



National Development Finance Agency

Annual Report 2012



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Gníomhaireacht Náisiúnta
d'Fhorbairt Airgeadais

National Development
Finance Agency

28 June 2013

Mr. Michael Noonan, 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 2012 to 31 December 2012.

Yours sincerely,

John C. Corrigan
Chairman

Board Members



John Corrigan
Chairperson
Chief Executive, National Treasury
Management Agency



Brian Murphy
Chief Executive Officer
Director, National Treasury
Management Agency



Fred Barry
(Term expired 1 May 2012)
Chief Executive Officer, National
Roads Authority



Liam Berney
(Term expired 1 May 2012)
Industrial Officer, Irish Congress of
Trade Unions



Ann Fitzgerald
(Term expired 31 December 2012)
Chief Executive Officer, National
Consumer Agency*



Stewart Harrington
(Term expired 1 May 2012)
Director, Killeen Properties Limited



Tony Jones
(Term expired 31 December 2012)
Business Consultant



Peter McManamon
(Term expired 31 December 2012)
Chairman, Ceva Inc



Gerry Murray
(Appointed 18 July 2012)
Chief Executive Officer, Institutes
of Technology Ireland



Petrina Smyth
(Appointed 18 July 2012)
Tax Partner, Walkers Ireland Law
Firm



Robert Watt
(Appointed 18 July 2012)
Secretary General of the
Department of Public Expenditure
and Reform

The Board met on 8 occasions in 2012

* Ann Fitzgerald retired from the National Consumer Agency in October 2012

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 €20 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 in house 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.

In July 2005 the Government published its decision to establish a “Centre of Expertise” within the NDFA. 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 PPP projects, which are already provided for in the mandates of the relevant State transport authorities, and Local Authorities.

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. The integrated finance / procurement project management model enables the Agency to bring a unified market friendly approach to project delivery.

Total current staffing in the NDFA is forty six. All of the NDFA's staff are employees of the NTMA, and are engaged by the NDFA.

The key services provided by the NDFA include:

- financial, risk and insurance advice

Additionally for PPP Projects:

- preparation of Public Sector Benchmarks (this Benchmark is a comprehensive risk-adjusted, whole-life costing of a project under traditional procurement conditions, expressed as a single monetary figure)

- 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 to State authorities regarding the National Development Finance Agency (2007)*, *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)*, the *Framework for Public Private Partnerships (2001)*, the *Public Spending Code and contracts and guidance from the Government Construction Contracts Committee*.

Events since the balance sheet date

In June 2013 the Government announced legislative proposals to streamline the corporate governance of the NTMA and its related agencies. These will entail the establishment of an over-arching NTMA Board responsible to the Minister for Finance and the dissolution of the Advisory Committee, the State Claims Agency Policy Committee, the NPRF Commission and the NDFA Board.

Overview 2012

Infrastructure Stimulus Programme announced July 2012

The financial and fiscal challenges in the Irish economy over the last few years triggered a substantial reduction of public expenditure on infrastructure. However, in July 2012 the Minister for Public Expenditure and Reform, Brendan Howlin T.D., announced on behalf of the Government a €2.25 billion Infrastructure Stimulus Programme aimed at promoting jobs and growth.

This stimulus programme will provide investment in a range of important projects and includes €1.4 billion investment in Public Private Partnerships (PPPs). The funding of the PPPs is expected to come from the European Investment Bank (EIB), Ireland's National Pension Reserve Fund (NPRF), domestic banks, other potential sources of funding such as pension funds, and is additional to the existing Exchequer funded investment programme.

The planned PPP investment will be directed towards projects that meet key infrastructural needs and are in line with the priorities identified in the Government's Investment Framework, covering education, health, justice and transport.

The NDFA will be responsible for procuring three education PPPs, up to two health PPPs and two / three justice PPP projects which have an estimated capital value of circa €650m. The National Roads Authority (NRA) will be responsible for procuring the various road PPP projects, amounting to circa €750m. The NDFA will act as financial advisor across the entire PPP programme.

NDFA activities in 2012

A milestone event was reached on 9th November 2012 when the NDFA, in its capacity as procuring agent on behalf of the Minister for Education & Skills, awarded the PPP contract for Schools Bundle 3 PPP to BAM PPP / PGGM Infrastructure Cooperatie, a joint venture between BAM PPP and Dutch pension fund administrator PGGM.

This was the first Irish PPP deal signed since Ireland entered the EU / IMF programme in 2010. The funding structure for the project involved the participation of the EIB and Bank of Ireland together with the support of the NPRF.

In April 2013, the N11 PPP Project (Arklow-Rathnew road project, incorporating Newlands Cross flyover) reached financial close. The NRA was the procuring authority and the NDFA was the statutory financial advisor to the project. This project also had the same funders and funding structure as Schools Bundle 3 with the consortium comprising BAM PPP and Dutch pension fund administrator PGGM.

The construction phase for both projects is now underway. Schools Bundle 3 PPP includes the construction of eight schools, which will be available for occupancy in 2014. The N11 PPP is due to be completed in 2015. Each project is expected to provide employment for between 1,000 to 1,100 people.

In March 2012, the Minister for Education and Skills announced details of 219 new school building projects as part of a €2 billion five-year priority investment programme. The NDFA has been requested to act on behalf of the Department of Education and Skills in procuring and delivering circa eighteen schools within this programme, in addition to the PPP schools programme. Tendering for this programme is already underway and it is expected that the first projects will commence construction by the end of 2013.



L to R: John Corrigan, CEO NTMA and Jonathan Taylor, Vice-President, EIB, June 2013

On the 1st of October 2012 the NDFA, at the request of the Department of Education and Skills, took over the contract management of the 15 operational PPP Schools. This involves the monitoring of the delivery by the PPP companies of the facilities management services within the original Pilot PPP bundle (signed in 2003), Schools Bundle 1 (2009) and Schools Bundle 2 (2010). NDFA, using its technical and financial expertise, agrees the final Unitary Payment in respect of these schools on a monthly basis for recommendation to the Department of Education and Skills.

Project funding in 2012

The European financial crisis persisted through 2012, with the total number of PPP deals being concluded across the region continuing to decline. Austerity, recession, uncertainty and instability in the UK and Eurozone, changing banking markets and new, unproven funding structures are all factors that have contributed to delays across Europe in achieving financial close for projects and to reduced project pipelines. The availability of affordable, long-term capital continues to be an issue for several European governments.

