

National Development
Finance Agency

22 June 2005

Mr. Brian Cowen, T.D.
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2

Dear Minister,

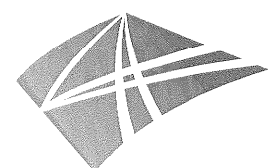
I have the honour to submit to you the Report and Accounts of the National Development Finance Agency for the year from 1 January 2004 to 31 December 2004.

Yours sincerely,

Michael J. Somers
Chairman

Annual Report 2004

networking
infrastructure
growth
development
housing
water treatment



**National Development
Finance Agency**



CONTENTS

DIRECTORS.....	ii
EXECUTIVE SUMMARY.....	1
CAPITAL INVESTMENT PROGRAMME	13
FUNCTIONS OF THE NATIONAL DEVELOPMENT FINANCE AGENCY	15
FINANCIAL ADVISORY ROLE OF THE NATIONAL DEVELOPMENT FINANCE AGENCY	17
APPENDIX I: LIST OF PROJECTS.....	23
APPENDIX II: STATE AUTHORITIES	26
APPENDIX III: LEGISLATIVE BACKGROUND	28
FINANCIAL STATEMENTS.....	30



DIRECTORS

Michael J. Somers (Chairman)

Chief Executive, National Treasury
Management Agency

Anne Counihan (Chief Executive)

Head of Legal & Corporate Affairs,
National Treasury Management Agency

Ann Fitzgerald

Secretary General, Irish Association of
Investment Managers

Tony Jones

Business Consultant

Peter McManamon

Chairman, Ceva Inc.



The Board met on four occasions during 2004.

EXECUTIVE SUMMARY

Introduction

The National Development Finance Agency Act was passed in December 2002. The Agency was established and its Board appointed by the Minister for Finance with effect from 1 January 2003. The rationale behind its establishment is to ensure that all available sources of funding are utilised for infrastructure projects and to have, within the State sector, a centre of financial expertise which can provide financial advice to State Authorities undertaking major infrastructure projects, whether by means of Public Private Partnership (PPP) or traditional procurement.

The Agency experienced a high level of activity in 2004, its second year of operation, further developing its role as financial advisor to State Authorities on a wide variety of large capital projects. It substantially increased the range of projects on which it is providing advice and completed its advice on a number of projects. Given the Government's significant commitment to infrastructure investment, the level of activity in the Agency has continued to increase into 2005.

To date over 80 projects have been referred to the Agency for advice, with a total capital investment of some €15-20 billion. The Agency has completed its advice on 13 projects with a combined capital value of some €1.3 billion. Six of these projects are PPPs involving substantial private finance input. Appendix IA provides a list of the projects on which the Agency is currently providing advice, while Appendix IB lists those projects on which the Agency has completed its advice.

Key Milestones

The key infrastructure projects in each sector in which the Agency had active involvement throughout 2004 are as follows:

Roads & Railways:

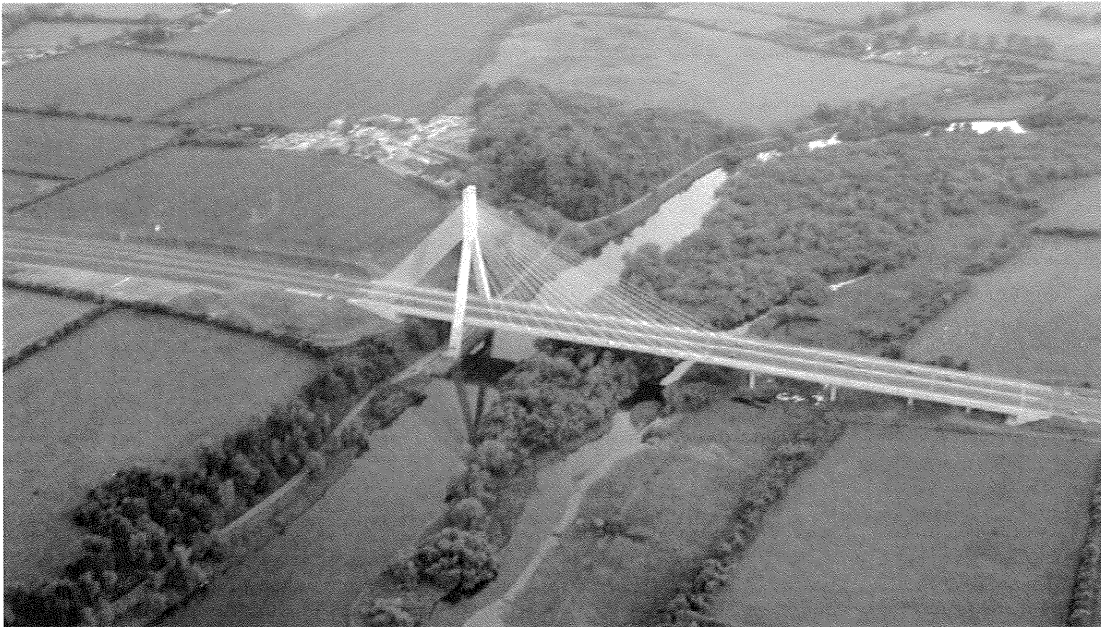
Roads:

The Agency assisted the National Roads Authority (NRA) on the M1 Dundalk Western by-pass and the Rathcormac – Fermoy by-pass.

