



National Development Finance Agency

Annual Report 2013



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Gníomhaireacht Náisiúnta
d'Fhorbairt Airgeadais

National Development
Finance Agency

27 June 2014

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 2013 to 31 December 2013.

Yours sincerely,

John C. Corrigan
Chairman

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Robert Watt
Secretary General of the
Department of Public Expenditure
and Reform

* The Board met on 5 occasions in 2013.

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 (the Agency), 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. A provision made within the Education & Training Boards Act 2013 also now allows the NDFA to procure direct exchequer-funded education projects on behalf of the Department of Education and Skills. In October 2012, at the request of the Department of Education and Skills, the NDFA took over the PPP contract management of the operations and maintenance of 15 operational PPP schools.

The integrated finance, procurement and project delivery model established within the NDFA enables the Agency to bring a unified commercial approach to the procurement and project management of new public sector projects, including Public Private Partnerships.

The current staffing complement in the NDFA is fifty three. All staff assigned to the NDFA are employees of the NTMA.

The key services provided to State Authorities by the NDFA include:

1. Financial Advisory Services

- financial, risk and insurance advice
- preparation of Public Sector Benchmarks (PSB), (the PSB is a comprehensive risk-adjusted, whole-life costing of a project under traditional procurement conditions, expressed as a single monetary figure)
- tender compliance checks
- financial robustness checks as part of prequalification of tenderers
- evaluation of robustness of pricing and financial components of tenders
- Value for Money assessments
- liaison, negotiation and arrangement of miscellaneous debt funding from multilateral agencies, e.g. EIB and CEB
- checking of price indexation calculations made within PPP annual payment structures
- miscellaneous advice to State Authorities on financial matters associated with public capital investments

2. PPP and Traditional Project Delivery

- co-ordinating final user requirements and PSB input costs
- preparing tender and contract documents
- managing the public procurement process
- compliance checking and evaluation of tenders
- selection of preferred and successful tenderers
- contract negotiations and award processes
- signing PPP contracts on behalf of State Authorities
- direct monitoring of the construction of projects and administering the contract as Client/Authority Representative until building completion
- handing back the completed facility to the State Authority over a staged transition period

3. PPP Contract Administration (Services Period)

- post-handover management of Schools PPP contracts (Pilot Schools and PPP Bundles 1 and 2) on behalf of the Department of Education and Skills
- checking and approving the monthly invoices from PPP companies and assessment of deductions/penalties
- periodic audits of PPP companies' business systems
- review of annual accounts of PPP companies
- liaison with school management teams and the Department of Education and Skills on the performance of the PPP contracts
- agreement of annual maintenance programmes and service delivery plans (to meet contract requirements)

In performing its duties, the NDFA is required to have due regard to the guidance and directions issued by the Ministers for Finance and Public Expenditure and Reform 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 under the Capital Works Management Framework*.

Proposed Changes in Governance Arrangements

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

Under these proposals the NTMA will perform the NDFA's functions on its own account. When the NTMA is carrying out the functions previously carried out by the NDFA it is intended that it will do so using the name and title of the NDFA.

The proposed legislation to enable the new governance arrangements was published on 15 May 2014.

As part of its programme for rationalisation of State Agencies, the Government has decided to transfer the procurement function of the NDFA to the new Transport Infrastructure Service that will be formed from the merger of the National Roads Authority (NRA) and the Railway Procurement Agency (RPA). Stage 1 of this programme is underway.

Overview 2013

In 2013, the key strategic goal of the NDFA was to progress both (a) the Infrastructure Stimulus Programme announced by the Government in July 2012 (accommodation and roads PPP projects) and (b) the delivery of the 23 schools projects under PPP Bundle 3 and the Devolved Schools Building Programme (on behalf of the Department of Education and Skills).

The financial and fiscal challenges in the Irish economy over the last few years had triggered a substantial reduction in public expenditure on infrastructure. 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 is providing investment in a range of important projects and includes €1.4 billion of investment in PPP. The funding of the PPPs is coming from the European Investment Bank, the National Pension Reserve Fund (NPRF / ISIF), domestic and international banks, and other potential sources of funding such as pension and insurance funds, and is additional to the existing Exchequer funded Public Capital Programme.

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



Within the stimulus programme the NDFA is responsible for procuring five PPP contracts:

