



National Development Finance Agency

TUARASCÁIL BHLIANTÚIL 2008



CONTENTS

Board Members	3
Overview	5
Progress on Projects Where NDFA Acts:	
As Procuring Authority & Financial Adviser	9
As Financial Adviser	15
NDFA Board	19
Appendix 1	
NDFA – Role and Functions	21
Appendix 2	
List of State Authorities	23
Financial Statements	25



Gníomhaireacht Náisiúnta
d'Fhorbairt Airgeadais

National Development
Finance Agency

Mr. Brian Lenihan TD
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2

29 June 2009

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 2008 to 31 December 2008.

Yours sincerely

Michael J Somers
Chairman

Foirgneamh an Chisteáin, Sráid na Canálach Móire, Baile Átha Cliath 2, Éire
Guthán 353 1 664 0800 Facs 353 1 676 6582
Ríomhphost info@ndfa.ie Suíomh Gréasáin www.ndfa.ie

Treasury Building Grand Canal Street, Dublin 2, Ireland
Telephone 353 1 664 0800 Facsimile 353 1 676 6582
Email info@ndfa.ie Web www.ndfa.ie

BOARD MEMBERS



Dr Michael J. Somers
(Chairman)



Mr Adrian Kearns¹
(Chief Executive)



Mr Brian Murphy²
(Chief Executive)

Michael J. Somers (Chairman)

Chief Executive
National Treasury Management Agency

Adrian Kearns (Chief Executive)¹

Director of HR
National Treasury Management Agency

Brian Murphy (Chief Executive)²

Director
National Treasury Management Agency



Mr Fred Barry



Mr Liam Berney



Ms Ann Fitzgerald

Fred Barry

Chief Executive
National Roads Authority

Liam Berney

Industrial Officer
Irish Congress of Trade Unions

Ann Fitzgerald

Chief Executive Officer
National Consumer Agency



Mr Stewart Harrington



Mr Tony Jones



Mr Peter McManamon

Stewart Harrington

Director
Killeen Properties Limited

Tony Jones

Business Consultant

Peter McManamon

Chairman
Ceva Inc

The Board met on four occasions during 2008.

¹ Adrian Kearns was Chief Executive Officer to 31 December 2008.

² The Minister for Finance appointed Brian Murphy to the Board on 12 January 2009.
The Board appointed him as Chief Executive Officer on 20 January 2009.



OVERVIEW

The National Development Finance Agency (NDFA) has been providing financial advice to State Authorities undertaking major infrastructure projects since its establishment in 2003. To date, a total of 129 projects have been referred for financial advice to the NDFA. It has completed its advice on 41 projects with a combined capital value of over €6 billion, 21 of which are Public Private Partnerships (PPPs). NDFA is currently working on over 50 active projects in conjunction with the Sponsoring Departments/Agencies.

In addition to providing financial advice on all projects referred, the NDFA is also the designated procurement authority for ten of these projects. Of these ten projects, three have been formally handed over to the NDFA for procurement – involving two discrete bundles of schools and the redevelopment of the National Concert Hall.

During 2008 and in the first half of 2009, the NDFA experienced a number of significant developments:

- 1** The First Bundle of Schools referred to the NDFA for procurement reached financial close on 6 March 2009. These schools in Counties Laois and Offaly will provide 2,700 pupil places. Construction works have commenced on site with all four schools due to be completed by September 2010.
- 2** The Second Bundle of Schools was advertised to the market in May 2008 and three consortia were shortlisted in September 2008. Tenders are due to be received in July 2009.
- 3** The National Concert Hall was handed over to the NDFA for procurement in May 2008 and notice of the competition was published in the OJEU that month. Three consortia were shortlisted in September 2008. Tenders are due to be received in Quarter 3 2009.
- 4** In 2008, Value for Money opinions were issued in respect of the following projects:
 - National Cancer Control Programme — Phase 1
 - National Broadband Scheme
- 5** The NDFA continues to provide financial advice on a number of high profile infrastructure projects. Among these are Metro North, the DART Underground (Heuston Station to Docklands) and Thornton Hall Prison. In addition, the NDFA is working closely with Dublin City Council and other local authorities on a number of projects in the waste and water sectors.
- 6** The construction of a number of the projects on which the NDFA has completed its advice progressed to an advanced stage over the last 12 months. The Courts of Criminal Justice at Parkgate Street are planned to be operational by the end of the year, 3 months ahead of schedule. On the Dublin quays, the Convention Centre Dublin is already a landmark building and is due to be completed in 2010. The superstructure of the new Aviva Stadium at Lansdowne Road is substantially complete with less than 12 months to go to full completion. The stadium has also been awarded the hosting of the prestigious UEFA Europa League Final in May 2011. Work on the stadium is on schedule for completion in April 2010. The Limerick Shannon Tunnel involves innovative construction techniques and made history in Ireland in 2008 with the immersion of the tunnel segments in the River Shannon.





