2,684	
Borrowings from Funds under the control of the Minister		2,808		3,776	
for Finance	16		9,810		6,460
National Savings Schemes					
Savings Certificates		2,491		2,706	
Savings Bonds		1,052		1,163	
National Instalment Savings		451		456	
Savings Stamps		2		2	
Prize Bonds		332		297	
	9		4,328		4,624
			38,550		39,001
Less Liquid Assets	10		(2,367)		(2,490)
National Debt €	**12**		**36,183**		**36,511**
National Debt IR£			***28,496***		***28,755***

* *Medium / Long Term Debt is Debt with an original maturity of more than one year*

** *Short Term Debt is Debt with an original maturity of not more than one year*

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

The notes on pages 71 to 78 form part of these financial statements.

NATIONAL DEBT CASH FLOW STATEMENT

Year ended 31 December 2001

	2001 €'000	2000 €'000
Movement in Exchequer balances:		
Opening Balance in Exchequer Account (note 10)	1,433,870	1,593,596
Commercial Deposits (note 10)	250,000	(250,000)
Borrowing Activity (see below)	(720,697)	(3,087,181)
	963,173	(1,743,585)
Exchequer Surplus/(Deficit)	652,770	3,177,455
Closing Balance in Exchequer Account (note 10)	1,615,943	1,433,870

	Receipts €'000	Payments €'000	2001 Net €'000	2000 Net €'000
Borrowing Activity				
Irish Government Bonds listed on The Irish Stock Exchange	5,389,053	(7,543,502)	(2,154,449)	(1,979,664)
Other Irish Government Public Bond Issues	1,540	(746,888)	(745,348)	(914,984)
Private Placements	-	(471,157)	(471,157)	(465,028)
European Investment Bank Loans	-	(99,461)	(99,461)	(132,465)
Medium Term Notes	-	(26,241)	(26,241)	(26,360)
Miscellaneous Debt	1,022,477	(912,007)	110,470	86,509
Borrowings from the Central Bank	-	-	-	(167,216)
Commercial Paper	56,359,104	(52,423,153)	3,935,951	92,020
Savings Certificates	227,802	(442,798)	(214,996)	(172,560)
Savings Bonds	233,693	(344,554)	(110,861)	(124,329)
National Instalment Savings	72,035	(76,533)	(4,498)	(6,025)
Prize Bonds	72,795	(38,447)	34,348	27,188
Borrowings from Ministerial Funds	26,520,053	(27,494,508)	(974,455)	695,733
Total Borrowing Activity	89,898,552	(90,619,249)	(720,697)	(3,087,181)
Commercial Deposit Activity	37,212,726	(36,962,726)	250,000	(250,000)

Total Activity

	Receipts €'000	Payments €'000	2001 Net €'000	2000 Net €'000
Exchequer Account	116,346,002	(121,076,999)	(4,730,997)	(2,962,554)
Foreign Currency Clearing Accounts (Note 14)	10,765,276	(6,504,976)	4,260,300	(374,627)
	127,111,278	(127,581,975)	(470,697)	(3,337,181)

Michael J Somers, Chief Executive
National Treasury Management Agency

27 June 2002

The notes on pages 71 to 78 form part of these financial statements.

STATEMENT of MOVEMENT in NATIONAL DEBT

Year ended 31 December 2001

	2001	2000
	€'000	€'000
Opening National Debt	36,511,322	39,849,344
Increase / (Decrease) in National Debt (nominal)	(328,559)	(3,338,022)
Represented by:		
Exchequer (Surplus)/Deficit (note 15)	(652,770)	(3,177,455)
Effect of Foreign Exchange Rate Movements	13,161	(80,825)
Bond Tranching: net reduction (excess) of proceeds over nominal liability	6,703	302,776
Bond Cancellations: net reduction (excess) of cancellation cost over nominal liability	7,927	(158,200)
Movement in CSRA current balance (note 10)	55,680	(224,286)
Nitrigen Eireann Teoranta Borrowings (note 15)	240,686	-
Other nominal movements	54	(32)
	(328,559)	(3,338,022)
Closing National Debt €	**36,182,763**	**36,511,322**
Closing National Debt IR£	***28,496,242***	***28,755,003***

Michael J Somers, Chief Executive
National Treasury Management Agency

27 June 2002

The notes on pages 71 to 78 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Total Service Cost

	Notes	Charged on Foreign Currency Clearing Accounts	Charged on Central Fund	Charged on CSRA	Total Service Cost 2001
		€'000	€'000	€'000	€'000
Interest paid					
Medium / Long Term Debt	2	104,248	66,250	1,209,131	1,379,629
Short Term Debt	3	24,527	67,304	25,893	117,724
National Savings Schemes	4	-	43,219	359,793	403,012
Other Movements	5	4,129,862	(3,987,227)	(73,701)	68,934
Sinking Fund payments	6			478,017	478,017
Fees and Expenses	7	1,287	15,980	13	17,280
Expenses of NTMA		482	8,536	-	9,018
Interest received on deposits with Central Bank and other banks		(106)	-	(94,109)	(94,215)
		4,260,300	(3,785,938)	1,905,037	2,379,399
Inter Account Movement		-	1,849,357	(1,849,357)	-
Net cash paid		4,260,300	(1,936,581)	55,680	2,379,399