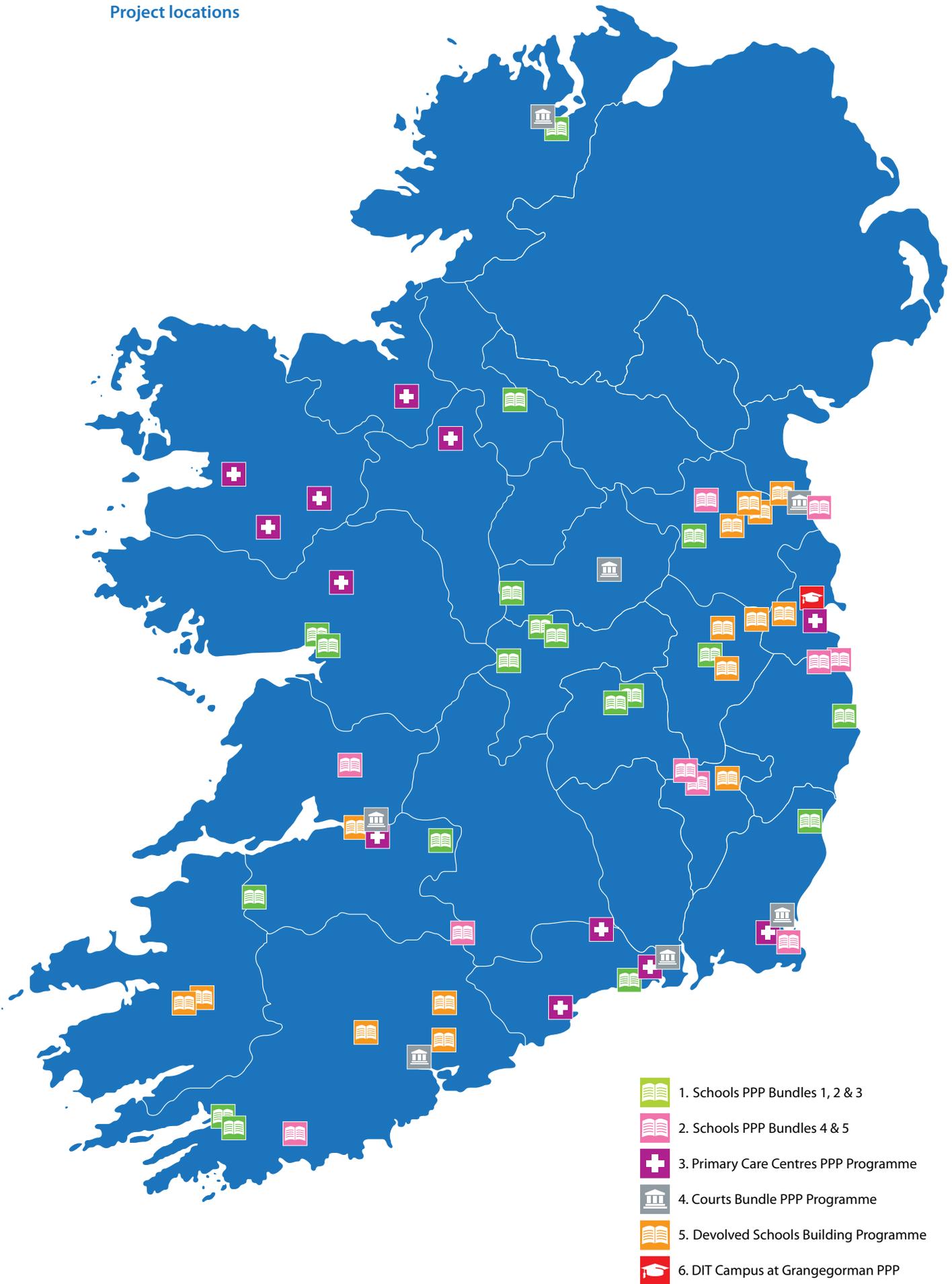
- Schools PPP Bundle 4
- Schools PPP Bundle 5
- the DIT Campus at Grangegorman PPP (East and Central Quads)
- the Primary Care Centres PPP
- the Courts Bundle PPP

which together have an estimated capital value of circa €650m. The NRA is responsible for procuring the three roads PPP projects included in the programme, amounting to circa €750m in capital value. The NDFA is financial advisor across the entire PPP programme.

All contracts will be availability-based PPPs where payment to the PPP Co. relies on the provision of facilities and services to a defined standard with financial deductions being incurred for unavailability and service performance failures.



Project locations



INFRASTRUCTURE STIMULUS PROGRAMME - PROGRESS UPDATE

Pre-tender engagement by NDFA with potential investors

From the outset of the launch of the stimulus programme, the NDFA has recognised the importance of rebuilding investor interest in the Irish PPP market, in particular following the cancellation of a number of PPP tender competitions in 2010 and 2011 as a result of the financial and fiscal crisis. Project sponsors, investors and contractors who had incurred costs while tendering for these cancelled projects had understandable reservations about re-engaging with the new programme.

Successfully reaching financial close and awarding contracts in the Schools Bundle 3 PPP project (November 2012) and the N11/N7 PPP project (April 2013), despite delays emanating from the ongoing financial crisis, were important precursors to any credible re-engagement with the PPP investor market. During this period the NDFA conducted extensive, open consultations with key market participants including sponsors, international equity investors, funders, contractors and other industry professionals. Feedback from this process informed a number of market activation policy initiatives that were considered and agreed by Government, giving the NDFA the basis to deliver a positive and confident message of commitment to the delivery of the new PPP programme.

The NDFA, in conjunction with a leading international business publisher, hosted a seminar in Dublin in March 2013 that focused on the opportunities and challenges to the delivery and financing of the PPP stimulus programme. A similar event, held in London in September 2013, further extended the Agency's reach in promoting the programme. On both occasions the Agency was pleased to have the support of the Minister of State for Public Service Reform and the Office of Public Works, in communicating to the audiences of international sponsors and investors the Government's commitment to the implementation of the stimulus programme.