Challenges Ahead

The current global financial crisis is having an impact on the funding of all capital investments, including Public Private Partnership projects, in all countries. Despite this, projects continue to reach financial close demonstrating that the PPP model is still considered to be robust. The success of the market in the future will be a function of the ability of the public sector and the private sector lenders to respond to the new challenges. The NDFA would expect the momentum in PPPs to regain traction as conditions in the financial markets stabilise.

There is no doubt that the challenging fiscal position Ireland faces will have an impact on overall capital spending over the medium term. The Supplementary Budget April 2009 indicates that the Government is still committed to maintaining high levels of public capital investment. The Budget indicated that there may be scope to access significant private funds for infrastructure projects. The NDFA is assisting the Department of Finance in exploring how private pension funds might support the provision of infrastructure through long term funding mechanisms.

*Liffey Valley Bridge —
Artist impression*



PROGRESS ON PROJECTS WHERE NDFA ACTS AS PROCURING AUTHORITY & FINANCIAL ADVISER

Education PPP Programme

Schools PPP Programme: Overview

There are three bundles identified to date as part of the plan by the Department of Education & Science to provide 23 new post-primary schools and 4 new primary schools through PPP. The NDFA is providing financial advice and is responsible for all aspects of delivering the procurement of the individual projects within this €320 million programme.

First PPP Bundle of Schools

The First Schools' Design Build Finance and Maintain (DBFM) PPP Bundle involves the replacement of six existing schools with four new schools located in Laois and Offaly. These schools will provide 2,700 pupil places.

Macquarie Partnerships for Ireland (MPFI) was appointed Preferred Tenderer in October 2007. This project reached financial close on 6th March 2009. Work started on all sites immediately following contract award and the schools are on programme for the target service commencement date of September 2010.

The NDFA is currently progressing the administration of the design and build phase of the PPP contract prior to handing back the finished schools to the Department of Education & Science.

The NDFA is responsible for monitoring the delivery of the schools, including oversight of the certification process that demonstrates compliance with the contract requirements.

Second PPP Bundle of Schools

The Second Bundle consists of six schools (including one primary school) in Cork, Limerick, Kildare, Wicklow and Meath which will provide accommodation for approximately 4,700 students. This project was handed over by the Department to the NDFA for procurement in May 2008.

Three consortia were shortlisted in September 2008. This procurement remains on programme to receive tenders in July 2009 with an announcement on the appointment of the Preferred Tenderer anticipated in autumn 2009. Financial close and contract award are planned for the first half of 2010, subject to the outcome of the Planning process.

Third Bundle of Schools

The Third Bundle of Schools comprises seven schools in Counties Donegal, Leitrim, Galway, Wexford, Waterford and Westmeath. The current indicative timeframe from the Department of Education & Science for these schools to become operational is late 2012. Pre-procurement activities for these schools has commenced and the NDFA expect to be in a position to issue the OJEU notice in Quarter 4 of 2009.



Third Level Education PPP Programme

Project planning and pre-procurement activities have now commenced on preparing a €270 million programme of Third Level accommodation projects to be delivered by PPP. The NDFA will provide financial advice on these projects as well as manage their procurement and delivery on behalf of the Minister for Education & Science.

Up to 17 individual development projects across 9 separate campus locations are to be bundled into 3 separate PPP contracts.

First PPP Bundle of Third Level Education Facilities

The Minister for Education & Science announced the bundling selection for this programme on 15 January 2008. Pre-procurement work on the first bundle is substantially complete. Outline planning permission has been received for each of the four sites. The project is expected to be handed over to the NDFA for procurement from the Department of Education & Science in summer 2009.

The First PPP Bundle of Third Level Institutions is planned to comprise library facilities at Cork Institute of Technology, University of Limerick and Limerick Institute of Technology, together with new facilities at Dun Laoghaire Institute of Art, Design & Technology.