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Interest on Medium / Long Term Debt

	Total Cost 2001 €'000	Total Cost 2000 €'000
Irish Government Bonds listed on The Irish Stock Exchange	923,033	1,009,777
Other Irish Government Public Bond Issues	155,719	217,640
Private Placements	144,743	150,528
European Investment Bank Loans	37,232	47,607
Medium Term Notes	46,500	50,626
Miscellaneous Debt	72,402	24,688
Borrowings from Central Bank	-	520
	1,379,629	1,501,386

3. Interest on Short Term Debt

	Total Cost 2001 €'000	Total Cost 2000 €'000
Commercial Paper	101,641	157,439
Borrowings from Funds under the control of the Minister for Finance	16,083	20,150
	117,724	177,589

4. Interest on National Savings Schemes

	Total Cost 2001 €'000	Total Cost 2000 €'000
Savings Certificates	231,487	188,618
Savings Bonds	118,050	162,956
National Instalments Savings	54,371	43,974
Prizes in respect of Prize Bonds	8,361	7,569
Small Savings Reserve (note 9)	(9,257)	37,073
	403,012	440,190

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Other Movements

The NTMA, as part of its remit, engages in a range of debt management transactions including derivatives. (See note 11) This figure reflects the net cashflows associated with these activities.

6. Sinking Fund Payments

Under Finance Act 1950 specified amounts were provided for the redemption of debt. The sums provided and applied in 2001 were as follows:

Capital Services Redemption Account (Note 13)	478,017
	478,017

7. Fees and Expenses

	Total Cost 2001 €'000	Total Cost 2000 €'000
Expenses of Savings Certificates	4,376	4,235
Expenses of Prize Bonds	4,975	4,873
Expenses of Savings Bonds	2,105	2,316
Expenses of National Instalment Savings	2,635	2,391
Expenses of Savings Stamps	1,046	1,070
Expenses of Foreign Loans	2,143	2,779
	17,280	17,664

8. Medium / Long Term Debt

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

	As at 31 December 2001 €millions	As at 31 December 2000 €millions
Debt due for repayment within 1 year	4,850	3,453
Debt due for repayment between 2 and 5 years	8,874	13,436
Debt due for repayment in more than 5 years	10,688	11,028
	24,412	27,917

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of € 10.6 million (2000: € 1.8 million) being cash balances held by An Post, TSB Bank and the Prize Bond Company. An Post and the Prize Bond Company acts as the registrar for the respective schemes.

As these financial statements are prepared on a cash basis the liabilities do not include the sum of € 2,303 million (2000: €2,378 million), being the estimate of the amount of accrued interest at 31 December 2001 in respect of Savings Bonds, Savings Certificates and National Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for € 76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The actual interest cost for 2001 was 16.98 per cent of the interest accrued at the 31 December 2000 of €2,378 million. The Minister decided that €9 million would be drawn down in 2001 from the fund to meet the excess over 11 per cent.

		€millions
Estimated accrued interest at 31 December 2001		2,303
Small Savings Reserve Fund		
Balance at 1 January 2001	(1,120)	
Amount applied during 2001	9	
Balance at 31 December 2001 (Note 16)		(1,111)
Estimated accrued interest not provided for at 31 December 2001		1,192

The balance in the Fund is transferred to the Exchequer as part of the borrowings from funds under the control of the Minister for Finance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Liquid Assets

	Opening balance at 1 January 2001 €'000	Movements during 2001 €'000	Closing balance at 31 December 2001 €'000
Exchequer Account	1,433,870	182,073	1,615,943
Capital Services Redemption Account			
Current Balance (note 13)	806,248	(55,680)	750,568
Commercial Deposits*	250,000	(250,000)	-
	2,490,118	(123,607)	2,366,511

* *These deposits were placed in compliance with ECB guidelines on liquidity management of Governmental balances held at the Central Bank of Ireland.*

11. Derivatives

The Agency's responsibility for both the issuance of new debt and the repayment of maturing debt, together with the management of the interest rate and currency profile of the total debt portfolio, makes the management of risk a central and critical element of the Agency's business. The principal categories of risk arising from the Agency's activities are liquidity risk, market risk, counterparty credit risk and operational risk. In all of these areas the Agency has comprehensive policies and procedures to measure and control the risk involved.

A major requirement of the Agency is to ensure that future funding needs can readily be met at all times. Ultimately the protection of liquidity is the Agency's most critical task. Risks to the liquidity of the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The Agency manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time. This is reinforced by the Agency's activities in continuing to develop a well informed and diversified international investor base, through maintaining its presence in all major capital markets and by extending the range of debt instruments which it issues.