While much of the first half of 2013 was taken up with pre-procurement activity in support of sponsoring authorities, all projects within the stimulus programme are now in procurement with the launch of the latest project, the Courts Bundle PPP, published in the OJEU in April 2014. Participation in the competitions for the projects has met or surpassed the Agency's expectations with the strong engagement from overseas investors and sponsors that had been hoped for. The procurement processes are broadly on schedule with the first project, Schools PPP Bundle 4, targeting a financial close and contract award in the final quarter of 2014.

Other 2013 Highlights and early 2014 developments

In April 2013 the N11/N7 PPP Project (Arklow-Rathnew road project and Newlands Cross flyover) reached financial close. This was the first transport PPP to be signed since 2007 and demonstrated that Irish transport agencies could once again raise private finance to invest in crucial transport infrastructure. The NDFA were financial advisors to the project. Construction of the N11/N7 PPP is due to be completed in 2015.

In late 2013 and early 2014 all eight schools in the Schools PPP Bundle 3 project were delivered by the joint venture consortium of BAM PPP and Dutch pension provider PGGM Infrastructuur Coöperatie on programme and within the sanctioned budgets.

Funding for both of these projects was provided by the European Investment Bank (EIB) and Bank of Ireland, with a stand-by credit facility provided by the National Pension Reserve Fund.

In April 2014 the N17/N18 (Gort to Tuam road project) reached financial close. The Direct Route Consortium, a joint venture comprising John Sisk and Son (Holdings), Lagan Construction Group, Roadbridge and Strabag AG, was awarded the contract and construction is expected to be completed in 2018. This project is the first in the stimulus programme to have institutional investor debt funding. Funding is being provided by the European Investment Bank, Natixis, Bank of Ireland, Société Générale and Belgian insurer Ageas.

As part of a programme-wide initiative with Enterprise Ireland, a series of "Meet the Buyer" events have been held around the country offering small and medium-sized enterprises within the construction sector the opportunity to meet directly with the senior buyers within the NDFA managed programme. Over 200 companies and 400 representatives attended the latest event held in Portlaoise in January 2014. An "enterprise zone" with support offered by local and county Enterprise Boards and by Intreo (the employment service of the Department of Social Protection) has been a key feature at the events. Further events will be held during 2014/2015 in connection with the stimulus programme.

A pilot scheme for "Social Clauses for Apprentices and the Long-term Unemployed" is being managed by the NDFA within the Devolved Schools Programme. These social clauses, which are also to be incorporated within the PPP projects, include mandatory targets for engagement of the long-term unemployed and apprentices.

Over the last 18 months the NDFA has also provided financial advisory services to certain State Authorities on both PPP and non-PPP projects in the transport, justice, health, waste and housing sectors. The NDFA continues to provide PPP contract administration services to the Department of Education and Skills on schools PPP projects which are operational.

Capital Review 2015-2020

The Government commenced a Capital Review in April 2014 and a new multi-annual capital framework will be set in the Autumn. The Capital Review, which is being led by the Department of Public Expenditure and Reform, will help to identify the key priorities and scale of capital investment required over the period 2015 to 2020 and will inform Government decisions on the areas where capital resources should be directed. As part of this review the Department will be considering new opportunities to supplement the exchequer capital spending via PPPs.



Sod turning at Grangegorman



Works underway on N11 road project

Infrastructure Debt Funding

The NDFA maintained its engagement through 2013 with multilateral funders such as the European Investment Bank (EIB) and Council of Europe Development Bank (CEB) in order to maximise the availability of cost effective funding for Irish infrastructure.

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 new project sponsors and investors.

European Investment Bank

In October 2012, the EIB agreed to provide €200m to support improvements in Ireland's Water Services Investment Programme (WSIP) by financing 23 projects in Dublin and 10 counties around the country to provide new water mains, water and wastewater treatment facilities and reservoirs, as well as measures to improve water conservation. In November 2012, the EIB provided a €100m direct loan to the exchequer to finance the first tranche of these projects.

In 2013, the EIB increased its lending in Ireland by 35% and provided a total of €680m for seven new projects, including support for new roads, schools, university investment, energy and telecommunications. For PPPs, where the NDFA is financial advisor to the NRA, the EIB has provided €75m of debt funding for the N7/N11 roads PPP project (April 2013) and €144m of debt funding for the N17/N18 roads PPP project (April 2014).

In June 2013, NDFA provided financial advice to Government in the EIB's provision of a €100m direct loan to the Exchequer to finance a second tranche of school building improvement for the Department

of Education and Skills under the "Irish Schools Investment Programme". This agreement follows a €100m EIB loan to the Exchequer in 2012 for a similar school building programme.

In October 2013, following discussions led by the NDFA, "approval in principle" was received from the Board of the EIB for up to 50% of the senior debt funding to be provided to the successful PPP tenderer for the DIT Campus at Grangegorman PPP Project.