The M1 Dundalk Western by-pass will be designed, built, operated, maintained and financed by Celtic Roads Group (Dundalk) Ltd. under a Public Private Partnership. It is a thirty-year contract and is to be fully financed by tolls raised over the period. The contract was signed on 9 February 2004, and the project is currently under construction with completion due in Spring 2006.

The Direct Route (Fermoy) Ltd was awarded the contract to design, build, operate, maintain and finance the N8 Rathcormac – Fermoy by-pass under a Public Private Partnership. This project, which was awarded on 21 June 2004, is currently under construction and due for completion in Summer 2007. It will be funded by tolls and payments from the appropriate local authority.

To date, €480 million of private finance has been committed to the NRA's road building programme.



The Agency is currently advising the NRA on all roads projects in the pipeline, other than the M50 upgrade. To avoid any possible perception of a conflict of interest within the ambit of the National Treasury Management Agency, the Chief Executive of the National Development Finance Agency advised the NRA in August 2004 that the NDFA could not provide financial advice in relation to the M50 upgrade.

Luas Extension – Sandyford to Cherrywood:

The Railway Procurement Agency requested the NDFA to provide financial advice on this project. It involves a 7.5km extension to the Luas Green Line from Sandyford to Cherrywood through lands which are largely undeveloped and are zoned for high-density residential and commercial development. It is expected that the main contract will be design and build only. The proposed extension will be funded by the collection of levies from developers along the route, under section 49 of the Planning and Development Act 2000, as well as State funding. The line is expected to cost approximately €260 million and is forecast to be in operation in 2009.

CIE Rolling Stock:

The Agency has advised CIE on the optimal means of financing its purchase of rolling stock costing approximately €100 million. The acquisition of the assets will be fully funded via a bank loan obtained at very keen rates following a competitive funding process. Currently, the Agency is assisting with the evaluation of a number of major Public Private Partnership possibilities within CIE.

Housing:

Fatima Mansions:

The Fatima Mansions complex in Dublin's inner city area consisted of 363 residential flats. They were built from 1949 to 1951 and had a population of some 700 residents in 2001. The flats complex and surrounding community area were selected for the implementation of an integrated strategy involving social, economic and physical renewal. Under the regeneration plan the old flats are currently being demolished. The 11 acre site will be redeveloped with high quality housing with associated community facilities including a swimming pool and other sports facilities, a crèche, retail units and other amenities including a LUAS Light Rail Station. The residential element will be a mix of social, affordable and private housing in a bid to improve the social, economic and cultural environment of Fatima. This project is being funded with loans from commercial banks and private sector equity and is the first to be undertaken in Ireland as a Public Private Partnership.

After a tender competition the design, build and finance contract was won by Elliot-Moritz Construction. The contract was signed on 23 June 2004 and the social housing phase of the development is nearly completed with the first part of it scheduled to be ready for occupancy before the end of Autumn 2005.

The success of the Fatima Project and its timely delivery has promoted the use of PPP type projects for further regeneration and housing schemes. Other housing projects in Dublin currently being undertaken in a similar manner include O'Devaney Gardens, Infirmary Road, Jamestown Road and St. Michael's Estate. The O'Devaney Gardens project will also provide social, affordable and private housing with some 1,000 units in total as well as community and retail facilities over a 12 acre site. On all housing projects the Agency facilitates the preparation of the Public Sector Benchmark, Risk Matrix and financial evaluation of bids.

Broadband:

Metropolitan Area Network:

The Metropolitan Area Network (MAN) was a project undertaken by the Department of Communications, Marine and Natural Resources. The MAN broadband project will provide high-speed communications infrastructure in 19 towns and cities throughout Ireland and will be expanded thereafter through the rest of the State. Implementation of the infrastructure in all of the 19 towns is now complete. Further broadband programmes are currently under consideration to be rolled out under the MAN project. The system will be leased to telecoms operators at reasonable rates to facilitate the introduction of broadband to regional areas.

The Agency acted as financial advisor on the capital expenditure, which was funded by the Irish Government at a cost of €65 million.

The Public Private Partnership project involved the selection of a private sector operator responsible for marketing and operating/maintaining the MANs. The contract was signed with e-Nasc Éireann Teoranta ("E-Net") on 29 June 2004. E-Net is funded by commercial bank debt and private sector equity.

Justice:

Criminal Courts Complex:

The Criminal Courts Complex project is being undertaken by the Courts Service under a Public Private Partnership and will accommodate all criminal court business currently located in various sites within and around the Four Courts. The complex is estimated to cost around €100 million. The building will house 22 courtrooms, judicial chambers and ancillary facilities, jury rooms and consultation rooms, secure holding area for approximately 100 prisoners, space for approximately 50 staff, information technology facilities and a public restaurant.

The Agency has been involved in this project since March 2003 and has assisted the Courts Service with the financial assessment of the project and in the project approval process. The Agency prepared a financial model for the project and facilitated the risk workshop, both of which were inputs in compiling the public sector benchmark. The project was approved in November 2004, and is expected to be fully operational in late 2008. The complex will be designed, built, operated, maintained and financed by a private sector contractor.

In May 2005, the Agency participated in a marketing day for this project, which was officially opened by the Minister for Justice, Equality and Law Reform. There is significant interest in the project from the private sector, with eleven expressions of interest received in June 2005.

Mountjoy Prison:

In January 2005, the Minister for Justice, Equality and Law Reform announced a Government decision to purchase a 150-acre site in North County Dublin to serve as a location for a new prison complex, to replace the existing Mountjoy Prison complex. The facilities on the new site are to include:

- A new male prison;
- A new female prison; and
- Ancillary support services.