Market risk is the risk of a rise in debt service costs and in the total market value of the debt due to changes in market interest or exchange rates. The Agency has to have regard to both medium and short term objectives given its task of controlling not only near term fiscal debt service costs but also the present value of all future payments of principal and interest. Fixed interest rate borrowings are subject to a market valuation risk in the event of a decline in interest rates. While carrying less market valuation risk than fixed rate debt, floating rate borrowings carry a higher risk to the near term fiscal cost of servicing the debt. The balance between fixed and floating rate liabilities has to

NOTES TO THE NOTES TO THE FINANCIAL STATEMENTS (Continued)

be managed for both the domestic and foreign currency portfolios. The exposure to interest rate and currency risk is controlled through limiting the currency and interest rate concentration of the portfolio. Specific quantitative limits are in place to control market risk; exposures against these limits are reported regularly both to portfolio managers and to senior management. The Agency seeks to achieve the best trade-off between cost and risk over time. As conditions in financial markets change the appropriate interest rate and currency profile of the portfolio is reassessed.

Counterparty credit risk exposures arise from derivatives, deposits and foreign exchange transactions. The level of credit risk is minimised by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or in economic and political events.

Comprehensive controls have been established to ensure that operational risks are managed in a prudent manner. These controls include the segregation of duties between dealing, processing, payments and reporting.

As part of its risk management strategy the Agency uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value of the instruments used and their present value.

	31 December 2001		31 December 2000	
	Nominal	**Present Value**	**Nominal**	**Present Value**
	€million	€million	€million	€million
Interest Rate Swaps	3,324	(11)	3,349	19
Currency Swaps & Foreign Exchange Contracts	9,915	421	6,646	425
	13,239	410	9,995	444

The Present Value of an instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. National Debt

The currency composition of the National Debt, taking into account the treasury management transactions entered into by the Agency, is as follows: -

	As at 31 December 2001 € millions	As at 31 December 2000 € millions
Euro Basket Currencies*	34,110	34,405
Sterling	2,106	2,114
US Dollar	(33)	(7)
Swiss Franc	-	(1)
Japanese Yen	-	-
	36,183	36,511

** This figure is net of liquid assets as at 31 December 2001 € 2,367 m (31 December 2000 €2,490m)*

13. Capital Services Redemption Account

This account is used to record;

(a) payments of interest and principal out of an annual annuity designed to amortise borrowing for voted capital under section 22 (7) of the Finance Act, 1950.

(b) certain receipts and payments arising out of debt servicing and debt management transactions authorised by section 67(8) of the Finance Act, 1988 and section 54(7) of the Finance Act, 1970.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Foreign Currency Clearing Accounts

		€'000
Balance at 1 January 2001		NIL
Deposit interest received		106
Amounts received under Finance Act 1988 [S67 (8)]	16,793,551	
Amounts paid under Finance Act 1970 [S54 (7)]	(20,923,413)	(4,129,862)
Foreign Currency Borrowing receipts	10,765,276	
Foreign Currency Borrowing payments	(6,504,976)	4,260,300
Interest paid on Foreign Currency Borrowings (note 1)		
- Medium/ Long Term Debt	(104,248)	
- Short Term Debt	(24,527)	(128,775)
Expenses of Foreign Currency Borrowings (note 1)		(1,287)
Expenses of NTMA		(482)
Balance at 31 December 2001		NIL

15. Nítrigen Éireann Teoranta Borrowings

In implementation of the provisions of Nítrigin Éireann Teoranta Act, 2001 the Minister for Finance took over the debt in 2001 which increased the National Debt by €241 million. The Minister for Finance delegated to the Agency the function of discharging the borrowings. The Agency discharged the borrowings during 2001.

16. Borrowings from Funds under the control of the Minister for Finance

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

	As at 31 December 2001 € millions	**As at 31 December 2000** € millions
Post Office Savings Bank Fund	26	510
Small Savings Reserve Fund	1,111	1,120
Ulysses Securitisation plc	220	209
Deposit Monies Investment Account	1,451	1,937
	2,808	3,776

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ACCOUNTING POLICIES

Background

The National Treasury Management Agency was established under the National Treasury Management Agency Act 1990 to perform the borrowing and National Debt management function on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

Information relating to the National Debt of Ireland is contained on pages 63 to 78. Financial information covering the Agency itself is set out on pages 81 to 87.

Under Section 11 of the National Treasury Management Agency Act 1990 " the expenses incurred by the Agency in the performance of its functions shall be charged on and paid out of the Central Fund (Exchequer) or the growing produce thereof".

Reporting Currency

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

Basis of Accounting

The financial statements have been prepared on an accruals basis under the historical cost convention. The form of the financial statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act 1990.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated by annual instalments over their estimated useful lives.

Leasing

Rentals under the operating lease are charged to the income and expenditure account on an accruals basis.