Second and Third PPP Bundles

Pre-procurement work on the second bundle (IT Tallaght and Waterford IT) commenced in September 2008. Work on Outline Planning Permission is in progress. The project is expected to be handed over to the NDFA for procurement in Quarter 3 2009.

Pre-procurement work on a third bundle is anticipated to start later this year.





Arts, Sport and Tourism

National Concert Hall Redevelopment

The National Concert Hall is one of the State's key cultural institutions. It is planned to redevelop the site at Earlsfort Terrace to provide for a new 2,050 seat concert auditorium, refurbishment and enhancement of the existing 1,000 seat auditorium and a new, smaller hall for approximately 400 persons.

This project was handed over from the Department of Arts, Sports and Tourism to the NDFA for procurement in May 2008. Notice of the competition was published in the OJEU that month and a market launch day took place in June 2008.

Following the evaluation of all Expressions of Interest, three consortia were shortlisted. The Invitation to Participate in Dialogue documentation was issued in September 2008. Stage Two detailed submissions were received in May 2009 from two of the participants following the withdrawal of one of the consortia in April. Tenders are due to be received in Quarter 3 2009, with an announcement on the appointment of the Preferred Tenderer anticipated in the late autumn. Financial close and contract award are planned for early 2010, subject to the outcome of the Planning process.

Abbey Theatre Redevelopment

A new theatre house for the Abbey Theatre is proposed to be located on the site provided by the Dublin Docklands Development Authority at George's Dock, Dublin. The new development will incorporate a new, larger playhouse and two smaller theatres including a new Peacock Theatre.

The Office of Public Works is progressing arrangements for an International Design Competition as a pre-cursor to the development of the Project by way of PPP. On successful completion of this Competition, the standard pre-procurement work will take place, including the Output specification, Risk workshops and the Public Sector Benchmark. On completion of the latter and the finalisation of all policy matters the project will be handed over to the NDFA for procurement.

The NDFA will be responsible for all aspects of the PPP procurement, as well the provision of financial, risk and insurance advice on the project.



Justice, Equality & Law Reform

Bundle of Courthouses

The Courts Service is planning for the redevelopment of three court locations at Cork, Letterkenny and Limerick by way of PPP, which development will be procured by NDFA. The Courts Service has identified preferred options for redevelopment for each site, namely to redevelop the existing site for Cork in respect of the Cork District Court and to build new centralised facilities at sites in Letterkenny (District and Circuit Courts) and Limerick (District, Circuit and Central Criminal Courts).

The project is currently in the detailed appraisal stage and the NDFA expects it to be handed over for procurement within twelve months. The NDFA has provided financial advice on the detailed appraisal and will continue to provide the full suite of financial advice throughout the project.

Health Service Executive

National Plan for Radiation Oncology

The National Plan for Radiation Oncology ("NPRO") involves the procurement of a network of facilities for the delivery of radiation oncology services in a number of centres in Ireland as part of the National Cancer Strategy.

The NPRO comprises two principal work streams, consisting of Phases 1 and 2. Phase 1 refers to the treatment facilities that are being procured by traditional means and Phase 2 refers to the facilities that are to be procured by PPP. The Phase 2 PPP Project will be handed over to the NDFA for procurement later this year.

The Phase 1 project design & construction contract has been awarded by the HSE to BAM Group. Planning permission has been granted for the two hospital sites concerned at St. James's Hospital and Beaumont Hospital, and site development has commenced.

The Phase 2 Project is currently being scoped under the guidance of the Interim Director of the National Cancer Control Program ("NCCP"), Professor Tom Keane. Preparation of the Public Sector Benchmark has commenced and this is due for finalisation before the end of Quarter 3 2009. The Project is on schedule to deliver the full network by 2014.

Proposed Greater Dublin Integrated Transport Network



PROGRESS ON PROJECTS WHERE NDFA ACTS AS FINANCIAL ADVISER

Transport – Railways

Metro North

The planned 18km Metro North line will connect Swords to St Stephen's Green in Dublin City Centre, serving Dublin Airport and providing an important commuter link on the north side of Dublin. The Metro will interchange with the Luas Red and Green lines as well as the DART and suburban rail services.

The project is divided into two contracts. The Infrastructure Contract will have a design, build, maintain and finance structure and will cover all the infrastructure and rolling stock. The Operating Contract covers light maintenance and operation of the Metro.