In November 2013, "approval in principle" was received from the Board of the EIB for funding of the LUAS Cross City Project, where NDFA is financial advisor to the RPA. The allocation of €150m to the project was formally agreed between the Minister for Transport, Sport and Tourism and the EIB in April 2014.

The borrower for the EIB direct lending to the Exchequer is the National Treasury Management Agency, which is responsible for borrowing on behalf of the Irish Government. All projects in these programmes are being delivered on a traditional basis.

Council of Europe Development Bank

The NDFA continues to develop its relationship with the CEB, a multilateral development bank which grants loans to its 41 member States with the aim of promoting social cohesion. It provides low cost funding for projects in primarily social-based sectors including health, education, justice and housing. Established in 1956, it changed its name to the Council of Europe Social Development Fund in 1994 before becoming the Council of Europe Development Bank in 1999.

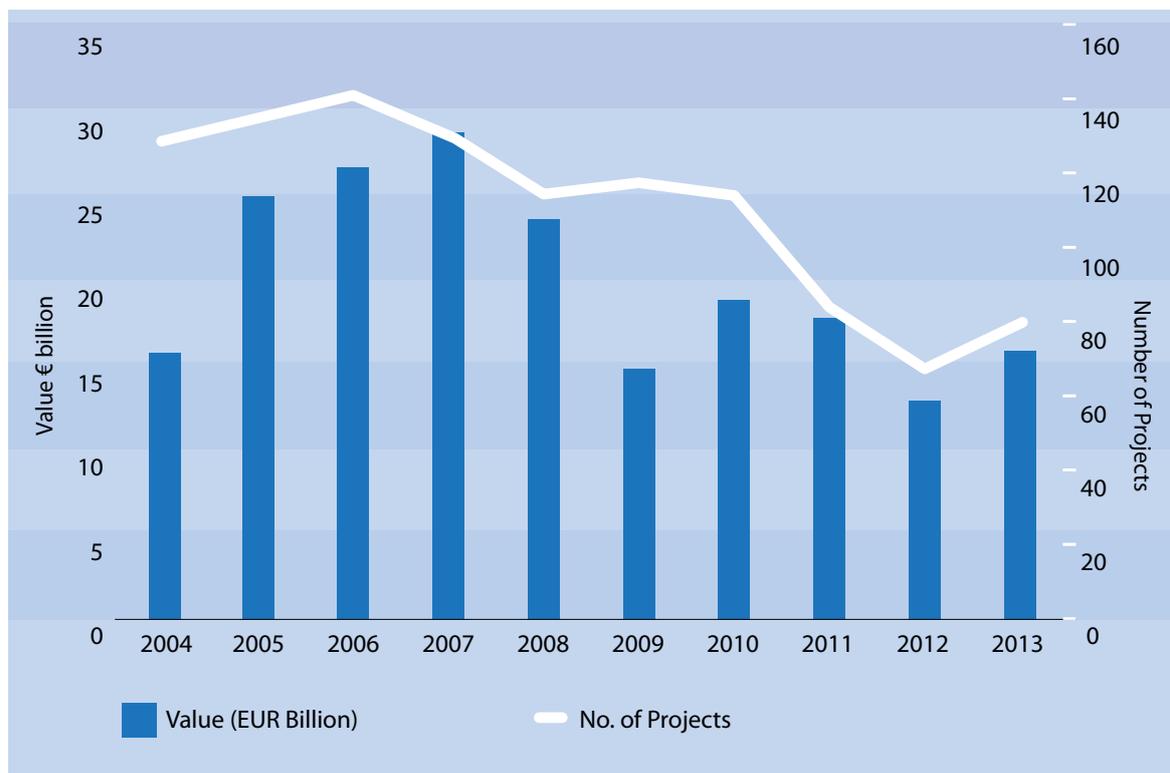
In January 2014, the CEB provided a €41m loan direct to the Exchequer to finance up to half of the capital costs of the new Cork Prison and the National Children Detention Facility in Oberstown, Co. Dublin. The NDFA arranged this financing in consultation with the Irish Prison Service, the Irish Youth Justice Service, the Department of Public Expenditure and Reform the Department of Finance.

EUROPEAN PPP MARKET EMERGES FROM RECESSION

In 2013 the aggregate value of transactions which reached financial close in the European PPP market was €16.3 billion, a 27% increase from 2012. Some 80 PPP transactions reached financial close in the period compared with 68 recorded for 2012. The biggest users of PPP procurement by number of contracts were the UK, France and Germany – with the highest volume of deals by value in 2013 being in the UK and Italy. Over 90% of these projects were “availability-based” PPPs.

The chart below illustrates the trend in the PPP market in Europe over the last 10 years.

EUROPEAN PPP MARKET 2004-2013 BY VALUE & NO. OF PROJECTS



Source: European PPP Expertise Centre

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

While the NDFA only assumes legal responsibility for procurement of a project upon receipt of a formal handover letter from the relevant Secretary General/Accounting Officer, it assumes a highly supportive role in the pre-procurement process which is led by the Sponsoring Agency immediately upon announcement of a PPP project. The NDFA assists the Sanctioning Department and Sponsor in establishing a suitable project governance regime, defining project outputs, preparing the Public Sector Benchmark and generally guiding relevant parties in preparation for a robust public procurement process.