Software

Computer software costs are charged to the income and expenditure account in the period in which they are incurred.

Capital Account

The capital account represents receipts from the Central Fund which have been allocated for the purchase of fixed assets. The receipts are amortised in line with depreciation on the related fixed assets.

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 December 2001

	Notes	2001	2000
		€	€
Income			
Central Fund	8	9,472,852	7,874,272
Other income		118,093	147,730
Transfer (to)\from capital account	5	144,153	(30,088)
		9,735,098	7,991,914
Expenditure	1	(9,735,098)	(7,991,914)
Net income/(expenditure)		NIL	NIL

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

The notes on pages 84 to 87 form part of these financial statements.

BALANCE SHEET

31 December 2001

	Notes	2001	2000
		€	€
Fixed Assets			
Fixed assets	2	1,119,461	1,249,620
Financial Assets	7	32,859	46,853
Current Assets			
Cash at bank and in hand		54,535	32,558
Debtors	3	1,313,765	723,677
Total Current Assets		1,368,300	756,235
Current Liabilities			
Creditors	4	1,368,300	756,235
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities		1,152,320	1,296,473
Representing:			
Capital account	5	1,152,320	1,296,473
		1,152,320	1,296,473

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

The notes on pages 84 to 87 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Expenditure

	Year Ended 31 December 2001 €	Year Ended 31 December 2000 €
Salaries and superannuation	5,773,026	4,595,000
Establishment expenses	731,023	476,909
Operating expenses	2,769,334	2,483,906
Depreciation	453,858	428,242
Amortisation	7,857	7,857
Total expenses	9,735,098	7,991,914

2. Fixed Assets

	Property €	Furniture, Equipment & Motor Vehicles €	Total €
Cost:			
Opening balance at 1 January 2001	1,216,038	2,668,411	3,884,449
Additions at cost	-	341,699	341,699
Disposals	-	(270,919)	(270,919)
Balance at 31 December 2001	1,216,038	2,739,191	3,955,229
Accumulated depreciation:			
Opening balance at 1 January 2001	601,923	2,032,906	2,634,829
Depreciation for the period	60,802	393,056	453,858
Disposals	-	(252,919)	(252,919)
Balance at 31 December 2001	662,725	2,173,043	2,835,768
Net book value at 31 December 2001	553,313	566,148	1,119,461
Net book value at 31 December 2000	614,115	635,505	1,249,620

The estimated useful lives of fixed assets by reference to which depreciation is calculated is as follows:

Property	20 years
Equipment & Motor Vehicles	2 to 5 years
Furniture	10 years

The property is leased under a long-term lease, which is subject to rent reviews. The current annual rent is €382,593, however this is expected to increase substantially due to the finalisation of negotiations of the rent review.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Debtors

	2001	2000
	€	€
Central Fund	893,111	438,288
Prepayments	367,169	257,912
Other debtors	53,485	27,477
	1,313,765	723,677

4. Creditors

	2001	2000
	€	€
Creditors	46,575	6,251
Accruals	1,321,725	749,984
	1,368,300	756,235

5. Capital Account

			2001	2000
			€	€
Opening balance			1,296,473	1,266,385
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets	341,699			
- Financial Assets repayment (note 7)	(6,137)	335,562		
Amortisation of capital funding				
- Amortisation in line with depreciation	(453,858)			
- Net amount released on asset disposal	(18,000)			
- Amortisation of Financial Assets	(7,857)	(479,715)	(144,153)	30,088
Closing balance			1,152,320	1,296,473

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefits superannuation scheme set up under Section 8 of the National Treasury Management Agency Act 1990. Those of the Chief Executive are provided under his contract of service. Contributions, including those of staff who have opted for dependant benefit arrangements, are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25% of payroll. Contributions by the Agency for the year ended 31 December 2001 amounted to €803,267 (2000: €628,920).

Liabilities arising under the scheme are provided for under the above arrangements, except for entitlements arising in respect of the service of certain members of NTMA staff recruited from other areas of the public sector. On 7 April 1997 the Minister for Finance designated the National Treasury Management Agency as an approved organisation for the purposes of the Public Sector (Transfer of Service) Scheme. This designation provides for, inter alia, contributions to be made, as and when benefits fall due for payment in the normal course, in respect of former civil servants employed by the Agency. No provision has been made for funding the payment of such entitlements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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An actuarial valuation of the company's defined benefit pension plan was carried out at 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31/12/2001
Rate of increase in salaries	5.0%
Rate of increase in pensions in payment	2.5% or 4.0% as appropriate
Discount rate	6.0%
Inflation assumption	2.5%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return Expected at 31/12/2001	Value at 31/12/2001 €000s
Equities	8.5%	9,728
Bonds	5.5%	1,609
Property	7.0%	1,072
Other	5.0%	357
Total market value of assets		12,766
Present value of accrued scheme liabilities		(13,493)
Surplus / (Deficit)		(727)
Related deferred tax credit		(0)
Net pension liability		(727)