The Tender documents were issued to the four shortlisted consortia by the Railway Procurement Agency (RPA) in May 2008. Tender submissions were received in February 2009. It is expected that negotiations between the RPA and the shortlisted Tenderers will commence by mid 2009 and that two of the consortia will participate in a Best and Final Offer (BAFO) stage later in 2009. The indicative timing for a Preferred Bidder to be announced is Quarter 1 2010. Signing of the contract is planned for mid 2010.

In April 2009, An Bord Pleanála's Inspector announced a temporary adjournment to the Metro North Oral Hearing after the completion of Module 1 (RPA's evidence), to allow evidence and supporting data to be considered.

The NDFA has assisted the RPA and its Project Board in the financial evaluation of prospective candidates and the finalisation of the Public Sector Benchmark. It is currently assisting with the financial aspects of the tender process.

Metro West

The RPA selected the preferred route corridor for Metro West in July 2007. It will link Tallaght, Clondalkin and Blanchardstown and will interchange with the Luas Red line, the Kildare and Maynooth suburban rail lines and with Metro North.

RPA has received approval from the Department of Transport to commence the design and planning phase activities (i.e. compilation of Public Sector Benchmark and Risk Contingencies/ Register) for Metro West. A separate approval to proceed with the procurement process is not expected until later in 2009. Based on this expectation, RPA's current delivery programme suggests that the project could be delivered by late 2015.

NDFA are advising the RPA on the financial aspects of this project.

DART Underground (Heuston Station to Docklands)

The DART Underground - Dublin's Interconnector - is a second, high-capacity DART line which will run underground through the city centre. It will provide the rail network with enhanced capacity allowing for a substantial increase in the number of trains that may run on all rail routes leading into Dublin. The 5.2 kilometre tunnel will link the Northern line to the Kildare line, with underground stops expected to be provided at Docklands, Pearse, St Stephen's Green, Christchurch and Heuston. Final details of the scheme are the subject of a review being undertaken by CIE/ Iarnród Éireann.

CIE/Iarnród Éireann referred this project to the NDFA in July 2008 for financial and risk advice. The NDFA is currently assisting CIE in devising a commercial structure for the delivery of the Project which has the potential to offer Value for Money to the Exchequer. The NDFA is also preparing the procedures and methodology for the risk workshops.

Transport – Roads

Motorway Service Areas

With the introduction of long lengths of motorways and high quality dual carriageways, as part of the enhancement of the State's Road Infrastructure, service areas are being provided by the National Roads Authority to cater for all road users who wish to rest during their journeys and/or to avail of fuel, toilet and food facilities. This is an important step in improving road safety.

This project relates to the first tranche of three service areas to be procured, two on the M1 motorway and one on the M4. This is a design, build, operate and finance project and is being procured by Competitive Dialogue.

The PSB was approved in October 2008. Tenders were received from the remaining two Tenderers in mid 2009 with contract close scheduled for later in 2009.

Second PPP Roads Programme

The indicative list of NRA's Second PPP Roads Programme is:

- N17/N18 Gort to Tuam
- N7/N11 Arklow/ Rathnew/ Newlands Cross
- N11/N25 Enniscorthy Bypass/ New Ross Bypass
- N6 Galway City Bypass

A prequalification questionnaire has been issued by the NRA for the first scheme, the N17/N18 Gort to Tuam Project, with submissions from interested parties received in April 2009. The NDFA has completed the financial elements of the prequalification evaluation and four candidates were shortlisted in June 2009. Contract close for this scheme is anticipated in mid 2010.



Justice, Equality and Law Reform

Mountjoy Prison Replacement / Thornton Hall Prison

The Irish Prison Service plans to develop a new prison at a site at Thornton Hall, County Dublin which will replace a number of outdated prison establishments at the Mountjoy Prison complex, Dublin.

Following a competitive tender process, the Léargas consortium, consisting of Barclays Private Equity, Global Solutions Limited and Michael McNamara & Co, was selected as the preferred tenderer in May 2007. Planning Permission was granted for the scheme in July 2008 by the Prison Development Act 2008.

The Irish Prison Service announced in May 2009 that it had broken off negotiations with Léargas. Following this development, the Government announced in June 2009 that Phase One of the project, comprising essential basic work required for the development, would commence in the short term. The procurement of the main prison complex will take place while the construction of Phase One is underway.