The Agency is currently providing a financial advisory service to the Irish Prisons Service Project Management team in the appraisal stage of the project and looks forward to working with the Project Board on its formation.

Tourism:

National Conference Centre:

The National Conference Centre will be a modern, purpose-designed facility located in the Dublin area and is intended to be an attractive venue for major international conference events. One of the primary objectives in building the Conference Centre is to increase Ireland's share of the international conference market, and add to tourism revenues. The Conference Centre will be constructed and delivered under a Public Private Partnership arrangement.

The Conference Centre will provide:

- a main conference auditorium with a minimum capacity of 2,000 delegates in plenary session;
- a banqueting hall for a minimum of 2,000 persons;
- an exhibition hall; and
- a business and communications centre.

The PPP company selected will be responsible for designing, building, operating, maintaining and financing the National Conference Centre.

To date, the Agency has helped prepare the risk allocation matrix, public sector benchmark, the payment mechanism and other finance and insurance elements of the invitation to negotiate and contract documentation. This has been particularly complex due to the large size and one-off nature of this project. Currently, the Agency is assisting with the evaluation of the financial aspects of the tenders.

Education:

Dublin Institute of Technology Grangegorman:

This will represent the largest development ever in the history of higher education in Ireland with a projected investment of €850 million. The Agency has reviewed the preliminary assessment of the potential structures for a Public Private Partnership and the overall funding package for the development.

Arrangements for the relocation of the Dublin Institute of Technology to a new campus in Dublin's north inner city are proceeding. The legislation to establish the Grangegorman Development Agency to oversee this development is expected to be enacted shortly. The Agency is actively engaged with the Dublin Institute of Technology team to assist in moving the project forward.

Funding of the development will be from a variety of sources including the disposal of the existing extensive Dublin Institute of Technology property portfolio and State funding of some €200 million, which has been agreed in principle. In addition, the Dublin Institute of Technology will attain cost efficiencies by moving to a single location and will eventually eliminate a sizeable rental bill of several million euro per year. It will also raise income by developing a range of private sector partnership initiatives involving such activities as student accommodation, retail concessions, sporting, recreational and cultural activities and a major industry/science park. It is anticipated that master planning for the development will commence in late 2005 or early 2006. It is also envisaged that some of the existing provisions for health services will be retained on the site.

Environment:

Dublin Waste to Energy Project:

This project, undertaken by Dublin City Council and the Department of the Environment, Heritage and Local Government, involves the construction of a Waste to Energy plant.

The plant will process approximately 400,000 to 600,000 tonnes of non-hazardous waste from the Dublin area. The plant's intended location is the Poolbeg Peninsula, Dublin 4. Following the appointment of a service provider to enter into a Public Private Partnership with Dublin City Council (acting on behalf of the four Dublin local authorities) in 2005, the planning and regulatory process will commence. In addition, the waste to energy plant could potentially provide district heating for 30,000 homes and electricity through the National Grid for 42,000 homes.

The Agency is working alongside the technical advisors in bringing the project towards contractual close. Representatives from the Agency visited Waste to Energy plants in Denmark in May 2005.

South East Region Integrated Waste Management Plan:

The South-East Region is also appraising the potential for building a waste treatment plant. This region includes South Tipperary County Council, Carlow County Council, Kilkenny County Council, Wexford County Council, Waterford County Council and Waterford City Council. The Agency is currently evaluating the risks and funding options for the project.

Waterford Region Grouped Towns and Villages Sewerage Scheme:

The Waterford Region Grouped Towns and Villages Scheme is being undertaken by Waterford County Council to provide seven towns and villages with waste water treatment facilities. This project is part of the Water Services Investment Programme for which the Government allocated €3.2 billion (1999 prices).

The Agency facilitated a risk workshop with the project board and clients representatives and is currently assisting in the drafting of the public sector benchmark.

The National Development Finance Agency's Role in delivering Public Investment Projects

The Agency's role in delivering major capital programmes is set out as follows in the Programme for Government¹:

“The NDFA will enable the government to apply commercial standards in evaluating financial risks, costs and options associated with projects thereby ensuring that the best financing package is availed of in each instance.”

The Government's economic strategy includes spending up to 5 per cent of Gross National Product per annum on capital projects in the 2005 – 2009 period (on average approximately double the percentage in other EU countries). This equates to approximately €36 billion in capital expenditure over the 5 year period. Prior to the establishment of the Agency there was no designated corporate finance expertise available to the Government. Instead, groups of consultants and other experts were brought together, at considerable expense, to advise on individual projects. On completion of each project, the project team was discontinued and the body of knowledge, including its expertise within the public service, was largely lost.

The establishment of the Agency has addressed the need to build up in-house expertise to critically examine all financial, risk and insurance aspects of the Government's capital projects. A particular requirement for the Agency has been to develop an understanding of the issues arising in major infrastructural projects with a view to determining where financial efficiencies could be gained.

In fulfilling its role, the Agency is also in a strong position to participate in initiatives to improve the quality and delivery of infrastructure projects and has made submissions to Government in this regard.

¹ Programme for Government, published June 2002.

Forging Relationships

The Agency has been active in meeting with the various market participants, including construction companies, major international banks including the European Investment Bank, industry representative bodies such as the Irish Business and Employers Confederation, and other private sector service providers. The Agency also liaises closely with participants within the public sector with the objective of addressing the requirements of all stakeholders.