7. Financial Assets

The Agency joined TARGET during 1999, which is a real time settlement system administered by IRIS Ltd. The system is used to settle euro transactions through the European System of Central Banks. As a condition of membership, the Agency was required to pay €63,487, which was apportioned as follows:

- 20 ordinary IR£1 (€1.27) shares purchased at par
- €24,178.82 as a loan repayable over the period commencing on 30 September 1999 and ending on 30 September 2003
- €39,282.70 as a non-repayable, irrevocable and unconditional capital contribution to the company. This will be amortised over 5 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The position at 31 December 2001 was:

	€
Opening balance	46,853
Amortisation	(7,857)
Loan repayment received	(6,137)
Closing balance	32,859

8. Central Fund Income

This is an accrual figure whereas the expenses of NTMA which appear on the Service of Debt Statement is cash drawn from the Central Fund. These figures are reconciled as follows:

	2001 €	2000 €
Central Fund Income per Service of Debt Statement	9,018,029	7,709,317
Movement in Central Fund Debtors (note 3)	454,823	164,955
Income from Central Fund per Income and Expenditure Account	9,472,852	7,874,272

9. Expenses of NTMA as Manager

The costs incurred by the NTMA as Manager to the National Pensions Reserve Fund amounted to €1.94 million. These costs are included in the Income and Expenditure account.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2001

CONTENTS *Pages*

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined in accordance with auditing standards the financial statements set out in pages 91 to 96 which are in the form approved by the Minister for Finance.

I have obtained all the information and explanations which I considered necessary for the purpose of my audit.

In my opinion proper books of account have been kept by the National Treasury Management Agency in respect of the Fund and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Fund at 31 December 2001 and of its transactions for the year then ended.

John Purcell

Comptroller and Auditor General

28 June 2002

ACCOUNTING POLICIES

Background

The Minister for Finance guarantees the repayment and servicing of moneys invested by depositors in the Post Office Savings Bank. An Post remits the net proceeds of such investment to the Agency. The Post Office Savings Bank Fund does not form part of the Exchequer. The fund has the following main purposes:-

- to invest the moneys made available by depositors, and
- to act as an intermediary through which the tranching, cancellation, sale and repurchase (repo) transactions and secondary market trading can be transacted by the Agency, and
- to provide moneys under Central Treasury Services to designated state bodies.

The significant accounting policies adopted by the fund are as follows:-

Reporting Currency

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

Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention.

Investments

Investments are stated at cost.

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 December 2001

	Notes	2001	2000
		€	€
Investment income	1	23,621,529	17,072,758
Interest paid and payable	2	3,463,666	3,249,843
Other expenses	3	20,023,220	18,205,317
		23,486,886	21,455,160
		134,643	(4,382,402)
Balance at beginning of year		8,859,845	13,242,247
Balance at end of year		8,994,488	8,859,845

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

The notes on pages 94 to 96 form part of these financial statements.

BALANCE SHEET

31 December 2001

	Notes	2001	2000
		€	€
Assets			
Advances	4	25,703,265	509,814,093
Investments in Bonds	5	109,083,374	153,725,844
Debtors	7	18,764,427	5,776,500
Agricultural Commodity Intervention Bills		-	6,000,000
Central Treasury Loans		26,951,450	-
Commercial Paper	10	627,829,190	-
Cash		14,375,708	24,975,425
		822,707,414	700,291,862
Liabilities			
POSB Deposits	8	812,195,996	684,405,822
Creditors	9	1,516,930	7,026,195
Accumulated Reserves		8,994,488	8,859,845
		822,707,414	700,291,862

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

The notes on pages 94 to 96 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Investment Income

	2001	2000
	€	€
Interest received and receivable	21,654,405	17,499,448
Profit/(Loss) on sale of investments	1,967,124	(426,690)
	23,621,529	17,072,758

2. Interest Paid and Payable

	2001	2000
	€	€
Interest paid and credited to depositors of POSB	3,463,666	3,249,843
	3,463,666	3,249,843

3. Other Expenses

	2001	2000
	€	€
Management expenses	20,023,220	18,205,317
	20,023,220	18,205,317

The management expenses are paid to An Post in respect of its administration of the Post Office Savings Bank.

4. Advances

Advances represent Ways and Means funds, which have been loaned to the Exchequer.