The NDFA continues to engage with potential international and domestic project funders who have been absent from the Irish market since the financial crisis first took hold and continues to seek both traditional and alternative funding sources for capital investment.

The NDFA, in conjunction with the Department of Public Expenditure and Reform, has facilitated discussions between the EIB and a number of Government Departments regarding the provision of direct loans to the Exchequer which included a €100 million direct loan to the Exchequer to finance a programme of school building projects and a further

€100 million Exchequer loan in November 2012 to part finance a number of water / wastewater projects. In April 2013, the EIB Board approved a second tranche of an Exchequer loan for €100m, to part-finance the construction of non-PPP Irish school projects. This loan was signed in June 2013 between the EIB and the NTMA.

The NDFA has also led discussions with the Council of Europe Development Bank (CEB), which provides low cost funding for projects in a variety of sectors including health, education and social housing. In March 2013, CEB's Administrative Council approved €41m in loans to be provided for the Cork prison project and for the National Children's Detention Facility.

NDFA market soundings

Since the announcement of the Stimulus Package in July 2012, the NDFA has met with potential participants including funders, equity investors, contractors and professional service providers to build awareness and support for the delivery of the Infrastructure Stimulus Programme.

The NDFA in conjunction with the leading international business publisher PPP Bulletin hosted a seminar on the 21st of March 2013 focused on the delivery and financing challenges for the Irish PPP programme.

The NDFA continues to liaise with the Department of Public Expenditure and Reform and the Department of Finance in seeking ways to streamline the PPP process and attract project sponsors and investors. In December 2012 the Irish Government decided that on a temporary and exceptional basis, there would be some reimbursement of bid costs for accommodation projects in the new PPP Programme.

PPP Projects where NDFA is the Designated Procurement Authority

The NDFA will act as designated procurement authority for the standard availability-based accommodation PPPs outlined in the 2012 Infrastructure Stimulus Programme¹ as follows (all PPPs are currently in planning and feasibility stage):

1. Education - €300m will be invested in:

- Twelve Schools delivered in two lots with a single pre-qualification procedure. The OJEU notice was issued at the start of June 2013. The NDFA is developing specimen designs for each of the sites and will secure full planning permissions in advance of the appointment of the preferred tenderer for each lot.
- DIT Campus at Grangegorman: The PPP component of the campus development comprises two major buildings providing 50,000 m² of teaching space. It is expected that the PPP development will be awarded as a single project with an OJEU notice to be issued in Q3 2013.

2. Health - €115m will be invested in:

Circa twenty Primary Care Centres to be procured through either one or two single-supplier frameworks. The PPP projects will not involve the provision of GP or healthcare related services which are to be sourced and provided by the HSE. The HSE is currently working to secure full planning permission based on specimen designs for each of the sites identified. An OJEU notice is planned to be issued in Q3 2013.

3. Justice - €190m will be invested in:

- Three divisional Garda Headquarters in Dublin, Galway, Wexford which are likely to be procured as a single project.
- Seven Courthouse developments in Cork, Drogheda, Letterkenny, Limerick, Mullingar, Wexford and Waterford. It is intended to be procured through a single prequalification procedure with access to two lots of 3/4 courts.

The Office of Public Works (OPW) is the lead technical advisor for the Justice PPP programme. The sponsors for these projects will secure planning permissions for each site in advance of the publication of the OJEU contract notices, expected sometime later in 2013/ early 2014.



New school building – artist impression

1. The NDFA will also act as financial advisor for the Transport projects announced in the Infrastructure Stimulus Programme.

Projects where NDFA is Financial Advisor

NDFA acts as financial advisor on all PPP accommodation projects noted above, on the transport PPPs and traditional projects as outlined below:

- As financial advisor, the NDFA works with the NRA in the procurement of its second roads PPP programme. The N11 scheme (Arklow-Rathnew, incorporating Newlands Cross) reached financial close in April 2013 and the NRA / NDFA has recommenced discussions with the preferred tenderer for the N17/N18 scheme (Gort-Tuam) with a view to achieving financial close in Q4 2013. The NRA also recently launched the third scheme in the second roads PPP programme (N25 New Ross Bypass) with the fourth scheme (M11 Gorey / Enniscorthy) expected to launch this summer.
- The NDFA is acting as financial advisor to the Health Service Executive on a number of traditional health projects in planning and design phase including the relocation of the National Forensic Mental Health Services to St Ita's Portrane, the Centre of Excellence for Successful Ageing at St James's Hospital and National Paediatric Hospital.

- The NDFA is acting as financial advisor to the Dublin City Council on a number of waste and water projects including the Poolbeg PPP Project, Ringsend Waste Water Treatment Works Extension Project and Ringsend LSOT Project.
- The NDFA continues to provide financial advice on a number of other significant infrastructure projects in the transport, health, waste and water sectors. These projects will assist in improving national productivity and competitiveness, support sustainable employment and deliver vital infrastructure for social and environmental needs.



Progress on projects where NDFA acts as Procuring Authority, Financial Advisor and Contract Manager

Education Programme

Schools PPP Programme: Overview

On 29 September 2005 the Minister for Education and Skills announced a plan to provide 23 new post-primary schools and four new primary schools through PPP (the Schools Programme). The NDFA provided financial advice and was responsible for all aspects of delivering the procurement of the individual projects within this €300 million programme. A fourth and fifth bundle of schools have been included in the Infrastructure Stimulus Programme July 2012. In October 2012, the NDFA at the request of the Department of Education and Skills took over the contract management of the operations and maintenance of the operational PPP Schools.

First and Second Bundles of PPP Schools

The first schools' design build, finance and maintain (DBFM) PPP Bundle provides 2,700 pupil places at four new schools located in Laois and Offaly. The contract was awarded to Macquarie Partnerships for Ireland (MPFI) and reached financial close in March 2009. Service commencement was achieved on all four schools in September 2010.

The second bundle of PPP schools consists of six schools in counties Cork, Limerick, Kildare, Wicklow and Meath and provides accommodation for 4,700 students. The contract was awarded to Macquarie Partnerships for Ireland (MPFI) and reached financial close in June 2010. The construction and delivery of all schools in this bundle was completed ahead of programme during 2011, with the final school completed in October 2011.

Third Bundle of Schools

The third bundle of schools comprises eight schools which involve a combination of new and replacement schools and will provide accommodation for approximately 5,700 students. The schools are located in Counties Donegal, Galway, Leitrim, Limerick, Waterford, Westmeath and Wexford.