Education

UCD Gateway Project

Following an architectural competition to develop an internationally recognisable signature image for the Belfield campus, University College Dublin (UCD) announced in July 2007 the appointment of Ingenhoven from Germany. In conjunction with the architectural competition, UCD commenced a process to acquire a commercial partner to develop the winning design for the mixed-use development.

The tender documentation for the selection of the Commercial Partner was issued in late September 2008. However, the competition has since been put on hold by UCD due to the deterioration in market conditions and a review of the Project by UCD is now ongoing.

The NDFA is lead financial adviser to UCD and assisted the Project Board in the preparation of a Public Sector Benchmark equivalent and tender documentation.

Health Service Executive

National Integrated Medical Imaging System ("NIMIS")

The overall objective of the NIMIS project is to deliver a filmless, paperless integrated solution for radiology and cardiology imaging on a nationwide basis. It is intended to facilitate the controlled and rapid movement of patient image data throughout the health service.

This project is being procured by the HSE and was referred to NDFA for Financial Advice in May 2008. A Request for Expressions of Interest in the project was issued by HSE in July 2008 and submissions were received in September 2008. The NDFA assisted with the financial evaluation of the submissions received and five bidders were shortlisted.

It has also advised the HSE on the preparation of the risk register and the project cost budget. Tenders were received in May 2009 and are currently being evaluated by the HSE.

Communications, Energy & Natural Resources

Metropolitan Area Network phase II ("MSE II")

This project will enable broadband to be brought to a significant number of towns nationwide, which do not have sufficient broadband connectivity. Tenders were received by the Department for Communications, Energy and Natural Resources for the "MSE II" in February 2008, and the Preferred Tenderer was appointed in June 2008. The financial evaluation was conducted by the NDFA. This project will be substantially funded from third party income.

Commissioners of Public Works

Midlands Decentralisation PPP Project 1 (Carlow, Mullingar and Portlaoise)

This PPP project is being procured by the Commissioners of Public Works, with NDFA acting as financial adviser. Macquarie Partnerships for Ireland was appointed as Preferred Tenderer in January 2008. All three sites received Planning Permission in 2008. The Preferred Tenderer is currently negotiating with potential funders and financial close is expected to be achieved later in 2009.



NDFA BOARD

The ex-officio Chairman of the Board is the Chief Executive Officer 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 NDFA.

On 31 December 2008, Adrian Kearns resigned from the Board of the NDFA and as Chief Executive Officer.

On 12 January 2009, the Minister appointed Brian Murphy, of the National Treasury Management Agency, to the Board to replace Mr Kearns. On 20 January 2009, the Board appointed Brian Murphy as Chief Executive Officer.

The Chairman and the Chief Executive Officer of the NDFA 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 NDFA, the cost-effectiveness and efficiency of the NDFA, and the systems, procedures and practices employed by the NDFA. Evidence was given to the Committee on 19 June 2008 and 14 May 2009.

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



APPENDIX 1

National Development Finance Agency – Role and Functions

The National Development Finance Agency (NDFA) was established on 1 January 2003 in accordance with the National Development Finance Agency Act 2002. Its primary function under that Act is to provide a financial advisory service to State Authorities in respect of capital projects over a certain size – at present €30 million – under guidelines issued by the Minister for Finance. All projects being procured by way of Public Private Partnerships (PPPs) must be referred to the NDFA for advice.

Prior to the establishment of the NDFA, there was no established project finance expertise available to the Government. Instead, groups of consultants and other experts were brought together 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 NDFA has the legal authority to borrow and advance up to €5 billion in respect of projects approved by any State Authority, to form companies for the purposes of financing a public investment project and to advance moneys to such companies. So far it has not been required to provide funding directly.

The NDFA (Amendment) Act 2007 significantly expanded the role of the Agency to include the actual procurement of certain public capital projects by way of PPP. The Act also increased the number of Board members of the NDFA from a Chairperson and four ordinary members to a Chairperson and seven ordinary members.

With the passing of the 2007 Act, the NDFA's procurement remit was formalised. The first project referred to the NDFA for procurement, Schools Bundle 1, reached financial close in March 2009 and these schools are now under construction.

The areas excluded from the NDFA's procurement remit are transport projects

which are already provided for in the mandates of the National Roads Authority and the Railway Procurement Agency, as well as certain local authority PPPs.