Much of the NDFA's activities during the first half of 2013, on those projects where it is acting as procuring authority and financial advisor, were taken up with this pre-procurement activity in readiness for the publication of tender notices in eTenders and in the OJEU leading to the issuing of tender documents later in the year.

DEPARTMENT OF EDUCATION AND SKILLS

Schools PPP Programme

The Schools PPP Programme was first announced in 2005 with a target of 27 schools planned for delivery. The NDFA provides financial advice to the programme and is responsible for all aspects of the procurement and construction delivery of the individual PPP contracts. To date 18 schools providing over 12,000 school places, with an aggregate capital value of circa €240m, have been delivered by the NDFA in three separate PPP bundles. All projects were delivered on time and within budget. Two further PPP bundles comprising 10 schools are included in the 2012 Infrastructure Stimulus Programme.

At the request of the Minister for Education and Skills, the NDFA took over the PPP contract management of the operations and maintenance of 15 operational PPP Schools in October 2012.

Schools Bundle 1

St. Mary's CBS, Portlaoise, Co. Laois
Scoil Chríost Rí, Portlaoise, Co. Laois
Banagher College, Coláiste na Sionna, Banagher, Co. Offaly
Gallen Community College, Ferbane, Co. Offaly

Schools Bundle 2

Abbeyfeale Community College, Abbeyfeale, Co. Limerick
Athboy Community School, Athboy, Co. Meath
Bantry Community College, Bantry, Co. Cork
Gaelscoil Bheanntaí, Bantry, Co. Cork
Kildare Town Community School, Kildare, Co. Kildare
Wicklow Town Community College, Wicklow, Co. Wicklow

Schools Bundle 3

Athlone Community College, Athlone, Co. Westmeath
Ballinamore Community College, Ballinamore, Co. Leitrim
Scoil na Troinóide Naofa, Doon, Co. Limerick
Merlin Woods Primary School, Doughiska, Co. Galway
Merlin Woods Post Primary School, Doughiska, Co. Galway
Gaelcholáiste, Coláiste Ailigh, Letterkenny, Co. Donegal
Creagh College, Gorey, Co. Wexford
Ardscoil na Mara, Tramore, Co. Waterford



Schools in PPP Bundles 1, 2 and 3

First and Second PPP Bundles of Schools

The first PPP bundle comprises four schools located in Laois and Offaly. The contract was awarded to Macquarie Partnerships for Ireland in March 2009 with Service Commencement achieved in September 2010.

The contract for the second bundle of PPP schools, consisting of six schools in counties Cork, Limerick, Kildare, Wicklow and Meath was awarded to Macquarie Partnerships for Ireland in June 2010. Delivery of all schools in 2011 was ahead of programme.

The NDFA now provides PPP contract management services at all the schools in these two contracts on behalf of the Department of Education and Skills.

Third PPP Bundle of Schools

The third PPP bundle of schools comprising eight schools, included a combination of new and replacement schools and provides accommodation for approximately 5,700 students.

This project achieved financial close in November 2012 with BAM PPP and PGGM Infrastructure Cooperatie

awarded the contract. Construction work commenced immediately after contract signing.

All eight schools opened on a phased basis between November 2013 and April 2014 on time and within the sanctioned budget. A Special Needs Unit has been added under the contract to both of the primary and post-primary schools at Doughiska, Co. Galway. The NDFA continues to monitor these works and the scheduled completion of pitch development at Athlone. The NDFA is currently managing the transition period provided for under the Ministerial Guidelines, with formal handback to the Department of Education and Skills of responsibility for the management of the PPP contract scheduled for late summer 2014. It is expected that the Department will request the post contract management of this PPP contract in line with other operational PPP schools.

BAM FM is responsible for delivering the facilities management services at all the schools in the Bundle over the 25 year service period of the contract.

The third PPP bundle of schools was voted *Best Education Project, Europe* in the World Finance 2013 PPP Awards.



On the 24th June 2014 the Royal Institute of Architects in Ireland (RIAI) announced 'Coláiste Ailigh' in Letterkenny, one of the schools in the Schools Bundle 3 project, as winner of Irish Architecture Awards 2014 'Best Educational Building Award'. Photo by Neil Warner

Fourth & Fifth PPP Bundles of Schools

Appointments for technical advisors (architecture, engineering and cost consultancy) and legal advisory services were made to the Schools PPP Bundles 4 and 5 in 2013 from panels established by the NDFA in late 2012.

In June 2013 the contract notice was published in the OJEU for both the fourth and fifth PPP bundles following which six expressions of interest were received in July 2013. Three consortia were subsequently shortlisted to receive tender documents for the two bundles.

Fourth PPP Bundle of Schools

The fourth bundle of schools comprises four post-primary schools in Clare, Cork, Louth and Tipperary. The project was handed over to the NDFA by the Department of Education and Skills in October 2013 on approval of the PSB and Invitation to Negotiate documents were issued to the shortlisted candidates in November 2013.