This project achieved financial close in November 2012 with BAM PPP / PGGM Infrastructure Cooperative awarded the contract. Construction work commenced immediately after contract signing. The eight schools in the bundle will provide accommodation for approximately 5,700 students. The schools are due to be opened on a phased basis between November 2013 and April 2014.



Progress on Schools Bundle 3



Athlone



Ballinamore



Doon



Doughiska



Gorey



Letterkenny



Tramore

Fourth Bundle of Schools

The fourth bundle of PPP school sites was announced on 17th July 2012 as part of the Infrastructure Stimulus Package announcement and the project was referred to the NDFA in August 2012. The bundle comprises a primary school and post-primary school in Kildare and four post-primary schools in Clare, Cork, Louth and Tipperary. The bundle will provide new accommodation for approximately 4,000 students.

Technical and legal advisors have been appointed and preparation of specimen designs and planning applications is now underway.

This project has commenced procurement with the publication of the contract notice in the OJEU in June of 2013.

Fifth Bundle of Schools

The fifth bundle of school sites was announced by the Minister of Education on 3rd May 2013 and will provide new accommodation for approximately 4,650 students. The bundle includes a primary school and post-primary school in Wicklow and two post-primary schools in Meath and Wexford. A VEC college in Carlow town currently providing Post-Leaving Certificate courses and mainstream second-level education will be replaced with two new institutions. The joint campus will comprise a post-primary school and a further education college, each catering for 1,000 students.

This project has commenced procurement with the publication of the contract notice in the OJEU in May of 2013 and tender documents are due for release later in the year.

Third Level Education PPP Programme

DIT Campus at Grangegorman

In September 2010, the Government launched a major new infrastructure development project which will include state of the art mental health facilities, a purpose-built campus for Dublin Institute of Technology (DIT) and a variety of public amenities, to be built on the grounds of St. Brendan's Hospital in Grangegorman in Dublin 7. Aspects of this development include the "DIT Campus at Grangegorman – East and Central Quads PPP Programme", which are to be undertaken as a Public Private Partnership (PPP).

The Central Quad (Food, Sciences, Health & Engineering) will accommodate academic activities and facilities required for a total of ten schools from the College of Sciences & Health, College of Engineering & Built Environment and the College of Arts & Tourism. These schools and their associated academic, teaching

and specialist facilities will be grouped within the Central Quad to maximise the benefits and efficiencies to DIT from locating together related disciplines and functions.

The East Quad (College of Arts and Tourism) will accommodate the majority of academic activities and facilities required for the College of Arts and Tourism which currently consists of seven schools, five of which will be accommodated within the East Quad building.

The Sanctioning Authority for this project is the Department of Education and Skills. The Grangegorman Development Agency (GDA) is the Sponsoring Agency. The National Development Finance Agency (NDFA) is the financial advisor and the procuring body for this Project. The DIT will be the end user of the facility.



Project Team members from NDFA, GDA, DIT and technical advisors



DIT campus at Grangegorman – artists impression



On 14th May 2012 An Bord Pleanála (the Planning Board) gave approval for the planning scheme for the new Grangegorman urban quarter in Dublin 7. The development, which will incorporate the two PPP quads and other educational and health buildings, as well as sport, recreation and other public amenities, is the first to be approved as a Strategic Development Zone (SDZ) in Dublin City.

Technical advisors were appointed to the project by GDA / NDFA in December 2012 and legal advisors in early 2013.

It is anticipated that this project will commence procurement with the publication of the contract notice in the OJEU at the end of Q3/early Q4 2013.



HEALTH SERVICE EXECUTIVE

Primary Care Centres

The Primary Care Centres project involves the proposed procurement of a network of primary care centres. The HSE anticipate that the development of primary care centres will be a major element in the integration of primary, community and continuing care and social services throughout the HSE regions and should represent the focal point for the provision of such services.

Thirty five potential locations have been identified by the HSE for consideration for primary care centres and it is anticipated that circa twenty of these sites will be selected and brought to the market via PPP. The remaining locations will be considered for later phases of the PPP process or which will be delivered by other procurement means.

The NDFA has commenced engagement with HSE on the proposed PPP and the HSE has appointed technical advisors to the first phase of the project development. It is targeted to secure full planning permission in late-2013 with the publication of the contract notice in the OJEU in H2 2013.

DEPARTMENT OF JUSTICE AND EQUALITY

Justice Bundles for Courthouses and Garda Divisional Headquarters

The Minister for Public Expenditure and Reform formally announced the Justice PPP Programme as part of a wider stimulus package in July 2012.

The Justice Bundles will involve the development of:

- New divisional Garda headquarter buildings in Dublin South Central, Galway and Wexford with appropriate facilities management and maintenance services for each of these facilities;
- New court house buildings in four locations: Drogheda, Letterkenny, Limerick, and Wexford and the refurbishment and extension to courthouses in Cork, Mullingar and Waterford, in conjunction with appropriate facilities management and maintenance services for each of these facilities.

It is currently envisaged that the €190m justice programme will be procured as one bundle of Garda divisional headquarters and either one or two bundles of courthouses.



New divisional Garda HQ buildings – artist impressions





The Sanctioning Authority for the projects is the Department of Justice and Equality. An Garda Síochána and the Courts Service are the respective Sponsoring Agencies. The OPW are the lead technical adviser.

It is currently planned that the first publication of the contract notice in the OJEU for the Justice Bundles will be published in late 2013 / early 2014.



Courthouse building in Wexford – artist impressions



Proposed Role as Procuring Authority for Non-PPP School Building Projects

Traditional Schools Programme: Overview

In March 2012, the Minister for Education and Skills announced details of 219 new major school building projects which will begin over the next five years as part of a €2 billion capital investment programme. These new projects are in addition to fifty six major school building projects that were already announced for 2012. Announcing the programme, Minister Quinn said “This investment will create an estimated 15,000 direct and 3,000 indirect jobs over the period of the programme (an annual average of 3,000 direct and 600 indirect jobs).”

The Department’s five year plan includes a number of alternative methods of project delivery. The NDFA, together with the OPW, Vocational Education Committees (VEC) and County Councils will assist the Department with the delivery of over 80 major school projects.

This programme of support by the NDFA will be in addition to the PPP programme of Schools, for which the NDFA continues to act as procuring and delivery agent.

The Department of Education and Skills is facing an increasing demand for education buildings. The demand for schools places cannot be adequately catered for by the existing schools estate. It is anticipated that there will be a need to accommodate an additional 30,850 primary school pupils by 2014 and an additional 14,200 primary school pupils between 2014 and 2018. In addition to this there will be a need to accommodate an additional 24,900 post-primary pupils between now and 2017.