5. Investments Bonds

	2001	2000
	€	€
At cost	109,083,374	153,725,844
At market value	110,011,052	157,705,105

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Investments (Continued)

Schedule of Investment Holdings:-

Nominal	Stock	Cost
IR£		€
10,394,123	2.75% Treasury Bond, 2002	10,343,139
357,332	9.25% Capital Stock, 2003	389,364
145,802	8.25% Exchequer Bond, 2003	162,315
24,270,832	3.5% Treasury Bond, 2005	23,806,092
51,829	12.5% Capital Stock, 2005	68,005
216,252	14.75% Development Stock, 2002 - 04	245,931
652,187	9% Capital Stock, 2006	780,534
856,631	6% Treasury Bond, 2008	916,768
315,608	8.25% Capital Stock, 2008	377,289
62,384,810	4% Treasury Bond, 2010	59,060,029
402,433	8.5% Capital Stock, 2010	497,970
188,252	8.75% Capital Stock, 2012	241,608
654,322	8.25% Treasury Bond, 2015	838,893
12,000,000	4.6% Treasury Bond, 2016	11,355,437
112,890,413		109,083,374

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Sale and Repurchase Agreements

Sale and Repurchase agreements are transacted between the Post Office Savings Bank Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is reflected in investment income in the Income and Expenditure account.

7. Debtors

	2001	2000
	€	€
Dividends and interest receivable	4,495,724	3,553,282
Other debtors	14,268,703	2,223,218
	18,764,427	5,776,500

8. POSB Deposits

	2001	2000
	€	€
Deposits from Post Office Savings Bank	812,195,996	684,405,822
	812,195,996	684,405,822

9. Creditors

	2001	2000
	€	€
Net funds due under Sale and Repurchase Agreements	1,119,362	-
Other creditors	397,568	7,026,195
	1,516,930	7,026,195

10. Commercial Paper

	2001	2000
	€	€
HFA Commercial Paper	627,829,190	-
	627,829,190	-

The Post Office Savings Bank Fund purchased short term commercial paper issued by the Housing Finance Agency (HFA) of Ireland as an investment.

Capital Services Redemption Account

Report of the Comptroller and Auditor General

I have examined the account on pages 98 to 100. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell

Comptroller and Auditor General

28 June 2002

CAPITAL SERVICES REDEMPTION ACCOUNT

(Finance Act, 1950 Section 22 (No 18 of 1950 as amended))

Account of Receipts and Payments		**Year ended 31 December 2001**
		€
Balance at 1 January 2001		806,247,682
Receipts		
Amounts received from Central Fund		
under Finance Act 1950, Section 22 as amended:-		
- Interest	1,371,339,751	
- Sinking Fund	478,017,314	1,849,357,065
Amounts received under Finance Act 1988 [S 67 (8)]		553,977,779
Other amounts received under specific borrowing transactions		12,512,172
Deposit interest received		94,108,960
Other interest received		62,123
		3,316,265,781
Payments		
Amounts applied in the redemption of National Debt:-		
Irish Government Bonds Listed on Irish Stock Exchange	439,659,554	
Other Irish Government Public Bond Issues	20,131,940	
Small Savings	18,225,820	478,017,314
Amounts applied in meeting interest on National Debt (note 2)		1,607,403,692
Amounts applied in respect of liabilities under Finance Act 1970, [S 54 (7)]		480,276,477
Balance at 31 December 2001		750,568,298
		3,316,265,781

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL SERVICES REDEMPTION ACCOUNT

(Finance Act, 1950 Section 22 (No 18 of 1950 as amended))

1. This account was established under Section 22 of the Finance Act 1950. Annuities are paid into it from current revenue charged on the Central Fund. A fixed amount may be used for servicing (interest payments) of the public debt. The balance must be used for principal repayments. Each years Finance Act makes an annuity provision which specifies a maximum amount to be used for interest payment, however as the 2001 capital programme was funded from the current budget surplus, no provision was made in the 2001 Finance Act to make a payment into the CSRA. In addition, under the Finance Act 1988 receipts from transactions of a normal banking nature, e.g. forward exchange deals, swaps and interest on deposits, for which a foreign currency clearing account has not been established under Section 139 of the Finance Act 1993, must be received into the Capital Services Redemption Account and may be used towards defraying interest and expenses on the public debt and towards the making of payments and repayments in respect of such transactions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Amounts applied in meeting interest on National Debt:-

	Year ended 31 December 2001
	€
6.5% Treasury Bond, 2001	133,599,752
8% Capital Loan, 2001	1,771,278
9% Government Bond, 2001	10,097,074
2.75% Treasury Bond, 2002	83,359,394
8.25% Exchequer Bond, 2003	836,119
9.25% Capital Stock, 2003	18,530,130
14.75% Development Stock, 2002 - 04	3,768,706
6.25% Treasury Bond, 2004	15,123,347
3.5% Treasury Bond, 2005	189,261,063
12.5% Capital Stock, 2005	1,875,210
8% Treasury Bond, 2006	9,336,787
9% Capital Stock, 2006	12,196,781
8.25% Capital Stock, 2008	170,486
6% Treasury Bond, 2008	4,223,184
4% Treasury Bond, 2010	261,673,419
8.5% Capital Stock, 2010	1,260,797
8.75% Capital Stock, 2012	3,574,535
8.25% Treasury Bond, 2015	912,811
4.6% Treasury Bond, 2016	168,152,653
Other Irish Government Public Bond Issues	67,872,345
Small Savings	359,792,982
Cash Mgmt Borrowings	7,422,606
Other Euro Borrowings	22,282,563
European Investment Bank	1,100,000
Private Placements	74,501,324
Swap Driven Issues	154,695,564
Expenses	12,782
	1,607,403,692