The Agency has formed strong relationships with its counterparts in other European countries including the Strategic Investment Board of Northern Ireland, Infrastrutture S.p.A (ISPA) and Casa Desposite e Prestitti in Italy and Agence de Financement des Infrastructures de Transport de France. These relationships are invaluable in broadening the knowledge base on delivery of PPP projects in Ireland.

Attaining Optimal Financing Structures

The Agency may, subject to Ministerial approval, advance loans and equity to projects or form companies for the purpose of securing finance, where it is considered the provision of these loans/equity would provide best value for money for the State.

To date, the Agency has completed its advice on thirteen projects (six PPPs and seven non-PPPs). The combined capital value of these thirteen projects was some €1.3 billion. The advice included organising funding of approximately €400 million in relation to the seven non-PPP projects. Of the thirteen projects completed to date, financing has been provided by the following sources: private sector bank debt, European Investment Bank project loans, direct Exchequer contributions and private equity.



The Agency advised Cork County Council on securing loan facilities to facilitate the redevelopment of Cork County Hall. This loan was the first from The European Investment Bank to a local authority in Ireland. Other European Investment Bank loans were arranged for Kildare, North Tipperary and Clare County Councils and Cork City Council.

Looking Forward

There is now a great impetus evident both within the public sector and the business community to develop Ireland's infrastructure by taking the necessary initiatives to put projects onto a faster track. The Agency continues to play its part in developing Ireland's infrastructure, consistent with achieving value for money for the Exchequer.



CAPITAL INVESTMENT PROGRAMME

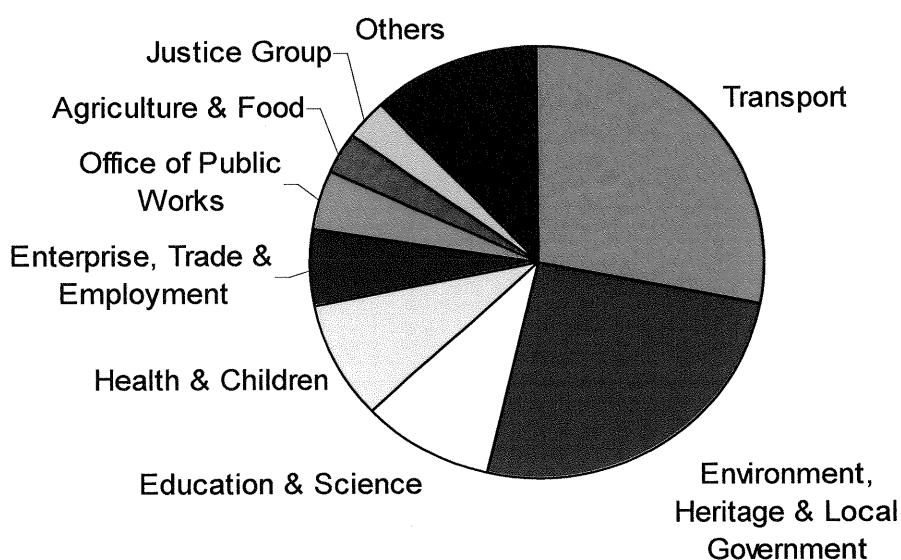
Total investment under the Multi-Annual Investment Framework over the next five years (2005 - 2009) is budgeted at €36.3 billion, allowing Ireland to maintain investment in infrastructure at approximately twice the European average. Of the €36.3 billion, approximately €3.6 billion will be funded either via PPPs (based on availability or other charges) or by the Agency.

Multi-Annual Capital Investment Framework 2005 - 2009

	€ Million
Transport	10,150
Environment, Heritage & Local Government	9,280
Education & Science	3,370
Health & Children	3,256
Enterprise, Trade & Employment	2,095
Office of Public Works	1,600
Agriculture & Food	1,105
Justice Group	1,095
Others	4,366
Total	<u><u>36,317</u></u>



Multi-Annual Capital Investment Framework 2005 - 2009



In addition to the €36 billion allocation, there is no upper limit on projects undertaken by means of Public Private Partnerships where the PPP can be funded entirely by user charges (user charges typically take the form of road tolling).

Given the increasing level of capital expenditure by the State, the Agency will have a key role in providing financial advice to the State Authorities.



FUNCTIONS OF THE NATIONAL DEVELOPMENT FINANCE AGENCY

The National Development Finance Agency Act lists the Agency's principal functions as being:

- to advise State Authorities on the optimal means of financing public investment projects in order to achieve value for money;
- to advance moneys including repayable loans and equity and to enter into other financial arrangements in respect of projects approved by any State Authority;
- to provide advice to State Authorities on all aspects of financing, refinancing and insurance of public investment projects to be undertaken by means of Public Private Partnership (PPP) or within the public sector; and
- to establish special purpose companies in order to finance projects.

State Authorities are obliged to seek the Agency's advice on all financial issues arising in connection with a major project or group of projects, having a capital value in excess of €20 million, or if less, a project that is considered to be of national importance. However, the final decision on the structure and financing of a project remains a matter for the appropriate Minister, or where there is delegated sanction, the appropriate Accounting Officer.

The Act lists the State Authorities that are required to seek the NDFA's advice. The State Authorities covered under the Act include all Government Departments, local authorities and the major State agencies that undertake infrastructure projects.

Bus Átha Cliath, Bus Éireann, Iarnród Éireann, Córas Iompair Éireann, the Railway Procurement Agency and the Digital Hub Development Agency have subsequently been added to this list by Order of the Minister for Finance. A full list of State Authorities is contained in Appendix II.

Full details of the Agency's legislative background are included in Appendix III.

