



National Development Finance Agency

ANNUAL REPORT 2009

CONTENTS

BOARD MEMBERS	3
NDFA ROLE & FUNCTIONS	5
OVERVIEW 2009	6
PROGRESS ON PROJECTS WHERE NDFA ACTS:	
AS PROCURING AUTHORITY & FINANCIAL ADVISOR	10
AS FINANCIAL ADVISOR	14
NDFA GOVERNANCE	19
APPENDICES	
LIST OF STATE AUTHORITIES	21
FINANCIAL STATEMENTS	23



Gníomhaireacht Náisiúnta
d'Fhorbairt Airgeadais

National Development
Finance Agency

30 June 2010

Mr. Brian Lenihan TD
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 2009 to 31 December 2009.

Yours sincerely,

John C. Corrigan
Chairman

BOARD MEMBERS



John C. Corrigan (Chairman)

Chief Executive

National Treasury Management Agency

Brian Murphy (Chief Executive Officer)

Director

National Treasury Management Agency



Fred Barry

Chief Executive Officer

National Roads Authority

Liam Berney

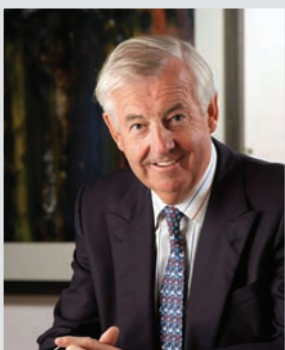
Industrial Officer

Irish Congress of Trade Unions

Ann Fitzgerald

Chief Executive Officer

National Consumer Agency



Stewart Harrington

Director

Killeen Properties Limited

Tony Jones

Business Consultant

Peter McManamon

Chairman

Ceva Inc

The Board met on 6 occasions during 2009.



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 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), regardless of size, must be referred to the NDFA for advice. The NDFA performs its functions through the National Treasury Management Agency (NTMA).

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. To date 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 all PPP public capital projects except transport projects, which are already provided for in the mandates of the relevant transport State Authorities, and local authority PPPs. 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.

Total staffing in the NDFA is currently 47, approximately half of whom provide financial advisory services and half provide project management services.

The key services provided by NDFA include:

- financial, risk and insurance advice
- preparation of Public Sector Benchmarks
- preparing contract documents
- going to tender for the project
- prequalification of bidding consortia
- evaluation of tenders
- selection of Preferred Tenderers
- contract negotiations
- assessment of Value for Money
- signing PPP 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).

OVERVIEW 2009

The NDFA has completed its advice on 48 projects with a combined capital value of over €6.5 billion, 26 of which are PPPs. The 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 to it, the NDFA is also the designated procurement authority for eleven of these projects. Of these eleven projects, four have been formally handed over to the NDFA for procurement – involving two discrete bundles of schools, the redevelopment of the National Concert Hall and the first bundle of Third Level Institutions.

Progress has been made in a substantial number of areas by the NDFA during 2009 and in the first half of 2010, some highlights of which are as follows:

- The First Bundle of Schools referred to the NDFA for procurement reached financial close in March 2009. These four schools in Counties Laois and Offaly will provide 2,700 pupil places. Construction works on all sites are well advanced and these schools are due to be occupied by September 2010.
- The Second Bundle of Schools referred to the NDFA reached financial close in June 2010. Construction work on all sites commenced immediately after contract signing. These six schools will provide accommodation for approximately 4,700 students and are due to be occupied by November 2011.

- The National Concert Hall was handed over to the NDFA for procurement in May 2008. The ongoing credit market volatility has led to challenges on this procurement and the NDFA initiated a switch in the procurement procedure to ensure the competition was able to continue. Two candidates have been shortlisted and tenders have been evaluated. A decision is expected shortly from the Sponsoring Department.

- The First Bundle of Third Level Institutions comprises educational 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. It was handed over to the NDFA for procurement in July 2009. Three candidates have been shortlisted and final Tenders are due for submission in July 2010. It is anticipated that contract award will take place in early 2011.