Report of the Comptroller and Auditor General

I have examined the account on page 102. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell

Comptroller and Auditor General

28 June 2002

Account of Receipts and Payments

		Year ended 31 December 2001 €
Balance at 1 January 2001		2,567,386
Accrued interest received on National Loans		
- Tranches and Auctions	5,200,899	
- Cancellations	3,459	5,204,358
Accrued interest paid on National Loans		(7,673,970)
Balance at 31 December 2001		
- Cash with Central Bank of Ireland		97,774

Note to the Account

The Agency from time to time issues or cancels amounts of existing Irish Government Bonds. This is effected by means of sales or purchases by the Post Office Savings Bank Fund, which in turn settles with the Exchequer. The accrued interest element of the settlement amount for each bond transaction takes into account the fact that a full dividend is payable to the registered owner in cases where bonds are held on an ex-dividend date. The purpose of this account is for the Post Office Savings Bank Fund to compensate the Exchequer for the unearned element of the dividend arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend. These amounts are then used to offset the related servicing costs of the Exchequer.

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 104 and 105. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects the transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell

Comptroller and Auditor General

28 June 2002

ACCOUNTS OF RECEIPTS AND PAYMENTS

Year ended 31 December 2001

	Note	€
Balance at 1 January 2001		10,568,980
Amount provided to meet late redemption claims	1	19,466,983
Receipts from Paying Agents		11,110
Payments for redemption of National Loans	2	(21,812,955)
Balance at 31 December 2001		
– Cash with Central Bank of Ireland -		8,234,118

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

Notes to the Account

1. When a National Loan is due for redemption, the full amount outstanding is payable to loan holders. Any amount not claimed at the end of the quarter in which redemption occurs is transferred into this account by a payment from the Exchequer. This account also includes balances, which were held by the Central Bank and the Department of Finance as Paying Agents, in respect of uncashed redemption payments, and were transferred to the National Treasury Management Agency. Any further claims are met from this account.

2. **National Loans redeemed during the year ended 31 December 2001**

	€
4.5% National Loan 1973-78	381
9% Conversion Stock 1980-82	6,095
13% Conversion Stock 1984	259
7.5% National Loan 1981-86	2,166
14% National Loan 1985-90	3,047
5.75% National Loan 1982-87	254
9.75% National Loan 1984-89	4,581
5.75% Exchequer Stock 1984-89	7,403
6% Exchequer Loan 1985-90	6,477
6.75% National Loan 1986-91	1,879
7% National Loan 1987-92	3,515
7.5% Development Stock 1988-93	1,778
9.25% National Loan 1989-94	4,068
9.5% Conversion Bond 1995	1,451
12% Conversion Stock 1995	4,190
9% Capital Loan 1996	14,874
9.25% Exchequer Loan 1991-96	3,557
7.75% Capital Stock 1997	24,923
9.75% Nat Development Loan 1992-97	3,178
9.75% Capital Stock 1998	28,352
11% National Loan 1993-98	2,751
6.25% Treasury Bond 1999	163,859
7.5% Capital Stock 1999	78,943
11.5% Development Loan 1997-99	6,697
8% Treasury Bond 2000	606,036
11.75% Capital Stock 2000	26,747
14.5% Finance Loan 1998-00	8,619
13% finance Stock 1997-02	4,150
12.25% Development Stock 2000-03	37,677
6.5% Exchequer Stock 2000-05	2,220,344
6.5% Treasury Bond 2001	15,011,751
9% Government Bond 2001	1,849,863
8% Capital Loan 2001	1,673,090
Total	**21,812,955**

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 107. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects the transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell
Comptroller and Auditor General

28 June 2002

ACCOUNTS OF RECEIPTS AND PAYMENTS

Year ended 31 December 2001

	Note	€
Balance at 1 January 2001		1,443,539
Receipt of unclaimed dividends		14,248
Payment of unclaimed dividends	2	(13,503)
Balance at 31 December 2001		
– Cash with Central Bank of Ireland	1	1,444,284

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

Notes to the Account

1. When a dividend is due on a Loan liability, the full amount due is paid by the National Treasury Management Agency to the Paying Agent and then issued to the registered holders. The balance on this account represents dividends on matured loans, which have not been claimed by the registered holders and have been returned to the National Treasury Management Agency by the Paying Agent. The balance is available to cover future claims on these dividends. The Paying Agent maintains a cash float, on behalf of the National Treasury Management Agency, which it uses to service claims as they arise during the year.