To assist the Department of Education and Skills in the delivery of the required additional capacity, the Department of Education and Skills and the NDFA have agreed that a part of the development programme, covering eighteen schools (including new / replacement build, extensions and refurbishment of existing or a combination) will be procured and delivered by the NDFA, acting on behalf of the Department of Education and Skills.

To support the NDFA in the delivery of these schools, the NDFA has appointed a number of design team members and site investigation contractors in order to support the development of the technical requirements for the planning permission process. These appointments include many members from the SME sector. The submission of planning permission applications is well advanced.

On 16th May 2013 the NDFA published the list of contractors appointed to the framework panel that will be used to deliver this devolved programme. The first tender was issued in June 2013. It is expected that the first of these school projects will commence construction by the end of 2013 with delivery of the first of these projects by September 2014.

As part of this delivery programme the NDFA is engaged with Enterprise Ireland on a number of initiatives for the SME sector including hosting “meet the contractor” events where members of the SME sector will have the opportunity to engage with the appointed framework design-and-build contractors. The NDFA is also including as part of the terms of engagement for the building works contractors a number of social provision clauses to provide job opportunities for the long-term unemployed and apprentices. This initiative is being managed in conjunction with the Department of Social Protection.



Navan Educate Together National School - artist impression



Duleek girls and boys National Schools - artist impression



St. Joseph's CBS, Drogheda – artist impression

Progress on projects where NDFA acts as Financial Advisor

HEALTH SERVICE EXECUTIVE

National Forensic Mental Health Services

St Ita's Portrane has been established as the preferred site for the new National Forensic Mental Health Services (NFMHS) which will comprise:

- (i) A new Forensic Central Mental Hospital (120 beds);
- (ii) Forensic Mental Health Intellectual Disability Unit – Forensic (10 beds);
- (iii) Forensic Child & Adolescent Unit - Forensic (10 beds); and
- (iv) Intensive Care Rehabilitation Units - Forensic (30 beds);
- (v) Two 30 bed "Forensic Intensive Care Rehabilitation Units - Forensic" developed at appropriate locations across the country.

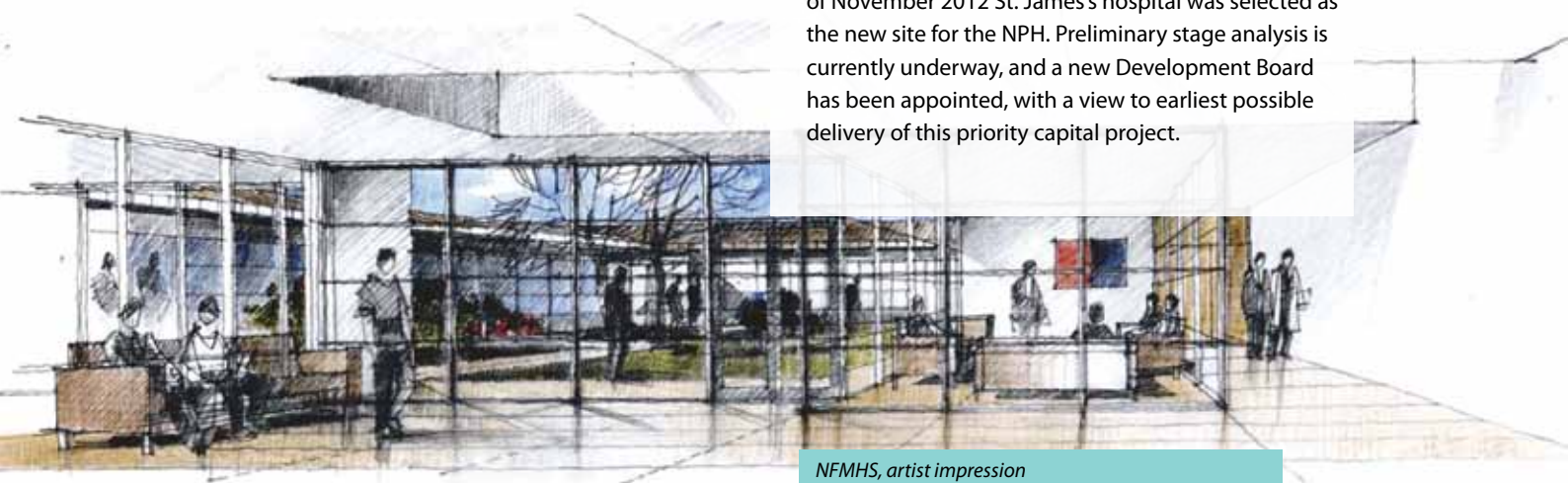
After an internal review of the project by the HSE in 2012, the project will now proceed on a phased two stage basis. The NDFA is acting as financial adviser to the HSE on this traditionally procured project. Project design is being prepared and following receipt of planning permission a contractor is expected to be appointed in Q2 2015 for Phase 1.

Centre of Excellence for Successful Ageing

St James's Hospital has been given approval to proceed with the 'Care of the Elderly Programme' at St. James's Hospital. The NDFA is acting as financial advisor to the HSE on this traditionally procured project. The project objective is to develop the care of the elderly programme at St. James's Hospital into a Centre of Excellence for Successful Ageing (CESA). The building will provide c. 14,000 sqm of accommodation including one hundred and sixteen beds plus other accommodation. Defined capital funding contributions are available from two sources - Atlantic Philanthropy and the HSE. The planning application for CESA was approved in March 2013 via the local authority planning route, OJEU notice for the Design and Build competition was issued in May 2013, and construction is planned to commence in Q2 2014.

National Paediatric Hospital

The new National Paediatric Hospital ("NPH") will provide secondary care services to the children of Dublin, and tertiary paediatric care for the whole country. It will provide 384 inpatient beds and a central objective is to provide a hospital that will deliver excellence in clinical care, teaching and research in a high quality environment, co-located with an adult academic teaching hospital. Following the An Bord Pleanála decision to decline planning permission for the project on the Mater hospital site, the Minister for Health established a Review Group to consider options for the development, and on the 7th of November 2012 St. James's hospital was selected as the new site for the NPH. Preliminary stage analysis is currently underway, and a new Development Board has been appointed, with a view to earliest possible delivery of this priority capital project.