In 2009 and to date in 2010, Value for Money opinions were issued in respect of the following projects:

- First Bundle of Schools
- Second Bundle of Schools
- National Integrated Medical Imaging System (NIMIS)
- St Vincent's University Hospital
- Motorway Service Areas
- Fingal County Council Wastewater Treatment Scheme
- Metropolitan Area Network 2
- Midlands Decentralisation

The broad range of projects on which the NDFA provides advice is illustrated by these projects which are a mixture of PPP and traditional, in sectors as diverse as education, health, transport, environment and communications.

The NDFA continues to provide financial advice on a number of high profile infrastructure projects. Among these are Metro North, the DART Underground and Thornton Hall Prison Campus. The NDFA acts as financial advisor to the HSE on a number of significant health projects including the National Paediatric Hospital. 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.



2009 and 2010 saw the commissioning of a number of projects to which the NDFA has provided advice:

- The Criminal Courts of Justice became operational in November 2009, three months ahead of schedule.
- The landmark Convention Centre Dublin is scheduled to commence operations in August 2010. The building is owned by the State, is being operated on the State's behalf by a private sector consortium over a 25 year contract period and will revert to being operated by the State at the conclusion of this period.
- The new Aviva Stadium at Lansdowne Road was officially opened by An Taoiseach in May 2010. The State provided €191 million in funding for the development and NDFA undertook due diligence on the transaction on behalf of the Department of Tourism, Culture & Sport.
- In the health area, the roll out of the National Integrated Medical Imaging System (NIMIS) project has commenced and will deliver a filmless, paperless integrated information management solution for radiology and cardiology imaging on a nationwide basis.
- As mentioned above, the First Bundle of Schools is scheduled to open in September 2010.



Current Challenging Market Environment

The global financial crisis has adversely impacted the funding available for all investments including PPP projects in all countries. Since the financial crisis, banks have been unwilling to hold terms for longer than two to three months. There has also been a significant decrease in the number of banks providing funding for infrastructural projects although an improvement has been noted during the early part of 2010.

The NDFA has monitored these developments closely on behalf of its clients and has responded proactively to the challenges. A Preferred Tenderer funding competition, which defers the firm commitment of funding until after a Preferred Tenderer has been appointed, was introduced to some procurements to address such funding difficulties. This means that banks have to provide a funding solution to the Preferred Tenderer rather than separate groups of banks funding all tenderers, and it mitigates the unwillingness of banks to hold their terms fixed for a long period. The use of these funding competitions is reviewed by the NDFA on an ongoing basis to ensure that it is the best approach in delivering Value for Money for the current situation. This is consistent with the approach adopted in other EU countries.

An important aspect of the NDFA's work, especially in the current environment, is assessing the financial standing of the consortium members selected to deliver infrastructure projects. In addition to rigorous prequalification evaluations, performance bonds and contractual protections are incorporated in the legal agreements which provide protection to the State in the event of insolvency or default.

The PPP model is widely regarded as robust and infrastructure PPPs have survived the current economic difficulties better than most other asset classes. PPPs unlock the efficiency and innovative potential of the private sector. The risk sharing arrangements within a PPP provide a means to create incentives for both parties to increase the efficiency of projects. EU policy supports PPPs – this is outlined in a comprehensive communiqué in November 2009 from the EU Commission. The communiqué outlines the Commission's support of PPPs as a vehicle to support the delivery of infrastructure and to mobilise private and public investment for recovery and long term structural change.

There is no doubt that the challenging fiscal position Ireland faces will have an impact on capital spending over the medium term. Important benefits to the nation of continuing the capital programme are the provision of employment, retention of skills and expertise and the associated financial and economic benefits which such a stimulus provides to the economy. PPPs spread the cost of financing infrastructure over the lifetime of the asset. This means capital projects can be undertaken and their cost spread over a number of years consistent with the period of delivery of benefits from the asset.

An important recent development for Irish PPPs was the European Investment Bank's (EIB) announcement in May 2010 of its intention to support the Metro North project with up to €500 million in funding. The EIB is also one of the funders to the Second Bundle of Schools, is participating in the National Roads Authority Second Roads PPP programme and is examining other potential projects in Ireland. This support is a vote of confidence for PPPs in Ireland.