The Board of the National Development Finance Agency

The Board of the National Development Finance Agency consists of a Chairman and four ordinary members. Its ex-officio Chairman is the Chief Executive of the National Treasury Management Agency. The Minister for Finance appoints the ordinary members for a five-year term. The Board appoints one of its members, other than the Chairman, to be Chief Executive Officer of the National Development Finance Agency.

The Chairman and the Chief Executive Officer of the Agency are required to give evidence to the Committee of Public Accounts of Dáil Éireann. Such evidence covers the regulation and propriety of all transactions of the Agency, the economy and efficiency of the Agency, and the systems, procedures and practices employed by the Agency. Evidence was given to the Committee on 29 April 2004 and 10 March 2005.

FINANCIAL ADVISORY ROLE OF THE NATIONAL DEVELOPMENT FINANCE AGENCY

Financial Advice

The Agency, in its capacity as financial advisor, undertakes the following activities in conjunction with the relevant State Authority:

- the preparation of a financial model tailored to a specific project or series of similar projects;
- advising on the best financial package for State infrastructure projects – the mix and nature of Exchequer/private sector funding that is appropriate having regard to the risks inherent in the project;
- analysing the financing component of invitations to tender and assessing such tenders from a financial perspective;
- negotiating on behalf of State Authorities on the financial terms and conditions included in financial and legal agreements;
- assisting State Authorities with the financial components of their business case prior to the submission of a project to a sanctioning authority for approval;
- financial and net present value calculations used for the preparation of Public Sector Benchmarks (see below); and
- assisting State Authorities with the identification and quantification of the risks, costs and revenues, which are appropriate to projects and are included in the calculation of the Public Sector Benchmark.

Public Sector Benchmark

In line with the Department of Finance's guidelines² regarding the appraisal of projects, a Public Sector Benchmark must be prepared in respect of all PPP projects. This Benchmark is a comprehensive risk-adjusted, whole-life costing of a project under traditional procurement conditions. The role of the Agency is to facilitate a financial and risk analysis of the inputs used to calculate the Benchmark, which is expressed as a single monetary figure. The Benchmark has to be prepared and approved by the relevant Department and an Affordability Cap set before the evaluation of tenders can take place.

The following costs are taken into account when calculating the Benchmark:

1. construction costs
2. operating, maintenance and life cycle costs
3. risk costs over the whole life of the project (e.g. for a major road this can be greater than 25 years)

Relevant risks attached to the project are identified and quantified, including: planning risk, design risk, construction risk, operating risk, demand risk, political risk, legislative risk and project specific risks.

All private sector bids are measured against the Public Sector Benchmark/Affordability Cap. Only those bids that provide a lower cost to the State, taking account of risk quantification, are approved to progress to the next stage of the procurement process.

² Interim Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships: Department of Finance, February 2005.

Public Investment Projects

Under the National Development Finance Agency Act, 2002 the Agency is required *“to advise any State authority of what, in the opinion of the Agency, are the optimal means of financing the cost of public investment projects in order to achieve value for money”*. These projects can be delivered via traditional procurement methods or via Public Private Partnerships. In traditional tendering arrangements, Government Departments determine the exact specifications of the project and seek tenders and quotations for work on this basis.

The evolution of alternative procurement strategies, referred to collectively as Public Private Partnerships, has emerged to address the increasing complexity of modern infrastructural projects and to exploit the expertise and innovation that exists within the private sector to deliver these complex projects in a timely, cost effective manner.

A PPP is an arrangement entered into by a State Authority with a partner from the private sector for the purpose of delivering a project or service traditionally provided by the public sector. The main focus of a PPP is to achieve value for money for the Exchequer through the use of private sector competencies and allocation of risk to the party best able to manage it.

In practice PPPs are a variety of contractual structures ranging from full “design, build, operate and finance” projects to “operation and maintenance” contracts. In reality there is no overarching definition. It can cover a wide range of activity and is constantly evolving.

Key Characteristics of PPPs:

- shared responsibility between the State and private sector for the provision of infrastructure and services
- a significant level of risk taken by the private sector
- a long-term commitment by the public sector to the provision of quality public services
- achievement of better value for money and optimal allocation of risk

Each potential PPP project undergoes a PPP appraisal to assess whether the project would be best delivered under a PPP structure or via traditional procurement methods.

Getting the risk transfer right is crucial to achieving value for money in PPP deals. As the State can always raise finance at cheaper rates than the private sector, it is essential that savings be achieved through the optimal allocation of risk.

Research within Ireland on the success of PPPs is limited due to its relatively recent introduction as a method of procurement. However, projects, such as the National Roads Authority's Kilcock-Kinnegad PPP road project, have demonstrated significant value for money savings for the Exchequer as compared to a publicly funded option. The PPP roads projects currently under construction are ahead of anticipated schedules for completion and on budget. UK Treasury research (National Audit Office, 2002) into completed Private Financing Initiative (PFI) projects showed only 22% of PFI projects had cost overruns and 24% were delivered late – as compared to traditionally procured projects, of which 73% had cost overruns and 70% were delivered late.

UK National Audit Office (NAO) Survey of 37 PFI Projects:

	PFI (2002 NAO Census)	Traditional Procurement (1999 British Government Survey)
Price exceeds that agreed in contract	22%	73%
Built asset delivered late to public sector	24%	70%

Source: PFI: Construction Performance, Report of the Comptroller and Auditor General, Session 2002-2003; 5 February 2003

Staff

The functions of the Agency are performed through the National Treasury Management Agency under section 11 of the National Development Finance Agency Act, 2002. In common with the other functions performed through the NTMA, the Agency is staffed by persons who are employees of the NTMA.