As part of the NDFA's proposals to reduce the time taken for the procurement phase and to reduce the costs involved for tenderers within the stimulus programme, specimen designs were prepared for each of the schools prior to the issue of tender documents on which basis the NDFA submitted planning applications in the second half of 2013. Archaeology and ground investigations, environmental and traffic assessments were also conducted during the year at each site.

Notifications to grant planning have now been received for the schools in Clare, Cork, Louth and Tipperary. However, a primary school and post-primary school in Celbridge, Co. Kildare that were originally proposed to be included in this bundle were refused planning permission by Kildare County Council and a subsequent appeal to An Bord Pleanála was unsuccessful. The Department of Education and Skills has decided not to proceed with these schools within this PPP contract.

An Enterprise Ireland "Meet the Buyer" event was held in Portlaoise offering 200 small and medium-sized enterprises within the construction sector the opportunity to meet directly with the senior buyers within the three shortlisted tenderers. A further event will be arranged for SME's following the appointment of the preferred tenderer.

Tenders were received as scheduled in April 2014 and a preferred tenderer was selected in June. It is expected that the contract will be awarded by the end of 2014. Construction of the schools is expected to take circa 18 months.

Fifth PPP Bundle of Schools

This bundle will provide new accommodation for approximately 4,650 students and includes a primary school and post-primary school in Wicklow and two post-primary schools in Meath and Wexford. An Education Training Board (ETB) college in Carlow town that provides 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.

The Department of Education and Skills is considering the inclusion of a primary school and post-primary school in Celbridge that were originally proposed to be included in the fourth bundle.

Preparation of specimen designs is largely complete and the first planning applications have been made. Archaeology and ground investigations, environmental and traffic assessments at each site are substantially completed.

Tender documents for this fifth PPP bundle are due for release to the three shortlisted tenderers later in 2014 following the appointment of a preferred tenderer on the fourth bundle.



Third Level Education PPP Programme

DIT Campus at Grangegorman: East & Central Quads

In September 2010 the Government launched a major new infrastructure development project which will include a purpose-built campus for the Dublin Institute of Technology (DIT), state of the art mental health facilities and a range of public amenities – all to be built on the grounds of St. Brendan's Hospital in Grangegorman, Dublin 7. The site will be served by the planned extension of the LUAS Cross City line (Line D) for which planning has already started. A significant component of this campus development is the construction of two major new buildings that will provide 50,000 m² of teaching space. Together, the East and Central Quads are to be undertaken as a single PPP contract with a capital value of circa €200 million.

The Sanctioning Authority for this project is the Department of Education and Skills and the Grangegorman Development Agency (GDA) is the Sponsoring Agency. The NDFA is the procuring body acting for and on behalf of the Minister for Education and Skills and is the financial adviser for this Project. The DIT will be the end user of the facilities.

The Central Quad will be a centre of excellence for the sciences as well as incorporating facilities for electrical engineering, culinary arts, hospitality management and tourism programmes at DIT. It will accommodate academic activities and teaching facilities required for a total of ten schools from the College of Sciences & Health, College of Engineering & the Built Environment and the College of Arts & Tourism. These schools will be grouped to maximise the benefits and efficiencies to DIT from co-locating related disciplines and functions.

The East Quad will be a centre of excellence for the creative arts and media including the National Conservatoire of Ireland. It will accommodate academic activities and facilities for five of the seven schools within the College of Arts and Tourism.

The Grangegorman Campus site is approved as a Strategic Development Zone (SDZ) under Part IX of the Planning and Development Act. The planning scheme was adopted by Dublin City Council and approved by An Bord Pleanála in 2011.

In October 2013, the project received approval in principle from the EIB for up to 50% of the senior debt funding to be provided to the successful PPP tenderer.

Following handover of the project to the NDFA for procurement in October 2013 from the GDA and the Department of Education and Skills, a contract notice was published in the OJEU. Five consortia submitted pre-qualification responses in December 2013 from which three tenderers have been shortlisted. The Invitation to Negotiate documents were issued in April 2014 and the pre-tender consultation process is currently underway. Receipt and evaluation of tenders is scheduled for late 2014/early 2015. Following receipt of planning permission (by the preferred tenderer) scheduled for mid - 2015 it is anticipated that financial close and contract award will occur in Q4 2015. It is expected that students will occupy the new buildings during the 2017/2018 academic year.





Artist impressions, Central and East Quad buildings

HEALTH SERVICE EXECUTIVE

Primary Care Centres PPP

The Primary Care Centres PPP project involves the proposed procurement of a network of primary care centres throughout Ireland. The Sanctioning Authority for the project is the Department of Health and the Health Service Executive (HSE) is the Sponsoring Agency.

The HSE anticipates 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.

Following detailed project appraisals by the HSE, 16 potential locations have been identified for consideration to be delivered by PPP. It is anticipated that, pending the outcome of statutory planning processes, 14 of these sites will be included in a contract bundle. The remaining locations will be considered for delivery by other procurement means.

The project involves the design, build, finance and maintenance for 25 years of the primary care centres together with the provision of facility management services. It does not include the provision of any healthcare related services which are the responsibility of the HSE.