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

Education PPP Programme

Schools PPP Programme

There are three bundles identified to date as part of the plan by the Department of Education & Skills 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 €300 million programme.

First 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.

This project reached financial close with the Preferred Tenderer, Macquarie Partnerships for Ireland, in March 2009. Work started on all sites immediately following contract award and the schools are on schedule for the opening date of September 2010.

The NDFA is currently progressing the administration of the building phase of the PPP contract prior to handing back the finished schools to the Department of Education & Skills. 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 Bundle of Schools

The Second Bundle consists of six schools 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.

Following a competitive public tender process, Macquarie Partnerships for Ireland was appointed Preferred Tenderer in October 2009. Financial close and contract award was achieved in June 2010. In order to respond to the ongoing credit market volatility and to ensure progress of the project, the NDFA has implemented a successful Preferred Tenderer funding competition to secure bank funding. This progressed satisfactorily involving a combination of two commercial banks and the European Investment Bank. Construction work has started on all sites and is being monitored by the NDFA.



Third Bundle of Schools

The Third Bundle of Schools comprises eight schools in Counties Donegal, Galway, Leitrim, Limerick, Waterford, Westmeath and Wexford. The NDFA has undertaken significant pre-procurement and planning work in support of the Department of Education & Skills on this project. It will involve a combination of new and replacement schools and will provide accommodation for approximately 5,600 students. The NDFA expects to bring the project to market in July 2010.

Third Level Education PPP Programme

Project planning and pre-procurement activities have now commenced on preparing a €250

million programme of third level accommodation projects. The NDFA will provide financial advice on these PPP projects as well as manage their procurement and delivery on behalf of the Minister for Education & Skills.

Up to 15 individual development projects across 9 separate campus locations are intended to be bundled into 3 separate PPP contracts.

First Bundle of Third Level Education Facilities

The First Bundle of Third Level Institutions was handed over to the NDFA for procurement in July 2009 and is progressing well. The NDFA issued an Invitation to Negotiate in December 2009 to the three shortlisted candidates and final tenders are due for submission in July 2010. It is anticipated that the Preferred Tenderer will be appointed later in 2010 and contract award is expected in early 2011, subject to the receipt of the various full planning permissions.

Second and Third Bundles

Pre-procurement work on the second bundle, which comprises five buildings at Institute of Technology Tallaght and Waterford Institute of Technology, is substantially complete. Outline planning permissions have been granted for both sites. Formal handover of the project to the NDFA for procurement is awaited pending finalisation of the Public Sector Benchmark* and all policy issues by the Department of Education & Skills. Pre-procurement work on the third and final bundle, which comprises four buildings at Galway/Mayo Institute of Technology, Carlow Institute of Technology and NUI Maynooth, commenced in December 2009 with the development of the outline planning permission documentation and output specifications. The project is expected to be handed over to the NDFA for procurement later in 2010.

* The Public Sector Benchmark (PSB) is a single monetary value that represents the full estimated cost, taking income and risks into account, to the State Authority of delivering the project using "traditional" public sector procurement.



Tourism, Culture & Sport

National Concert Hall Redevelopment

This important cultural and tourism project was handed over from the Department of Tourism, Culture & Sport to the NDFA for procurement in 2008. The National Concert Hall (NCH) presents more than 500 music-based events a year to well over 300,000 people, and provides a home for the RTÉ National Symphony Orchestra. The redevelopment of the NCH is intended to provide three separate but inter-linked auditoria, including a new 2,050 seat concert auditorium. Two candidates have been shortlisted and tenders have been evaluated. A decision is expected shortly from the Sponsoring Department.

Abbey Theatre Redevelopment

A redevelopment of the Abbey Theatre is proposed which will incorporate a new, larger playhouse and two smaller theatres including a new Peacock Theatre. The issue of the site for the theatre is being considered by the Department of Tourism, Culture & Sport.

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. The project is due to be handed over to the NDFA after all policy and site issues are cleared, and the Public Sector Benchmark and output specifications for the project have been signed off by the Department of Tourism, Culture & Sport.