The NTMA currently has eight professionals dedicated exclusively to the work of the National Development Finance Agency. These employees have experience and expertise in a number of disciplines including project finance, law, accountancy, economics, corporate finance and risk management. In addition to the full-time employees allocated to the Agency, other NTMA staff and facilities are used, as required, including information technology, security, legal, and financial control, as well as specialists in real estate, equity markets and the bond and money markets.

The recruitment of further professional personnel with financial expertise is ongoing and it is expected that the number of staff will rise as further public investment projects come on stream.

The Chief Executive and the Board would like to express their appreciation for the efforts of all staff involved in the Agency's operations.

Consultants

The Agency employs financial advisors to assist on high value projects where it is deemed necessary to have additional resources to help bring the project to financial close in a timely manner. The main work of the financial advisors is to assist in the preparation of the Public Sector Benchmark, the preparation of tender documents, the evaluation of bids and value for money tests.



APPENDIX I: LIST OF PROJECTS

A List of Live Projects:

PROJECT	State Authorities
Department of Environment, Heritage and Local Government	
South Eastern Region Waste (Integrated Waste Management Plan)	Waterford County Council, Waterford City Council, Carlow County Council, South Tipperary County Council, Kilkenny County Council, Wexford County Council
Waterford County Council Grouped Towns and Villages Sewerage Scheme	Waterford County Council
Dublin City Council – Dublin Waste to Energy	Dublin City Council
Greystones Marina	Wicklow County Council
Bray Marina	Wicklow County Council
Fingal Landfill	Fingal County Council
O'Devaney Gardens – Social, Affordable & Private Housing	Dublin City Council
Jamestown Road – Affordable & Private Housing	Dublin City Council
Infirmity Road – Affordable & Private Housing	Dublin City Council
St. Michaels Estate – Social, Affordable & Private Housing	Dublin City Council
East-Link Bridge	Dublin City Council
Ballinode – Social, Affordable & Private Housing	Sligo Borough Council
Waste Infrastructure Loan Finance	Cork County Council
Office Accommodation	Kildare County Council



Department of Transport	
N25 Waterford Bypass	National Roads Authority
N3 Cavan to Dublin (Clonee – Kells)	National Roads Authority
N7 Limerick Southern Ring Road Phase 2	National Roads Authority
Luas	Railway Procurement Agency
Integrated Ticketing	Railway Procurement Agency

Department of Education and Science	
College Relocation to Grangegorman	Dublin Institute of Technology
College Redevelopment	Dundalk Institute of Technology
Cork School of Music	Cork School of Music
UCD Relocation from Earlsfort Terrace	UCD

Department of Health & Children	
Community Nursing Units	Southern Health Board
Community Nursing Units	Eastern Regional Health Board
Central Mental Hospital, Hospital Relocation	Eastern Regional Health Board

Department of Communications, Marine and Natural Resources	
Development of Digital Hub Site	Digital Hub Development Agency

Office of Public Works	
Decentralisation – Acquisition of Offices	Office of Public Works

Department of Justice, Equality & Law Reform	
Criminal Courts Complex	Courts Service
Programme of new Court Houses	Courts Service
Mountjoy Prison replacement	Prisons Service



Department of Arts, Sports & Tourism	
National Conference Centre	Department of Arts, Sports & Tourism
Lansdowne Road Reconstruction – State Funding Component	Lansdowne Road Development Agency under the Department of Arts, Sports & Tourism

In addition to the above there are a number of projects at a preliminary stage.

B List of Projects (total value €1.3 billion) on which the National Development Finance Agency has completed its advice:

PROJECT	State Authorities
TRANSPORT – ROADS	
Dundalk Western Bypass	National Roads Authority
Kilcock – Kinnegad	National Roads Authority
Rathcormac – Fermoy Bypass	National Roads Authority
TRANSPORT – RAIL	
Luas Credit Facility	Railway Procurement Agency
Capital Finance Requirements	CIE
HOUSING	
Fatima Mansions	Dublin City Council
BROADBAND/TECHNOLOGY	
Metropolitan Area Network	Department of Communications, Marine and Natural Resources
LOCAL AUTHORITIES	
Civic Offices Loan	Kildare County Council
County Hall Refurbishment Loan	Cork County Council
Drainage Scheme and Courthouse Refurbishment Loan	Cork City Council
Civic Offices Loan	North Tipperary County Council
Cliffs of Moher Tourism Project Loan	Clare County Council
New Office Headquarters	Clare County Council



APPENDIX II: STATE AUTHORITIES

The following is a list of the State Authorities that are currently obliged to consult the Agency under the National Development Finance Agency Act, 2002, in respect of major public investment projects³. The list has been extended since the Act was passed and may be further extended by the Minister for Finance.

State Authorities as listed in the Schedule to the NDFA Act, 2002:

A Minister of the Government.

A local authority.

The Commissioners of Public Works in Ireland.

The National Roads Authority.

A health board established under the Health Act, 1970.

The Eastern Regional Health Authority.

A university within the meaning of the Universities Act, 1997, other than Trinity College and the University of Dublin.

The Dublin Institute of Technology.

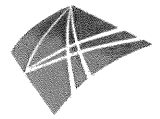
A college within the meaning of section 2 of the Regional Technical Colleges Act, 1992.

A vocational education committee within the meaning of section 7 of the Vocational Education Act, 1930.