NFMHS, artist impression

TRANSPORT – ROADS

SECOND ROADS PPP PROGRAMME

N11 Scheme (Arklow, Rathnew and N7 Newlands Cross)

The NDFA provided financial advice to the NRA on the N11 scheme, which reached financial close in April 2013. The scheme is a key strategic link in the national road network, with the upgrade to the N11 procured along with the N7 Newlands Cross junction upgrade as a single project.

Senior debt funding is being provided by Bank of Ireland and the EIB, with the National Pensions Reserve Fund acting as a standby lender. The sponsor for the scheme is a consortium comprising BAM PPP and Dutch pension fund administrator PGGM.

N17/N18 Scheme (Gort to Tuam)

The NRA has recently recommenced discussions with the preferred tenderer (Direct Route) for the N17/ N18 scheme (Gort to Tuam), which will provide 57 kilometres of motorway and dual carriageway as part of a high quality road link between Letterkenny and Waterford (Atlantic Corridor). The NRA is targeting Q4 2013 for financial close for the scheme, subject to securing the required senior debt funding. The EIB has agreed in principal to provide up to 50% of the senior debt. The NDFA is the NRA's statutory financial advisor and is assuming a key role in exploring the funding solutions for the scheme.

N25 New Ross Bypass

The N25 New Ross Bypass is the third scheme in the second roads PPP programme. The scheme will form a strategic component of the national primary route network, providing high quality links within the south east region and ease congestion by providing a bypass of New Ross town on the N25 and N30.

The NRA commenced the procurement process (pre-qualification) in late Q1 2013 and is targeting Q4 2014 for financial close. The NDFA will again be providing financial advice to the NRA in respect of the scheme.

M11 Scheme (Gorey to Enniscorthy)

The NRA plans to launch the procurement process for this scheme, the fourth in the second roads PPP programme, later this summer. The scheme comprises 26 kilometres of motorway on the N11 including a bypass of Enniscorthy.

TRANSPORT – RAILWAYS

Luas Cross City

Formerly Luas BXD, the Railway Procurement Agency (RPA) is responsible for the procurement of the Luas Cross City scheme, involving the provision of a link between the existing LUAS Red and Green Lines and extending the network onwards through the city centre to Cabra (Broombridge) via Broadstone and Grangegorman. This will link up the two existing Luas lines and will connect to the Maynooth and Dunboyne suburban rail line. The scheme will be fully Exchequer funded, with the main construction contract targeted to commence in late 2014/early 2015.



Contract signing, N7/N11, April 2013

ENVIRONMENT, COMMUNITY & LOCAL GOVERNMENT

Waterford Grouped Towns & Villages Water Scheme

The NDFA is providing financial advice to Waterford County Council on the Waterford Grouped Towns & Villages Sewerage Scheme. This project is for the design, build and operation of waste water treatment facilities within County Waterford.

Prequalification documents for the project were issued to the market in April 2010, with tender documents issued in August 2012. Tender submissions were received on 8 February 2013, with the contract expected to be awarded in Q4 2013.

Poolbeg Waste/Energy Plant

The Dublin Waste to Energy project is being developed as a Public Private Partnership between Dublin City Council (acting on behalf of the four Dublin Local Authorities) and Dublin Waste to Energy Ltd (a joint venture between Covanta Energy, USA and DONG Energy Generation A/S, Denmark).

Dublin City Council stated on 5th April 2013 that it agreed to extend further the time allowed for the Council to finalise issues with the European Commission in relation to the Waste to Energy Project and for Covanta to complete arrangements with potential funders for the Project. The extended period is to a date 30 days after resolution of the issues referred to above.



Ringsend Waste Water Treatment Works (WwTW) facility extension and Long Sea Outfall

Dublin City Council (DCC) is upgrading and expanding the Ringsend WwTW which is the main treatment works for the Dublin area. There are two main contracts associated with this scheme. The first contract will provide a new treated effluent outfall facility to relocate the point of discharge of treated effluent from the Liffey Estuary to a point some 9 kilometres offshore in Dublin Bay via a new Long Sea Outfall Tunnel (LSOT). The second contract will extend the WwTW's capacity to 2.1 million population equivalent. Both contracts are Design and Build and are to be procured using the 'Public Works Contract for Civil Engineering Works designed by the Contractor' (PW-CF4).

DCC engaged the NDFA in July 2012 as statutory financial advisor on these contracts. An Bord Pleanála granted planning permission on 16th November 2012. OJEU notices for the LSOT and WwTW were released in 21st December 2012 and 19th February 2013 respectively.



DEPARTMENT OF JUSTICE AND EQUALITY

Cork Prison

The NDFA is providing financial advice to the Irish Prison Service on the proposed new Cork Prison project, which will replace the existing prison facility.

A Project Information Memorandum / Pre-Qualification Questionnaire was issued to the market on 22 February 2013, with tender documents to be released to the shortlisted candidates in Q3 2013. A preferred tenderer is expected to be appointed in Q3 2013.



Cork Prison

OTHER NDFA ADVISORY WORK AND ACTIVITIES

Infrastructure Debt Funding

The NDFA continues to engage with multilateral funders in order to maximise the availability of cost effective funding for Irish infrastructure. The EIB provided €50 million of debt funding for the third bundle of PPP schools which reached a successful financial close in November 2012.

The NDFA, in conjunction with the Department of Public Expenditure and Reform, has also facilitated discussions between the EIB and a number of government departments regarding the provision of direct loans to the exchequer.

In July 2012, the EIB provided a €100 million direct loan to the Exchequer to finance a programme of school building improvement projects proposed by the Department of Education and Skills that are being procured on a traditional basis. The EIB provided a further €100 million Exchequer loan in November 2012 to finance a number of water / wastewater projects proposed by the Department of Environment, Community and Local Government, also being procured on a traditional basis. In June 2013, the EIB signed with the NTMA a second tranche of an Exchequer loan for €100m to part finance the construction of non-PPP Irish schools projects.

The NDFA expects to continue its engagement with the EIB during 2013 in order to maximise the availability of cost effective funding for Irish infrastructure projects.

The NDFA has also continued with its engagement with the Council of Europe Development Bank (CEB), which provides low cost funding for projects in a variety of sectors including health, education and social housing. In March 2013, the CEB's Administrative Council approved €41m loans to be provided for the Cork prison project and for the National Children's Detention Facility.

Government Construction Contracts Committee

Following a request from the Government Construction Contracts Committee (the GCCC), the NDFA has been working with it on developing a guidance document for the financial appraisal of contractors under GCCC contracts. This is now in its final stages of approval with the Committee and it is expected that this will form the basis of new guidance to be issued by the Department of Public Expenditure and Reform in respect of the financial appraisal of GCCC contract documents.