Justice & Law Reform

Bundle of Courthouses

The Courts Service is planning for the redevelopment of three court locations at Cork, Letterkenny and Limerick. The project will involve the provision of new District, Circuit and Central Criminal Courts.

The project is currently in the detailed appraisal and PPP assessment stage. 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 Control Programme.

The NPRO comprises two principal work streams, known as Phases 1 and 2. Phase 1 refers to facilities that are to be procured by traditional means and Phase 2 refers to facilities that are to be procured by PPP. Phase 2 of the project will be handed over to the NDFA for procurement. Construction is well advanced at the two hospital sites in Phase 1 at St. James's Hospital and Beaumont Hospital and is due for completion by the end of 2010.

The NDFA is working closely with the National Cancer Control Programme on the Phase 2 Project, providing the necessary financial and project management advice for this complex project. The Public Sector Benchmark was finalised in April 2010. It is expected that the project will be handed over to the NDFA during the second half of 2010 for procurement. The project is on schedule to deliver the full network of services by 2014.

PROGRESS ON PROJECTS WHERE NDFA ACTS AS FINANCIAL ADVISOR

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.

Tender submissions were received by the Railway Procurement Agency (RPA) from the shortlisted consortia in February 2009. Two of the consortia (Celtic Metro Group and Metro Express) were subsequently selected to participate in a Best and Final Offer (BAFO) stage. In April 2009, the Metro North Oral Planning Hearing was temporarily adjourned. The tender process is expected to recommence subject to the receipt of the Railway Order (planning permission) in quarter 3 2010. Financial close is scheduled for 2011. In May 2010, the European Investment Bank agreed in principle to provide up to €500 million in bank funding for the project.

Metro West

Metro West is part of the Government's Transport 21 investment programme. The preferred route corridor for this project 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.

The preparation of the Public Sector Benchmark has commenced. It is anticipated that the Railway Order application will be submitted to An Bord Pleanála later in 2010.

DART Underground (Heuston Station to Docklands)

The DART Underground 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. It will have the capacity to run DART services of 20 trains per hour in each direction and is approximately 8.7km in length, running from Docklands to a new station at Inchicore.

The NDFA is currently assisting CIE/Iarnród Éireann in compiling the risk register and Public Sector Benchmark. The NDFA has assisted in conducting a market sounding, which was performed to determine interest in the proposed commercial structure and to establish a structure which would offer best Value for Money. The OJEU contract notice and prequalification questionnaire for the project were published in May 2010. The application for the Railway Order is due to be submitted at end June 2010.



Transport – Roads

Motorway Service Areas

The Motorway Service Areas are being provided by the National Roads Authority (NRA) 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.

The first tranche of three service areas to be procured provides two service areas on the M1 motorway and one on the M4. The Preferred Tenderer, the Superstop consortium, was appointed in August 2009 and financial close was reached soon afterwards in October 2009. This is a design, build, operate and finance project and was the first major project in Ireland to be procured by the Competitive Dialogue procedure.



Second Roads PPP Programme

There are currently four schemes in the National Roads Authority Second Roads PPP programme. These projects will significantly improve safety, reduce journey times and improve connectivity within the regions in which they are located. The European Investment Bank is participating in this programme and the first three of these are now in procurement.

N17/N18 Scheme (Gort to Tuam)

This project will provide 57 kilometres of motorway and dual carriageway as part of a high quality road link between Letterkenny and Waterford (Atlantic Corridor), which is a specific objective of the National Development Plan. Tender documentation was provided in July 2009 to the four candidates who were shortlisted following the prequalification phase. In January 2010, two candidates were shortlisted to continue in the next phase of the Competitive Dialogue procurement process. Indicative financial close for this scheme is Quarter 4 2010.

N11 Scheme (Arklow, Rathnew and N7 Newlands Cross)

The N11 is a key strategic link in the national road network and the upgrade to the N11 is being procured along with the Newlands Cross junction upgrade as a single scheme. The prequalification phase of this scheme is complete and in April 2010 two candidates were shortlisted to continue in the Competitive Dialogue procurement process. Indicative financial close for this scheme is quarter 4 2010.