Courts Service.

A harbour authority within the meaning of the Harbours Acts, 1946 to 1976.

³ Projects where the value is equal to or exceeds €20 million.



State Authorities subsequently added to the Schedule to the NDFA Act since 2002:

Bus Átha Cliath – Dublin Bus.

Bus Éireann – Irish Bus.

Córas Iompar Éireann.

Iarnród Éireann – Irish Rail.

The Railway Procurement Agency.

Digital Hub Development Agency.

APPENDIX III: LEGISLATIVE BACKGROUND

The National Development Finance Agency Act, 2002 provides for:

- the establishment of the NDFA to provide financial advice, and in certain cases funding, to State Authorities for priority infrastructure projects including Public Private Partnerships, in order to achieve value for money;
- the performance of the functions of the NDFA through the National Treasury Management Agency;
- the NDFA to advise State Authorities on the optimal means of financing public investment projects, including all aspects of financing, refinancing and insurance;
- the obligation of State Authorities to seek the NDFA's advice as soon as is practicable before undertaking a public investment project;
- the issue of Ministerial Guidelines; at present they provide that State Authorities must refer all capital investment projects costing in excess of €20 million to the NDFA;
- the establishment by the NDFA, with the prior written consent of the Minister for Finance, of special purpose companies in order to secure financing for public investment projects;
- the borrowing by the NDFA, and any special purpose companies formed by it, of up to €5 billion in aggregate, subject to such guidelines as the Minister for Finance may issue;

- the advance by the Minister of up to €250 million from the Central Fund to the NDFA or a special purpose company established by the NDFA;
- the advance of moneys, including loans and equity, by the NDFA to public investment projects;
- the appointment of consultants and other advisors as necessary for the performance of the NDFA's functions;
- the ability of the NDFA to acquire, hold and dispose of property and land;
- the ability of State Authorities to transfer real or personal property to special purpose companies formed by the NDFA;
- the charging to the Central Fund of the administrative expenses of the NDFA incurred in the performance of its functions;
- the charging to the vote of the appropriate Department or Departments of expenses of the NDFA incurred in the performance of its advisory functions in relation to specific public investment projects;
- the charging of the expenses of the NDFA, incurred in the performance of its financing functions, including payments of principal and interest, against repayments to the NDFA on loans advanced by it or out of any surplus accruing to it;
- the preparation of accounts by the NDFA and the audit of such accounts by the Comptroller and Auditor General; and
- the submission of these accounts and a report on the NDFA's activities to the Minister within six months after the end of each financial year.



FINANCIAL STATEMENTS



DIRECTORS

Michael J. Somers (Chairman)

Chief Executive, National Treasury
Management Agency

Anne Counihan (Chief Executive)

Head of Legal & Corporate Affairs,
National Treasury Management Agency

Ann Fitzgerald

Secretary General, Irish Association of
Investment Managers

Tony Jones

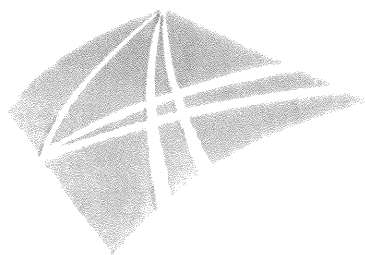
Business Consultant

Peter McManamon

Chairman, Ceva Inc.



The Board met on four occasions during 2004.



National Development
Finance Agency

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

NATIONAL DEVELOPMENT FINANCE AGENCY

CONTENTS

	Pages
Board and Other Information	3
Statement of Agency's Responsibilities	4
Statement on the System of Internal Financial Control	5-6
Report of the Auditors	7
Accounting Policies	8
Income & Expenditure Account	9
Administration Account	10
Balance Sheet	11
Notes to the Accounts	12 - 14

NATIONAL DEVELOPMENT FINANCE AGENCY

BOARD MEMBERS AND OTHER INFORMATION

BOARD MEMBERS

Michael J. Somers – Chairman
Anne Counihan – Chief Executive Officer
Ann Fitzgerald
Anthony Jones
Peter McManamon

AUDITORS

Comptroller & Auditor General
Dublin Castle
Dublin 2

NATIONAL DEVELOPMENT FINANCE AGENCY

STATEMENT OF AGENCY'S RESPONSIBILITIES


The Agency is required by the National Development Finance Agency Act, 2002 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 for Finance 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.

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
Chairman
National Development Finance Agency



Anne Counihan
Chief Executive Officer
National Development Finance Agency

15 June 2005

NATIONAL DEVELOPMENT FINANCE AGENCY

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

Responsibility for system of Internal Financial Control

On behalf of the National Development Finance Agency (“the NDFA”), we acknowledge the responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

In accordance with Section 11 of the National Development Finance Agency Act, 2002 the NDFA performs its functions through the National Treasury Management Agency (the Agency).

The Agency has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The Agency has established processes to identify and evaluate certain risks by:

- identifying the nature, extent and financial implication of risks facing the Agency including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the Agency’s ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system for the administration costs of the Agency ;
- regular reviews of periodic and annual financial reports which compare financial performance against forecasts;

NATIONAL DEVELOPMENT FINANCE AGENCY

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL (continued)

Key Control Procedures (continued)


- setting targets to measure financial and other performance;
- formal management disciplines.

The Agency has an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the operational risks to which the Agency is exposed, and annual internal audit plans are based on this analysis. At least annually, the Internal Auditor provides the Agency with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.


The Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor (currently PricewaterhouseCoopers), the executive managers within the Agency who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

Annual Review of Controls

For the year ended 31 December 2004, the Internal Auditor has conducted a review of the effectiveness of the system of internal financial controls and has reported this to the Chief Executive, National Treasury Management Agency who is also the Chairman of the NDFA Board. No issues arose in the review by the Internal Auditor.



Michael J. Somers
Chairman
National Development Finance Agency



Anne Counihan
Chief Executive Officer
National Development Finance Agency

15 June 2005

NATIONAL DEVELOPMENT FINANCE AGENCY

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements on pages 8 to 14 under Section 20 of the National Development Finance Agency Act, 2002.

Respective Responsibilities of the Members of the Board and the Comptroller and Auditor General

The accounting responsibilities of the Members of the Board are set out on page 4. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me and to report on them.

I review whether the statement on pages 5 and 6 reflects the Agency's compliance with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

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 judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, 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, give a true and fair view of the state of affairs of the National Development Finance Agency at 31 December 2004 and of its income and expenditure for the year then ended.



John Purcell

Comptroller and Auditor General

20 June 2005

NATIONAL DEVELOPMENT FINANCE AGENCY

ACCOUNTING POLICIES

The National Development Finance Agency was established by order of the Minister for Finance on 1 January 2003 under the National Development Finance Agency Act, 2002. The significant accounting policies adopted in respect of the National Development Finance Agency are as follows: -

Basis of preparation

The financial statements have been prepared in accordance with the National Development Finance Agency Act, 2002 in a format approved by the Minister for Finance.

The financial statements summarise the transactions and financial position of the National Development Finance Agency.

Reporting Period

The reporting period is the year ended 31 December 2004.

Reporting Currency

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

Income Recognition

Income is accounted for on an accruals basis.

Expenses

Expenses are accounted for in the year in which they fall due.


Expenses incurred in respect of the administration of the Agency are charged to the Administration account.

Fees and expenses incurred in respect of the Agency's financing and advisory functions are charged to the Income and Expenditure account.

NATIONAL DEVELOPMENT FINANCE AGENCY

INCOME & EXPENDITURE ACCOUNT for the year-ended 31 December 2004

	Notes	2004 €	2003 €
Income	1	31,700	31,500
Transfer to Administration Account	2	(31,700)	(31,500)
Net Income for the period		-	-



Michael J. Somers
Chairman



Anne Counihan
Chief Executive Officer

15 June 2005

The statement of accounting policies and notes 1 to 9 form part of these accounts.

NATIONAL DEVELOPMENT FINANCE AGENCY

ADMINISTRATION ACCOUNT for the year-ended 31 December 2004

	Notes	2004 €	2003 €
Transfer from Income & Expenditure Account	2	31,700	31,500
Administration expenses of Agency	3	(31,700)	(31,500)
Net income\ (expenditure)		<u>Nil</u>	<u>Nil</u>



Michael J. Somers
Chairman



Anne Counihan
Chief Executive Officer



15 June 2005

The statement of accounting policies and notes 1 to 9 form part of these accounts.

NATIONAL DEVELOPMENT FINANCE AGENCY

BALANCE SHEET**31 December 2004**

	Notes	2004 €	2003 €
Assets			
Debtors	4	1,700	1,500
		<hr/>	<hr/>
Liabilities			
Creditors	5	1,700	1,500
		<hr/>	<hr/>
Total Assets less Liabilities		Nil	Nil
		<hr/>	<hr/>
Representing			
Accumulated Reserves	6	Nil	Nil
		<hr/>	<hr/>


Michael J. Somers
Chairman
Anne Counihan
Chief Executive Officer**15 June 2005**

The statement of accounting policies and notes 1 to 9 form part of these accounts.

NATIONAL DEVELOPMENT FINANCE AGENCY

NOTES TO THE ACCOUNTS

1. Income

	2004 €	2003 €
Central Fund	31,700	31,500

2. Transfer to Administration Account from Income & Expenditure Account

This amount of €31,700 represents the amount required to cover the administration costs of the Agency.

3. Administration Expenses

The Administration expenses of the Agency are detailed below on an accruals basis:

	2004 €	2003 €
Fees & Expenses of Board	30,000	30,000
Audit Fees	1,700	1,500
	31,700	31,500

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the NDFA's functions amounted to €1,808,859 (2003 € 1,528,988). These NTMA costs are included in the administration expenses of the National Treasury Management Agency and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from the State Authorities.

NATIONAL DEVELOPMENT FINANCE AGENCY

NOTES TO THE ACCOUNTS

4. Debtors

	2004 €	2003 €
Central Fund	1,700	1,500
	<u>1,700</u>	<u>1,500</u>

5. Creditors

	2004 €	2003 €
Accrued Expenses	1,700	1,500
	<u>1,700</u>	<u>1,500</u>

6. Accumulated Reserves

	2004 €	2003 €
Net income for the period	-	-
Closing balance	<u>Nil</u>	<u>Nil</u>

7. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2004.

NATIONAL DEVELOPMENT FINANCE AGENCY

NOTES TO THE ACCOUNTS

8. Related parties

Minister for Finance

The members of the Board of the National Development Finance Agency as given on page 3, were appointed by the Minister for Finance under section 12 of the Act.

Under section 7 of the Act the Minister may guarantee the repayment of borrowings of the Agency or any special purpose company formed by the Agency in the performance of its activities. No such guarantees have been given during the period.

9. Approval of Financial Statements

The financial statements were approved by the Board on 1 February 2005.