PPP Contract Administration Support (post-construction phase)

In addition to providing pre-procurement advice regarding the funding and financing of projects, procurement advice throughout the project and PPP project delivery activities, the NDFA has also provided post-construction stage advice to project sponsors, as requested from time to time, in relation to a number of PPP projects which are fully completed and are now operational. For example, in relation to the Criminal Courts of Justice, the Convention Centre Dublin and the Pilot Schools projects (in each of which the NDFA had no procurement role), the NDFA has assisted Sponsoring Agencies with ensuring that the PPP contract payment mechanisms are operating effectively by creating payment handbooks for training support, and providing advice to the sponsor authority regarding the practical application of the payment mechanism. In addition, the NDFA reviews financial information passed to Sponsoring Agencies, e.g. annual accounts of the private sector consortiums, etc., and is at hand to deal with one off events in projects which may have financial implications under the respective Project Agreements for Sponsoring Agencies, for example:

- the impact on the Project Agreement of the liquidation of a shareholder of the Convention Centre Dublin;
- assistance with benchmarking exercises of soft services.

In October 2012, following an amendment to the Ministerial Guidelines, the NDFA can undertake responsibility for monitoring compliance with the terms of PPP contracts. The Department of Education and Skills formally handed over the contract management of three operational schools projects – Schools Bundle 1, Schools Bundle 2 and Pilot Schools – to the NDFA. Since then, the NDFA has been managing the three contracts on behalf of the Department which involves monitoring the private sector performance of the contract. The NDFA is responsible for agreeing monthly invoice amounts with private sector consortium for recommendation to the Department of Education and Skills, applying performance deductions where applicable and ensuring the provision of the operational and maintenance services requirements.

Governance

NDFA Board

The NDFA has a Board which consists of a Chairperson and seven ordinary members. The Chief Executive of the NTMA is the ex officio Chairperson of the Board. The Chief Executive of the NDFA is a Board member. Ordinary members are appointed for five year terms.

The Board is required to ensure that the functions of the NDFA are being performed effectively. It sets the strategic objectives and targets to be met by the NDFA and ensures they are met.

The following matters are reserved for Board approval:

- a) Delegated Signing Authorities
- b) Approval of Major Contracts
- c) Corporate Policies and Plans
- d) Risk Management Policy
- e) System of Internal Financial Control
- f) NDFA Annual Report and Accounts
- g) Participation in NTMA Audit Committee

Board members over the period 1 January 2012 to 29 June 2013 are as follows:

John Corrigan

Chairperson
(ex officio member)
Chief Executive, National Treasury Management Agency

Brian Murphy

Chief Executive Officer
(Re-appointed 21 December 2012)
Director, National Treasury Management Agency

Fred Barry

(Term expired 1 May 2012)
Chief Executive Officer, National Roads Authority

Liam Berney

(Term expired 1 May 2012)
Industrial Officer, Irish Congress of Trade Unions

Ann Fitzgerald

(Term expired 31 December 2012)
Chief Executive Officer, National Consumer Agency

Stewart Harrington

(Term expired 1 May 2012)
Director, Killeen Properties Limited

Tony Jones

(Term expired 31 December 2012)
Business Consultant

Peter McManamon

(Term expired 31 December 2012)
Chairman, Ceva Inc

Gerry Murray

(Appointed 18 July 2012)
Chief Executive Officer, Institutes of Technology Ireland

Petrina Smyth

(Appointed 18 July 2012)
Tax Partner, Walkers Ireland Law Firm

Robert Watt

(Appointed 18 July 2012)
Secretary General of the Department of Public Expenditure and Reform

As of 28 June 2013 there are three vacancies on the Board. Following the expiry of their terms of office the Chairman wishes to thank most sincerely Fred Barry, Liam Berney, Stewart Harrington, Ann Fitzgerald, Tony Jones and Peter McManamon for their time and effort in fulfilling their role as Board members of the National Development Finance Agency.

The Board met on eight occasions during 2012. Attendance by members is set out below.

Board Member	Meetings Attended
John Corrigan ²	6/8
Brian Murphy	8/8
Fred Barry	3/3
Liam Berney	3/3
Ann Fitzgerald	7/8
Stewart Harrington	3/3
Tony Jones	8/8
Peter McManamon	8/8
Gerry Murray	3/4
Petrina Smyth	3/4
Robert Watt	2/4

Audit Committee

The NTMA Audit Committee acts as the NDFA Audit Committee. The NTMA Audit Committee has oversight of the NTMA's internal audit and control systems, risk management framework, financial reporting process and annual financial statements. The internal and external auditors, the Head of Control and the Compliance Officer have full and unrestricted access to the NTMA Audit Committee.

Members in 2012:

Hugh Cooney – Chairperson (to 31 December 2012)
Brendan McDonagh (Chairperson from 1 January 2013)
Peter McManamon (to 31 December 2012) – Member of the NDFA Board
Maurice O'Connell (to 20 December 2012) – External Member
Gerry Murray (from 1 January 2013) – Member of the NDFA Board
Michael O'Grady (from 20 December 2012) – External Member

Corporate Governance Codes

The Code of Practice for the Governance of State Bodies is modelled on a typical corporate structure consisting of a Board of Directors which has legal responsibility for the body, and an executive management team and staff, who carry out the functions delegated to them by the Board. However the NDFA carries out its functions through the NTMA.

The NDFA Board has implemented the Code, adapted to its specific circumstances. A code of business conduct and a travel policy is in place for Board members. Board members are expected to ensure that all their activities are governed by the ethical standards reflected in the code. Application of the Code by the NTMA is a matter for that body.

The NDFA is a prescribed public body for the purposes of the Ethics in Public Office Acts, 1995 and 2001. In addition, there are specific disclosure of interest requirements under the National Development Finance Agency Act.

Auditors

In accordance with statutory requirements, the NDFA is audited by the Comptroller and Auditor General. The NDFA utilises the NTMA's internal audit function. This work is supplemented by an external firm of auditors, currently PricewaterhouseCoopers, which performs internal audit work.

The Chairperson 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 last given to the Committee on 13 December 2012.

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.

2. The Chairman recused himself from attending the meeting of 4 October 2013.

Appendices

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:

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. 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 NTMA.

The administration expenses incurred by the NDFA in 2012 and 2011 are as follows.