M11/N25 Scheme

The M11 Enniscorthy Bypass and the N25 New Ross Bypass form part of the Transport 21 programme. The scheme was launched by the NRA in early 2010 and consists of approximately 50 kilometres of motorway and dual carriageway.

Prequalification submissions were received in April 2010. Financial close has been targeted for 2011.

M20 (Limerick to Cork – Southern Section)

This scheme is expected to be launched in summer 2010.

Justice & Law Reform

Thornton Hall Prison Campus

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

A competitive process to appoint a Preferred Tenderer to design, build, maintain and finance the proposed prison began in 2006, but was discontinued in May 2009 on affordability grounds. The Minister subsequently re-iterated the Government's strong commitment to proceeding with a prison development at Thornton Hall, and indicated that new proposals which take into account the present economic circumstances and prevailing market conditions including more competitive tender prices in the construction industry would be brought to Government.

Pre-construction of separate access to the site is a condition of the planning consent granted under the Prison Act 2007. It is expected that the construction of the access road will commence in summer 2010. The Outline Business Case for the project has been prepared by the Irish Prison Service and is currently under consideration by the Sanctioning Authority.

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.



The NDFA assisted with the financial evaluation of the prequalification submissions received. It has also advised the HSE on the preparation of the risk register and the project cost budget.

Tenders were evaluated in 2009 and the NDFA issued its Value for Money opinion in July 2009.

The roll out of the NIMIS project has now commenced and the efficiencies this project provides will result in improved quality of care and patient safety.

St Vincent's University Hospital

This project involves the construction of a new ward block to provide 100 replacement in-patient beds. The NDFA provided financial advice to the HSE on the project and a Value for Money opinion was issued in March 2010.

National Paediatric Hospital

The new National Paediatric Hospital will combine the national tertiary services of the existing children's hospitals:

- Our Lady's Children's Hospital, Crumlin
- Children's University Hospital, Temple St
- National Children's Hospital, Tallaght

It will expand the role of ambulatory care and reduce reliance on inpatient treatment.

The project will be built on the site of the Mater Misericordiae Hospital and was referred to the NDFA by the HSE for financial advice in November 2009. It is anticipated that it will provide approximately 400 beds and the design phase is currently being progressed.

**Communications, Energy & Natural Resources*****Metropolitan Area Network 2***

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 & Natural Resources in 2008, and the financial evaluation was led by the NDFA. This project will be substantially funded from third party income. Financial close was reached in July 2009 on this project.

**Environment, Heritage & Local Government*****Fingal County Council Wastewater Treatment Scheme***

The NDFA provided its Value for Money opinion to Fingal County Council on this project in August 2009. The design, build and operate contract will provide a wastewater treatment plant in north County Dublin, as well as pumping stations and associated pipelines. Under the contract, operation and maintenance services are provided for 20 years.





NDFA GOVERNANCE

The NDFA Board has seven members. The ordinary members are appointed for five year terms by the Minister for Finance. The Chairman of the Board is the Chief Executive Officer of the National Treasury Management Agency.

The Board's primary responsibility is to ensure that the Agency fulfils its statutory obligations under the relevant Acts and Ministerial Guidelines.

John C. Corrigan (Chairman) ¹ (<i>ex-officio member</i>)	Chief Executive Officer National Treasury Management Agency
Brian Murphy (Chief Executive) ² (<i>Appointed 12 January 2009</i>)	Director National Treasury Management Agency
Fred Barry (<i>Appointed 23 November 2005</i>)	Chief Executive Officer National Roads Authority
Liam Berney (<i>Appointed 13 November 2006</i>)	Industrial Officer Irish Congress of Trade Unions
Ann Fitzgerald (<i>Re-appointed 1 January 2008</i>)	Chief Executive Officer National Consumer Agency
Stewart Harrington (<i>Appointed 23 November 2005</i>)	Director Killeen Properties Limited
Tony Jones (<i>Re-appointed 1 January 2008</i>)	Business Consultant
Peter McManamon (<i>Re-appointed 1 January 2008</i>)	Chairman Ceva Inc

The Board met on 6 occasions during 2009.