The rationale for the decision to assign the above functions to the NDFA was:

- the need to have a central and enduring professional expertise available to the State Authorities
- the recognition that the requirement for Government capital projects would have to be matched by a developed institutional expertise and
- the fact that the NTMA was already managing a number of significant financial businesses on behalf of the State.

The procurement function complements the financial advisory function already established within the NDFA and is also governed by guidelines issued by the Minister for Finance.

There are currently 19 fulltime in-house professionals providing financial and risk advice.

A technical project procurement and management group has been established comprising 17 Project Management staff. There are also two in-house legal advisors. The total headcount in the NDFA at June 2009 was 41 including the senior management team of three.

Centre of Expertise Projects

The relevant State Authorities retain responsibility for all aspects of the assessment and approval of each project, [including the decision on the procurement method] and finalisation of consultations with all key stakeholders. The NDFA undertakes the procurement of a project after all policy issues are cleared, site and title issues are resolved, output specifications are set and the Public Sector Benchmark and budget for the project has been signed off by the State Authority. The NDFA continues to act as

financial and risk advisers to State Authorities during the appraisal and planning stages.

In fulfilling its new role as a procuring authority, the NDFA coordinates the management of the Centre of Expertise projects through its project management group. The project management group coordinates the technical, financial and legal inputs that contribute to the procurement, the construction monitoring and the hand-back phases of the PPP project, and will maintain the NDFA's ongoing liaison with the State Authority.

An overview of services provided by NDFA includes:

- financial, risk and insurance advice
- preparing contract documents
- going to tender for the project
- pre-qualification of bidding consortia
- evaluation of tenders
- selection of preferred bidders
- contract negotiations
- signing the contracts on behalf of the Government Department/State Agency
- monitoring the construction of the project
- administering the contract to "turnkey stage" and hand-back over a staged transition period to the Sponsoring Agency

In performing its duties, the NDFA is required to have due regard to the guidance and directions issued by the Minister for Finance in relation to the financing and procurement of public investment projects, in particular the Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector (2005), the National Procurement Policy Framework (2005), the Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships (2006) and the Framework for Public Private Partnerships (2001).

APPENDIX 2

The following is a list of the State Authorities that currently are obliged to consult the NDFA for financial advice in respect of major public investment projects.

**State Authorities as listed in the
Schedule to the NDFA (Amendment)
Act 2007:**

1. A Minister of the Government
2. A local authority
3. The Commissioners of Public Works in Ireland
4. The National Roads Authority
5. The Health Service Executive
6. A university within the meaning of the Universities Act 1997, other than Trinity College and the University of Dublin
7. The Dublin Institute of Technology
8. A college within the meaning of section 2 of the Regional Technical Colleges Act 1992
9. A vocational education committee within the meaning of section 7 of the Vocational Education Act 1930
10. Courts Service
11. A harbour authority within the meaning of the Harbours Acts 1946 to 1976
12. Bus Átha Cliath – Dublin Bus
13. Bus Éireann – Irish Bus
14. Córas Iompair Éireann
15. The Railway Procurement Agency
16. Digital Hub Development Agency
17. Any public authority standing prescribed by order



FINANCIAL STATEMENTS

The NDFA provides advice to State Authorities on the procurement, delivery and financing of projects. However, these projects remain on the balance sheet of the relevant Department and do not appear in the NDFA's accounts. The allocations for the relevant Departments for PPP projects are found in the multi-annual allocations in the Budget.

Section 20 of the National Development Finance Agency Act, 2002 obliges it to keep, in such form, as may be determined by the Minister for Finance, all proper and usual accounts. The accounts have to include a separate account of the administration fees and expenses incurred by the NDFA in the performance of its functions. However, as explained above, the staff who work on NDFA matters are exclusively employed by the National Treasury Management Agency.

The administration expenses incurred by the NDFA in 2008 and 2007 are as follows.

	2008	2007
	€	€
Fees & Expenses of Board	84,000	84,000
Audit Fees	<u>6,000</u>	<u>6,000</u>
	<u>90,000</u>	<u>90,000</u>

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the NDFA's functions in 2008 amounted to €7,664,528 (2007: €4,354,451). These 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.