	2012 €	2011 €
Fees of Board	56,280	75,600
Audit Fees	5,640	5,640
	<u>61,920</u>	<u>81,240</u>

In addition to the above expenses, the administrative costs incurred by the NTMA in the performance of the NDFA's functions in 2012 amounted to €6,099,486 (2011: €5,797,162). These costs are included in the administration expenses of the NTMA and are charged to 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 2012

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Board Members and Other Information

BOARD MEMBERS

John C. Corrigan – Chairman

Brian Murphy – Chief Executive Officer (Reappointed 21 December 2012)

Fred Barry (Term expired 1 May 2012)

Liam Berney (Term expired 1 May 2012)

Ann Fitzgerald (Term expired 31 December 2012)

Stewart Harrington (Term expired 1 May 2012)

Tony Jones (Term expired 31 December 2012)

Gerry Murray (Appointed 18 July 2012)

Peter McManamon (Term expired 31 December 2012)

Petrina Smyth (Appointed 18 July 2012)

Robert Watt (Appointed 18 July 2012)

AUDITORS

Comptroller & Auditor General

Dublin Castle

Dublin 2

BANKERS

Allied Irish Banks plc

1 Lower Baggot Street

Dublin 2

Statement of Agency's Responsibilities

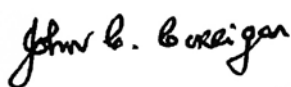
The National Development Finance Agency ("the Agency") is required by the National Development Finance Agency Act, 2002 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

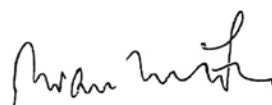
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- discloses and explains any material departure from applicable accounting standards.

The Board of 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 by it or expended by it and all financial and other transactions undertaken in the performance of its functions. The Agency is responsible for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency.

The Board of the Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps in order to prevent and detect fraud and other irregularities.



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

27 June 2013

Statement on Internal Financial Control

RESPONSIBILITY FOR THE SYSTEM OF INTERNAL FINANCIAL CONTROL

The Board acknowledges its 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 manner.

KEY CONTROL PROCEDURES

In accordance with Section 11 of the National Development Finance Agency Act, 2002 the National Development Finance Agency ("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.

The NDFA has established processes to identify and evaluate business risks by:

- identifying the nature, extent and financial implication of risks facing the organisation;
- assessing the likelihood of identified risks occurring;
- assessing the organisation's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

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

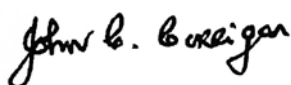
- a comprehensive budgeting system for the administration costs of the NDFA which (other than NDFA Board costs) are borne by the NTMA;
- setting targets to measure financial and other performance;
- formal project management disciplines;
- clearly defined procedures on procurement.

The NTMA has an internal audit function, which operates in accordance with the Code of Practice for the Governance of State Bodies. The work of internal audit is informed by an 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 (currently PricewaterhouseCoopers) provides the NTMA and the NDFA with a report of internal audit activity. The report includes the Internal Auditor's assessment of the adequacy and effectiveness of the system of internal financial control.

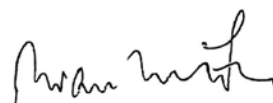
The NTMA's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the executive managers within the NTMA who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports. In addition a member of the NDFA Board sits on the NTMA Audit Committee representing the NDFA Board's interests. The Board member keeps the NDFA Board informed of such matters as are relevant to the NDFA. The NTMA Audit Committee operates in accordance with the principles outlined in the Code of Practice for the Governance of State Bodies. Its responsibilities include the overseeing of the financial reporting process, reviewing the system of internal control and reviewing the internal and external audit processes.

ANNUAL REVIEW OF CONTROLS

We confirm that, in the year ended 31 December 2012, the Board of the NDFA, having taken advice from the NTMA Audit Committee, 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

27 June 2013

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

NATIONAL DEVELOPMENT FINANCE AGENCY

I have audited the financial statements of the National Development Finance Agency for the year ended 31 December 2012 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. The financial statements have been prepared in the form prescribed under section 20 of the Act, and in accordance with generally accepted accounting practice in Ireland.

RESPONSIBILITIES OF THE BOARD OF THE AGENCY

The Board of the Agency is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Agency's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

RESPONSIBILITIES OF THE COMPTROLLER AND AUDITOR GENERAL

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Agency's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Agency's annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

OPINION ON THE FINANCIAL STATEMENTS

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Agency's affairs at 31 December 2012 and of its income and expenditure for 2012.

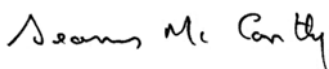
In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

MATTERS ON WHICH I REPORT BY EXCEPTION

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Agency's annual report is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



Seamus McCarthy

Comptroller and Auditor General

28 June 2013

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 2012.

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.

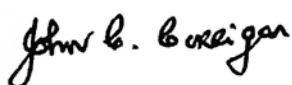
Under the National Development Finance Agency Act, 2002, only direct costs incurred by the National Development Finance Agency are charged to the Income and Expenditure Account. All other administration costs are incurred by the National Treasury Management Agency and are disclosed by way of note only.

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

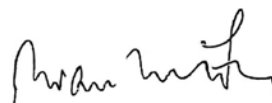
Income & Expenditure Account

For the year ended 31 December

	Notes	2012 €	2011 €
Income	1	1,692,354	3,231,097
Project fees and expenses	2	(1,630,434)	(3,149,857)
Transfer to Administration Account	3	(61,920)	(81,240)
Net income for the year		Nil	Nil



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

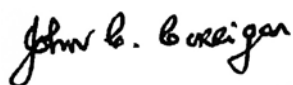
27 June 2013

The accounting policies and notes 1 to 12 form part of these financial statements.

Administration Account

For the year ended 31 December

	Notes	2012 €	2011 €
Transfer from Income & Expenditure Account	3	61,920	81,240
Administration expenses of Agency	4	(61,920)	(81,240)
Net income\ (expenditure)		Nil	Nil



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

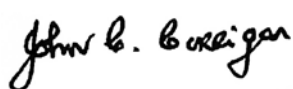
27 June 2013

The accounting policies and notes 1 to 12 form part of these financial statements.

Balance Sheet

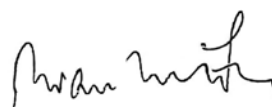
31 December

	Notes	2012 €	2011 €
Assets			
Cash at Bank		158,640	-
Debtors	5	1,211,514	986,152
		<u>1,370,154</u>	<u>986,152</u>
Liabilities			
Creditors	6	<u>1,370,154</u>	<u>986,152</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

27 June 2013



Brian Murphy
Chief Executive Officer
National Development Finance Agency

The accounting policies and notes 1 to 12 form part of these financial statements.