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 14 May 2009 and 22 April 2010.

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.

¹ Michael J. Somers retired as Chief Executive Officer of the National Treasury Management Agency and Chairman of the NDFA on 3 December 2009. John C. Corrigan was appointed as Chief Executive Officer of the National Treasury Management Agency from 4 December 2009 and Chairman of the NDFA on that date.

² The Board appointed Brian Murphy as Chief Executive Officer on 20 January 2009. He replaced Adrian J. Kearns who retired from the Board and as Chief Executive Officer on 31 December 2008.



List of State Authorities

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:

- A Minister of the Government
- A local authority
- The Commissioners of Public Works in Ireland
- The National Roads Authority
- The Health Service Executive
- 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
- Bus Átha Cliath – Dublin Bus
- Bus Éireann – Irish Bus
- Córas Iompair Éireann
- The Railway Procurement Agency
- Digital Hub Development Agency
- 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, the staff who work on NDFA matters are exclusively employed by the National Treasury Management Agency.

The administration expenses incurred by the NDFA in 2009 and 2008 are as follows.

	2009	2008
	€	€
Fees & Expenses of Board	81,900	84,000
Audit Fees	<u>6,000</u>	<u>6,000</u>
	<u>87,900</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 2009 amounted to €7,344,722 (2008: €7,664,528). 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 2009

Board and Other Information	26
Statement of Agency's Responsibilities	27
Statement on Internal Financial Control	28
Report of the Auditors	30
Accounting Policies	32
Income & Expenditure Account	33
Administration Account	34
Balance Sheet	35
Notes to the Accounts	36

BOARD MEMBERS AND OTHER INFORMATION

BOARD MEMBERS

John C. Corrigan *– Chairman

Brian Murphy – Chief Executive Officer

Fred Barry

Liam Berney

Ann Fitzgerald

Stewart Harrington

Tony Jones

Peter McManamon

* Michael J. Somers served as Chairman until his retirement from the Board on 3 December 2009. John C. Corrigan was appointed Chairman on 4 December 2009.

AUDITORS

Comptroller & Auditor General

Dublin Castle

Dublin 2

STATEMENT OF AGENCY'S RESPONSIBILITIES

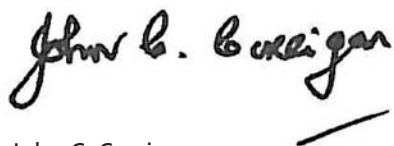
The Agency is required by the National Development Finance Agency Act, 2002 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency is required to:

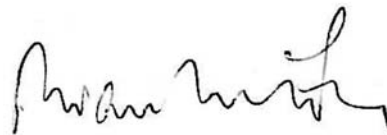
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

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.



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

25 June 2010

STATEMENT ON 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;
- setting targets to measure financial and other performance;
- formal project management disciplines;
- clearly defined policy on procurement.

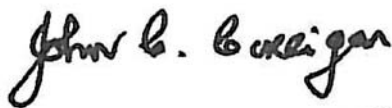
STATEMENT ON INTERNAL FINANCIAL CONTROL (CONTD.)

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 2009, the Board has conducted a review of the effectiveness of the system of internal financial control.



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

25 June 2010

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 2009 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 2009 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
25 June 2010

ACCOUNTING POLICIES

Background

The National Development Finance Agency (the “NDF”) 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 2009.

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.

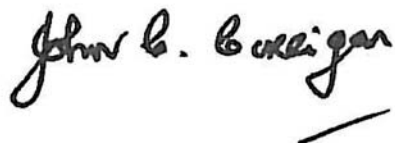
Under the National Development Finance Agency Act, 2002, only direct costs incurred by the National Development Finance Agency are charged to the Income and Expenditure Account. All other administration costs are incurred by the National Treasury Management Agency and are disclosed by way of note only.

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.