FINANCIAL STATEMENTS OF THE NATIONAL DEVELOPMENT FINANCE AGENCY

For the year ended 31 December 2008

Board Members and Other Information	28
Statement of Agency's Responsibilities	29
Statement on the System of Internal Financial Control	30
Report of the Comptroller and Auditor General for Presentation to the Houses of the Oireachtas	32
Accounting Policies	34
Income & Expenditure Account	35
Administration Account	36
Balance Sheet	37
Notes to the Accounts	38

BOARD MEMBERS AND OTHER INFORMATION

Board Members

Michael J. Somers – Chairman

Brian Murphy * – Chief Executive Officer

Fred Barry

Liam Berney

Ann Fitzgerald

Stewart Harrington

Tony Jones

Peter McManamon

Auditors

Comptroller & Auditor General

Dublin Castle

Dublin 2

* Adrian J Kearns served as Chief Executive Officer to his retirement from the Board on 31 December 2008. Brian Murphy was appointed Chief Executive Officer on 20th January 2009.

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

10 June 2009



Brian Murphy
Chief Executive Officer
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 NTMA").

The Board in conjunction with the NTMA has taken steps to ensure an appropriate control environment with respect to the NDFA by:

- clearly defining management responsibilities;
- establishing formal procedures for the conduct of business by the NDFA;
- establishing the NDFA Code of Conduct for the Management of Conflicts of Interest;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

A formal risk assessment has been prepared, with a view to identifying the main business risks facing the NDFA. A risk register has been prepared which records the risks identified together with the controls which have been put in place to mitigate the impact of the key controllable risks. A risk management policy has been approved by the NDFA Board.

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 NDFA which are borne by the NTMA other than NDFA Board costs;
- regular reviews of periodic and annual financial reports which compare financial performance against forecasts;
- setting targets to measure financial and other performance;
- formal project management disciplines ;
- clearly defined policy on procurement.

KEY CONTROL PROCEDURES (CONTD.)

The NTMA 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 NDFA is exposed, and annual internal audit plans are based on this analysis. At least annually, the Internal Auditor provides the NTMA and the NDFA Board 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 NTMA'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 NTMA 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. In addition a member of NDFA Board sits on the NTMA Audit Committee representing the NDFA Board's interests and he keeps the NDFA Board informed of such matters as are relevant to the NDFA.

Annual Review of Controls

For the year ended 31 December 2008, the Internal Auditor has conducted a review of the effectiveness of the system of internal financial controls and has reported this to the NDFA Board.



Michael J. Somers
Chairman
National Development Finance Agency

10 June 2009



Brian Murphy
Chief Executive Officer
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 of the National Development Finance Agency for the year ended 31 December 2008 under the National Development Finance Agency Act 2002.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Income and Expenditure Account, the Administration Account, the Balance Sheet and the related notes.

Respective Responsibilities of the Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Development Finance Agency Act 2002, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Agency's compliance with the Code of Practice for the Governance of State Bodies 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. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with 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 International Standards on Auditing (UK and Ireland) 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 and regularity of the financial transactions included 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 in order 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, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Agency's affairs at 31 December 2008 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.



John Buckley
Comptroller and Auditor General
17 June 2009

ACCOUNTING POLICIES

Background

The National Development Finance Agency (the “NDFA”) 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 2008.

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.

Under the National Development Finance Agency Act, 2002, only direct costs incurred by the National Development Finance Agency are charged to the Income and Expenditure Account. All other administration costs are incurred by the National Treasury Management Agency and are disclosed by way of note only.

Fees and expenses incurred in respect of the Agency’s financing and advisory functions are charged to the Income and Expenditure account and are re-imbursed by the relevant State Authority.

INCOME & EXPENDITURE ACCOUNT

for the year-ended 31 December 2008

	Notes	2008 €	2007 €
Income	1	2,410,730	1,967,862
Project fees and expenses	2	(2,320,730)	(1,877,862)
Transfer to Administration Account	3	(90,000)	(90,000)
Net Income for the period		Nil	Nil



Michael J. Somers
Chairman
National Development Finance Agency
10 June 2009



Brian Murphy
Chief Executive Officer
National Development Finance Agency

The statement of accounting policies and notes 1 to 11 form part of these accounts.

ADMINISTRATION ACCOUNT

for the year-ended 31 December 2008

	Notes	2008 €	2007 €
Transfer from Income & Expenditure Account	3	90,000	90,000
Administration expenses of Agency	4	(90,000)	(90,000)
Net income\expenditure		<u>Nil</u>	<u>Nil</u>



Michael J. Somers
Chairman
National Development Finance Agency
10 June 2009



Brian Murphy
Chief Executive Officer
National Development Finance Agency

The statement of accounting policies and notes 1 to 11 form part of these accounts.