The HSE has appointed technical advisors to the project and significant progress has been made during 2013 in the development of specimen designs and the making of applications for planning permission for all of the sites.

A contract notice was published by NDFA in the OJEU in December 2013, with four pre-qualification submissions received in March 2014. Three candidates were shortlisted in June 2014.

It is anticipated that the Invitation to Negotiate documents will be issued to three shortlisted tenderers in summer 2014 and a preferred bidder will be selected in late 2014/early 2015. Contract award and financial close are currently scheduled for mid-2015 with construction likely to take between 12 and 18 months at each of the centres.



DEPARTMENT OF JUSTICE AND EQUALITY

Courts PPP Bundle Project

The Minister for Public Expenditure and Reform formally announced the Justice Programme as part of the wider stimulus package in July 2012. From that programme the Courthouse Bundle will now proceed as a PPP. The three divisional Garda Headquarters (for sites in Dublin, Galway and Wexford) which were announced will proceed on a direct exchequer funded basis.

The Courts PPP Bundle will involve the development of new court house buildings in Drogheda, Letterkenny, Limerick, and Wexford and the refurbishment and extension of courthouses in Cork, Mullingar and Waterford, in conjunction with appropriate facilities management and maintenance services for each of these facilities.

The Sanctioning Authority for this project is the Department of Justice and Equality. The Courts Service is the Sponsoring Agency and the Office of Public Works is the lead technical adviser. Specialist technical and cost consultancy advisors were appointed to the PPP project in 2013 together with legal advisors.

The courts projects are being procured in a single PPP contract and the Contract Notice for the overall project was published by the NDFA in the OJEU in April 2014. Planning permission was secured for all of the courthouse developments prior to commencing the procurement process.

It is expected that three tenderers will be shortlisted for receipt of Invitation to Negotiate documents during the latter half of 2014 with a contract award scheduled for early 2016.



PROCURING AUTHORITY FOR NON-PPP SCHOOL BUILDING PROJECTS

NDFA Devolved Schools Building Programme

In March 2012, the Minister for Education and Skills, Ruairí Quinn T.D., announced details of 219 new major school building projects for delivery in the period 2013-2017 as part of a €2 billion capital investment programme. These new projects are in addition to the 56 major school building projects that were previously announced for 2012. The investment is anticipated to create about 15,000 direct and 3,000 indirect jobs over the period of the programme.

The NDFA, the Office of Public Works (OPW), Education Training Boards (ETBs) and some County Councils will assist the Department with the delivery of over 80 major school projects within the 5-year plan.

The NDFA will procure and deliver an initial fifteen schools (including new and replacement building, extensions and refurbishments) under provisions included with the ETB Act 2013. This programme of support is in addition to the PPP programme of Schools for which the NDFA is procuring and delivery agent.

The NDFA appointed design teams and other advisors/contractors to support the development of this programme in 2012. Specimen designs and planning permissions for each of the school development projects were secured by NDFA during 2013.

In May 2013, the NDFA appointed five building contractors to a 3 year "Design and Build" framework following an open tender competition. Tenders were issued in the second half of 2013 in respect of three bundles of between four and six schools each covering the north-east, west midlands and south-west. The awarding of contracts from this framework was concluded in Q1 2014.

Construction has commenced on all 15 schools with the first due for completion by late 2014.

Trial Provision of Social Clauses for the long-term unemployed within the Public Works Contract

A pilot scheme for "Social Clauses for Apprentices and the Long-term Unemployed" is being managed by the NDFA within its Devolved Schools Programme. These social clauses, which are also being incorporated within the PPP projects that form part of the Government's Stimulus Programme announced in July 2012, include mandatory targets that:

- at least ten percent of those working on the sites being drawn from the live register and having been unemployed for more than 12 months
- at least 2.5% of workers on the sites will be engaged in an approved registered apprenticeship scheme

The pilot scheme includes monitoring arrangements and provides for data collection to establish its effectiveness in achieving the stated objectives.

The NDFA and Department of Education and Skills has been assisted in the drafting of these clauses and their inclusion within the public works form of contracts by the Department of Public Expenditure and Reform. In June 2014, the Minister for Public Expenditure and Reform announced the establishment of a Social Clauses Project Group within the Office of Government Procurement, to build on the experience of this pilot initiative.

The three contracts that have been awarded to date have an aggregate total capital value of approximately €70 million. The NDFA anticipates a peak construction site work force across each of the contracts of the order of between 150 and 250 persons.

NDFA is working closely with the appointed contractors, the Department of Social Protection and with the relevant local Intreo offices in the application of the contract requirements, all of whom are fully engaged in supporting the pilot initiative.

Work under each of the contracts started during February and March 2014. By mid-May some 30 persons meeting the requirements of the contract had already been employed across the 3 contracts with further appointments pending and interviews being arranged for more positions.

The NDFA is acting as the Employer's Representative under the contracts and has an ongoing role in monitoring the Contractors' performance against their contract obligations. Final verification of compliance with the social clauses will be made following Substantial Completion of each of the contracts. Financial penalties are provided to the extent that the number of relevant persons employed falls below the required level.