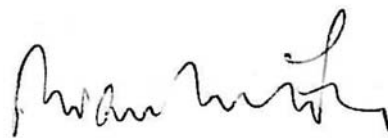
INCOME & EXPENDITURE ACCOUNT

for the year-ended 31 December 2009

	Notes	2009 €	2008 €
Income	1	4,573,316	2,410,730
Project fees and expenses	2	(4,485,416)	(2,320,730)
Transfer to Administration Account	3	<u>(87,900)</u>	<u>(90,000)</u>
Net Income for the period		<u>Nil</u>	<u>Nil</u>



John C. Corrigan
Chairman
National Development Finance Agency



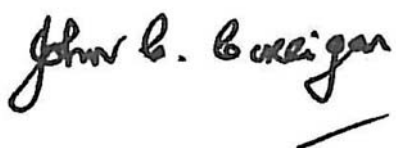
Brian Murphy
Chief Executive Officer
National Development Finance Agency

25 June 2010

ADMINISTRATION ACCOUNT

for the year-ended 31 December 2009

	Notes	2009 €	2008 €
Transfer from Income & Expenditure Account	3	87,900	90,000
Administration expenses of Agency	4	<u>(87,900)</u>	<u>(90,000)</u>
Net income\expenditure		<u>Nil</u>	<u>Nil</u>



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

25 June 2010

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

BALANCE SHEET

31 December 2009

	Notes	2009 €	2008 €
Assets			
Debtors	5	553,372	446,455
Liabilities			
Creditors	6	<u>553,372</u>	<u>446,455</u>
Total Assets less Liabilities		<u>Nil</u>	<u>Nil</u>
Representing			
Accumulated Reserves	8	<u>Nil</u>	<u>Nil</u>



John C. Corrigan
Chairman
National Development Finance Agency

25 June 2010



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

	2009 €	2008 €
Reimbursement from State Authorities of advisory expenses	4,485,416	2,320,730
Central Fund (note 7(a))	87,900	90,000
	<u>4,573,316</u>	<u>2,410,730</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.

	2009 €	2008 €
Consultancy fees	3,169,345	1,506,431
Legal fees	1,278,616	814,299
Other project expenses	37,455	-
	<u>4,485,416</u>	<u>2,320,730</u>

3. Transfer to Administration Account from Income & Expenditure Account

This amount of €87,900 (2008: €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:

	2009 €	2008 €
Fees & expenses of the Board	81,900	84,000
Audit fees	6,000	6,000
	<u>87,900</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 €7,344,722 (2008: €7,664,528). 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 €11,918,038 (2008: €10,075,258), funded as follows:

	2009 €	2008 €
Project fees and expenses, recharged to State Authorities	4,485,416	2,320,730
Administration fees and expenses charged by the Agency to the Central Fund	87,900	90,000
Administration fees and expenses borne by the NTMA and charged to the Central Fund	<u>7,344,722</u>	<u>7,664,528</u>
	<u>11,918,038</u>	<u>10,075,258</u>

5. Debtors

	2009 €	2008 €
Receivable from State Authorities	547,372	410,516
Receivable from the NTMA	-	23,939
Central Fund	<u>6,000</u>	<u>12,000</u>
	<u>553,372</u>	<u>446,455</u>

6. Creditors

	2009 €	2008 €
Amounts due to Central Fund (note 7(b))	161,998	33,113
Consultancy and legal fees payable	236,198	367,193
Professional Services withholding tax payable	149,176	40,149
Accrued Expenses	<u>6,000</u>	<u>6,000</u>
	<u>553,372</u>	<u>446,455</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:

	2009 €	2008 €
Amounts drawn from Central Fund	93,900	89,500
Increase / (decrease) in Central Fund debtor	(6,000)	500
Administration Expenses (Note 4)	87,900	90,000

(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:

	2009 €	2008 €
Opening balance	33,113	483,631
Amounts advanced during the period	3,862,710	1,731,030
Amounts repaid during the period	(3,733,825)	(2,181,548)
Amounts due to Central Fund at end of period (Note 6)	161,998	33,113

8. Accumulated Reserves

	2009 €	2008 €
Net income for the period	-	-
Closing balance	Nil	Nil

9. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2009.

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 29 April 2010.