BALANCE SHEET

31 December 2008

	Notes	2008 €	2007 €
Assets			
Debtors	5	446,455	674,139
Liabilities			
Creditors	6	446,455	674,139
Total Assets less Liabilities		Nil	Nil
Representing			
Accumulated Reserves	8	Nil	Nil



Michael J. Somers
Chairman
National Development Finance Agency
10 June 2009



Brian Murphy
Chief Executive Officer
National Development Finance Agency

The statement of accounting policies and notes 1 to 11 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Income

	2008 €	2007 €
Reimbursement from State Authorities of advisory expenses	2,320,730	1,877,862
Central Fund (note 7(a))	<u>90,000</u>	<u>90,000</u>
	<u>2,410,730</u>	<u>1,967,862</u>

2. Project fees and expenses

Under the National Development Finance Agency (Amendment) Act 2007, fees and expenses incurred by the Agency in the performance of its financing and advisory functions in relation to specific public investment projects are charged to expenditure.

	2008 €	2007 €
Consultancy fees	1,506,431	1,340,107
Legal fees	<u>814,299</u>	<u>537,755</u>
	<u>2,320,730</u>	<u>1,877,862</u>

3. Transfer to Administration Account from Income & Expenditure Account

This amount of €90,000 represents the amount required to cover certain administration costs of the Agency.

4. Administration Expenses

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

	2008 €	2007 €
Fees & expenses of the Board	84,000	84,000
Audit fees	<u>6,000</u>	<u>6,000</u>
	<u>90,000</u>	<u>90,000</u>

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 €7,664,528 (2007 : €4,354,451). 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.

4. Administration Expenses (Contd.)

The total cost of the operation of the Agency in the year was €10,075,258 (2007: €6,322,313), funded as follows:

	2008 €	2007 €
Project fees and expenses, recharged to State Authorities	2,320,730	1,877,862
Administration fees and expenses charged by the Agency to the Central Fund	90,000	90,000
Administration fees and expenses borne by the NTMA and charged to the Central Fund	<u>7,664,528</u>	<u>4,354,451</u>
	<u>10,075,258</u>	<u>6,322,313</u>

5. Debtors

	2008 €	2007 €
Receivable from State Authorities	410,516	580,155
Receivable from the NTMA	23,939	82,484
Central Fund	<u>12,000</u>	<u>11,500</u>
	<u>446,455</u>	<u>674,139</u>

6. Creditors

	2008 €	2007 €
Amounts due to Central Fund (note 7(b))	33,113	483,631
Consultancy and legal fees payable	367,193	117,930
Professional Services withholding tax payable	40,149	66,578
Accrued Expenses	<u>6,000</u>	<u>6,000</u>
	<u>446,455</u>	<u>674,139</u>

NOTES TO THE ACCOUNTS (CONTD.)

7. Central Fund

(a) The Administration expenses of the NDFA are drawn from the Central Fund. The accounts are prepared on an accruals basis. The Central Fund Income is reconciled to cash drawn for expenses as follows:

	2008 €	2007 €
Amounts drawn from Central Fund	89,500	104,526
Increase / (decrease) in Central Fund debtor	500	(14,526)
Administration Expenses (Note 4)	<u>90,000</u>	<u>90,000</u>

(b) Amounts are advanced from the Central Fund to fund the payment of external advisory fees and expenses incurred by the Agency in the performance of its financing and advisory functions in relation to specific public investment projects. These fees and expenses are reclaimed from State Authorities and the amounts advanced are repaid to the Exchequer. The movement in amounts advanced to the NDFA during the period is explained as follows:

	2008 €	2007 €
Opening balance	483,631	—
Amounts advanced during the period	1,731,030	1,487,335
Amounts repaid during the period	<u>(2,181,548)</u>	<u>(1,003,704)</u>
Amounts due to Central Fund at end of period (Note 6)	<u>33,113</u>	<u>483,631</u>

8. Accumulated Reserves

	2008 €	2007 €
Net income for the period	—	—
Closing balance	<u>Nil</u>	<u>Nil</u>

9. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2008.

10. 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.

National Treasury Management Agency

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 NTMA").

11. Approval of Financial Statements

The financial statements were approved by the Board on 20th May 2009.

NOTES