Notes to the Accounts

1. Income

	2012 €	2011 €
Reimbursement from State Authorities of advisory expenses	1,630,434	3,149,857
Central Fund (note 7(a))	61,920	81,240
	<u>1,692,354</u>	<u>3,231,097</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.

	2012 €	2011 €
Consultancy fees	1,224,708	2,454,450
Legal fees	399,782	695,087
Other project expenses	5,944	320
	<u>1,630,434</u>	<u>3,149,857</u>

Consultancy fees amounting to €1,224,708 incurred in 2012, are analysed as follows;

	€
Technical consulting	1,148,714
Financial consulting	71,807
Other	4,187
Total consultancy fees	<u>1,224,708</u>

Technical consulting includes costs of architects, civil engineers and other technical advisors including survey costs associated with the PPP and Devolved Schools Programmes.

3. Transfer to Administration Account from Income & Expenditure Account

This amount of €61,920 (2011: €81,240) represents the amount required to cover certain administration costs of the NDFA.

Notes to the Accounts

Continued

4. a) Administration Expenses

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

	2012 €	2011 €
Fees of the Board	56,280	75,600
Audit fees	5,640	5,640
	61,920	81,240

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 €6,099,486 (2011: €5,797,162). These NTMA costs, including the Chief Executive Officer's remuneration referred to below, are included in the administration expenses of the National Treasury Management Agency and are charged to the Central Fund. The NTMA does not seek reimbursement of these costs from State Authorities.

The total cost of the operation of the NDFA in the year was €7,791,840 (2011: €9,028,259), funded as follows:

	2012 €	2011 €
Project fees and expenses (Note 2)	1,630,434	3,149,857
Administration cost of NDFA	61,920	81,240
Administration fees and expenses borne by the NTMA and charged to the Central Fund	6,099,486	5,797,162
	7,791,840	9,028,259

The breakdown of administration fees and expenses borne by the NTMA and charged to the Central Fund in respect of 2012 is as follows:

	€
Employment Costs (including share of support functions)	4,696,076
Professional Fees	153,587
Operating Expenses (including overheads)	1,249,823
	6,099,486

The cost analysis above comprises the following elements:

- direct costs incurred by NTMA staff assigned to the NDFA,
- indirect overheads allocated to the NDFA function, and
- the relevant share of costs of the shared service functions of the NTMA providing services to the NDFA (e.g., Finance, Technology, Risk, Legal, Compliance, Control, HR & Facilities etc.).

Notes to the Accounts

Continued

4. b) Remuneration and Expenses

Remuneration of Board members is set by the Minister for Finance at €12,600 per annum for each Board member.

Remuneration of Board members set out above takes into account a 10% reduction in fees agreed by the Board at the request of the Minister for Finance in 2009.

No Board member related expenses were paid for 2012.

The Chairperson and Chief Executive Officer do not receive any remuneration in respect of their membership of the Board. Robert Watt, appointed in his capacity as a civil servant, did not receive any remuneration in respect of his membership. Gerry Murray waived his fees as a Board member for 2012.

Chief Executive Officer Remuneration 2012:

Salary:	€297,000
Taxable benefits	€24,097

The Chief Executive Officer's pension entitlements do not extend beyond the standard entitlements in the model public sector defined benefit superannuation scheme.

The remuneration of the Chief Executive Officer is determined by the NTMA after consultation with the NTMA Advisory Committee. The Chief Executive Officer agreed to waive 15 per cent of his salary following a request by the Minister for Finance and this adjustment is reflected above.

The remuneration of the Chief Executive Officer consists of basic salary, taxable benefits (car and health insurance) and a performance related payment of up to 60% of annual salary. The Chief Executive Officer waived any consideration for performance related pay in respect of 2012 (as he did previously in respect of 2011 and 2010).

Notes to the Accounts

Continued

5. Debtors

	2012 €	2011 €
Receivable from State Authorities	1,188,320	966,695
Receivable from the Central Fund	23,194	18,621
Receivable from NTMA	-	836
	<u>1,211,514</u>	<u>986,152</u>

6. Creditors

	2012 €	2011 €
Amounts due to Central Fund	544,045	149,256
Consultancy and legal fees payable	734,465	740,918
Professional Services Withholding Tax payable	78,113	82,998
Vat payable	2,162	-
Payroll Taxes payable	5,729	7,341
Accrued Expenses	5,640	5,639
	<u>1,370,154</u>	<u>986,152</u>

Notes to the Accounts

Continued

7. Central Fund

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

	2012 €	2011 €
Amounts drawn from Central Fund	38,588	54,022
Funds transferred from 7(b) below	19,595	19,877
Increase / (decrease) in Central Fund debtor	3,737	7,341
Administration Expenses (Note 4)	61,920	81,240

- (b) Amounts are advanced from the Central Fund to fund the payment of external advisory fees and expenses incurred by the NDFA 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 then repaid to the Exchequer. The movement in amounts advanced to the NDFA during the year is explained as follows:

	2012 €	2011 €
Due to Central Fund at beginning of year	149,256	164,942
Advanced during the year	1,369,424	2,509,415
Repaid during the year	(955,040)	(2,505,224)
Funds used to offset costs incurred in 7(a) above	(19,595)	(19,877)
Due to Central Fund at end of year (Note 6)	544,045	149,256

Notes to the Accounts

Continued

8. Accumulated Reserves

	2012 €	2011 €
Net income for the year	-	-
Closing balance	Nil	Nil

9. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2012.

10. Related parties

Minister for Finance

The members of the Board of the National Development Finance Agency, as set out on page 30, were appointed by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 2002.

Under Section 7 of the National Treasury Management Agency Act, 2002 the Minister may guarantee the repayment of borrowings of the NDFA or any special purpose company formed by the NDFA in the performance of its activities. No such guarantees were 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.

11. Events since the balance sheet date

In June 2013 the Government announced legislative proposals to streamline the corporate governance of the NTMA and its related agencies. These will entail the establishment of an over-arching NTMA Board responsible to the Minister for Finance and the dissolution of the Advisory Committee, the State Claims Agency Policy Committee, the NPRF Commission and the NDFA Board.

12. Approval of Financial Statements

The financial statements were approved by the Board on 30 May 2013.



National Development Finance Agency

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