2. Unclaimed Dividends paid in year	€
Irish Government Bonds registered with Central Bank of Ireland	12,512
Foreign Bonds administered by Commerzbank AG	991
	13,503

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 110. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell

Comptroller and Auditor General

28 June 2002

ACCOUNTS OF RECEIPTS AND PAYMENTS

	Year ended 31 December 2001
	€
Balance at 1 January 2001	1,936,561,000
Ways and Means Advances paid to Exchequer	19,262,188,000
Ways and Means Advances repaid by Exchequer	(19,747,884,000)
Balance at 31 December 2001	
- Ways and Means Advances to Exchequer	1,450,865,000

Note to the Account

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

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 112 and 113. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell

Comptroller and Auditor General

28 June 2002

ACCOUNTS OF RECEIPTS AND PAYMENTS		Year ended 31 December 2001
		€
Balance at 1 January 2001		93,605
Receipts		
Interest received on stock holdings	NIL	
Proceeds of stock redemption	21,286	
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
– Nominal	(48,747)	
– Interest	NIL	
Balance at 31 December 2001		(27,461)
		66,144
Stock Account		
Balance at 1 January 2001		NIL
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	21,286	
Nominal amount of stock redeemed	(21,286)	
		NIL
Balance at 31 December 2001		NIL

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

Notes to the Account

1. Purpose of the Account

This account established under the Finance Act 1954, amended by the Capital Acquisitions Tax Act 1976, is a vehicle for the handling of certain designated Irish Government Bonds which are accepted by the Revenue Commissioners at face value in lieu of death duties. The Irish Government Bonds are received by the Revenue Commissioners and transferred to the Minister for Finance. They are then cancelled and the proceeds (at market value) taken into the account. Any shortfall between this and the liability to the Revenue Commissioners (at face value) is made up by the Exchequer and the Revenue Commissioners are paid in full.

2. Stock Account

The Stock Account records transactions at nominal par value. Any balance on this account consists of bonds held by the Minister for Finance but not yet sold by the Minister to discharge a tax liability to the Revenue Commissioners.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 115. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2001 and the balance at that date.

John Purcell

Comptroller and Auditor General

28 June 2002

ACCOUNTS OF RECEIPTS AND PAYMENTS

	Year ended 31 December 2001
	€
Balance at 1 January 2001	1,120,487,340
Received (paid) from (to) Exchequer	(9,257,122)
Balance at 31 December 2001	1,111,230,218
Estimated accrued interest at 31 December 2001	2,302,555,994

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76.18 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The actual interest cost for 2001 was 16.98 per cent of the interest accrued at the 31 December 2000 of €2,378 million.

The balance in the Fund is transferred to the Exchequer as repayable ways and means advances. No interest was paid by the Exchequer on such funds advanced.

Michael J Somers

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL PURSUANT TO SECTION 13 OF THE PROMPT PAYMENT OF ACCOUNTS ACT, 1997

Responsibilities of The Agency and of The Comptroller and Auditor General

The Agency is obliged to comply with the Act and, in particular, is required

- to pay suppliers by the appropriate payment date
- if payment to a supplier is late, include the appropriate penalty interest with the payment together with the information required by Section 6
- disclose its payment practices in the period in the appropriate way.

Under Section 13 of the Act, it is my responsibility, as auditor of the National Treasury Management Agency, to report on whether, in all material respects, the Agency has complied with the provisions of the Act.

Basis of Opinion

My examination included a review of the payment systems and procedures in place and checking, on a test basis, evidence relating to the operation of the Act by the Agency during the year.

I obtained all the information and explanations which I considered necessary for the exercise of my function under Section 13 of the Act.

Opinion

As the result of my examination, it is my opinion that the Agency complied in all material respects with the provisions of the Act during the year ended 31 December 2001.

John Purcell

Comptroller and Auditor General

28 June 2002

The National Treasury Management Agency (NTMA) undertakes to comply with the Prompt Payment of Accounts Act 1997. In accordance with the Act and guidelines issued by the Department of Enterprise, Trade and Employment, the following information is provided.

Procedures established to ensure compliance with the Act

The NTMA have procedures in place to ensure that all invoices received are paid within the time limits specified on the invoices or the statutory time limit if no period is specified. While the procedures are designed to ensure compliance with the Act they can only provide reasonable and not absolute assurance against material non-compliance with the Act. These procedures operated in the financial period under review. There were no late payments and therefore no interest was paid.

In accordance with the Prompt Payments of Accounts Act 1997, the following information is provided for the financial period ending 31 December 2001.

(a) Payment Practices

The NTMA makes payments to suppliers in accordance with the terms stated on invoices or terms specified in individual contracts if appropriate. The standard terms are 30 days.

(b) Late payments in excess of €317

Number of Invoices	Average Period of Delay
Nil	n\a

(c) Overall percentage of late payments of total payments and total interest paid

The overall percentage of late payments to total payments was 0%.

The total amount of interest paid with respect to late payments was NIL

Michael J Somers, Chief Executive

National Treasury Management Agency

27 June 2002