Encouraging and supporting wider SME Participation

The NDFA has engaged with Enterprise Ireland on a number of initiatives in support of the SME sector including hosting two "Meet the Buyer" events for the Devolved Schools Building Programme. Members of the SME sector affiliated with the construction sector

had the opportunity to hear about the individual contracts within the programme and to engage directly with representatives of the five design and build contractors appointed to the framework.

Over 300 businesses participated during the course of the two events held in Drogheda, Co. Louth and in Charleville, Co. Limerick. The Department of Social Protection together with representatives of the local County and Enterprise Boards also attended the events as a part of an enterprise support zone.



Bricklaying ceremony at Galvone National School in Limerick

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 facilities (NFMHS) which will include:

- A new Adult Forensic Hospital (120 beds)
- A Forensic Mental Health Intellectual Disability Unit (10 beds)
- A Forensic Child & Adolescent Unit (10 beds)
- Forensic Intensive Care Rehabilitation Units (30 beds)
- Two 30-bed Forensic Intensive Care Rehabilitation Units to be developed at appropriate locations across the country

The HSE is proceeding with this project on a phased, two-stage basis, with the Intensive Care Rehabilitation Units to be constructed separately in the second phase.

The NDFA is the financial advisor to the HSE on this traditionally procured project. The project design is currently being developed following the appointment of the Design Team in 2012. Tender documents are scheduled to be issued in 2015 and, following receipt of planning permission, a contractor is expected to be appointed in Q4 2015 for the first phase of the development.

Centre of Excellence for Successful Ageing

St James's Hospital was given approval to proceed with development of the 'Care of the Elderly Programme' at St. James's Hospital by the HSE. The objective of this project is to develop a new facility for the Mercer's Institutes for Successful Ageing on the southern part of the hospital site and for this to be a "Centre of Excellence for Successful Ageing (CESA)".

The NDFA was the financial advisor to the HSE on this traditionally-procured project. Following advertisement of the tender for the project in June 2013, the contract was awarded in February 2014 to BAM.

This project is funded jointly by Atlantic Philanthropies and the HSE.

National Paediatric Hospital (NPH)

The new children's hospital is one of the largest, most complex and significant capital investment projects ever undertaken in healthcare in Ireland. It will enhance how acute health services are delivered and will result in better clinical outcomes for children and young people.

The planned development will bring together the three existing children's hospitals at Our Lady's Children's Hospital Crumlin, Temple Street Children's University Hospital and the National Children's Hospital at Tallaght Hospital. The 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.

In November 2012, St. James's Hospital was selected as the new site for the NPH and a new Development Board was appointed by the Minister for Health.

The NDFA is providing financial advice to the Development Board in relation to the appointment of a design team for an employer-led contract proposed to be tendered in 2015 for the construction of the new hospital, subject to planning permission. Six shortlisted architectural teams for the design of the new children's hospital were announced in March 2014 by the Development Board following publication of an OJEU notice in November 2013.

DEPARTMENT OF TRANSPORT, TOURISM & SPORT

Second Roads PPP Programme

The NDFA is financial advisor to the National Roads Authority in respect of the Second Roads PPP programme of which there are three PPP schemes forming part of the Infrastructure Stimulus Programme – the N17/18 (Gort to Tuam) PPP; the N25 (New Ross Bypass) PPP; and the M11 Scheme (Gorey to Enniscorthy) PPP. The NRA has also commenced the procurement of Tranche 2 of the Motorway Services Areas PPP programme on which the NDFA also provides financial advice.

N11 Scheme (Arklow, Rathnew and N7 Newlands Cross)

The NDFA provided financial advice to the NRA on the €282 million N11/Newlands Cross PPP scheme which was the final project in the First Roads PPP programme and which reached contract award and financial close in April 2013.

A key strategic link in the national road network, the upgrade to the N11 is being developed along with the Newlands Cross junction upgrade as a single PPP contract. The N11 upgrade will improve road safety on a notoriously dangerous stretch of road and will also include the first on-line service station on the N11, at Gorey. The Newlands Cross fly-over will remove the last traffic light between Cork, Limerick, Waterford and the border with Northern Ireland. Some 80,000 vehicles pass through Newlands Cross every day.

Debt funding of more than €160 million was provided by Bank of Ireland and EIB, with the National Pensions Reserve Fund acting as a standby lender. The contract was awarded to a consortium comprising BAM PPP and Dutch pension fund administrator PGGM Infrastructure Cooperatie. The entire project is due to be completed within two years.

This was the first transport Public Private Partnership to be signed since 2007 and demonstrated that Irish transport agencies can once again raise private finance to invest in crucial transport infrastructure.





M17/M18 – Gort to Tuam Scheme

N17/N18 Scheme (Gort to Tuam)

The N17/N18 Scheme (Gort to Tuam), which will provide 57 kilometres of non-tolled motorway and dual carriageway as part of a high quality road link between Letterkenny and Waterford (the Atlantic Corridor), successfully reached contract award and financial close in April 2014. At an estimated capital cost of €330 million, this is the largest project of the Infrastructure Stimulus Programme and is expected to create up to 450 jobs, boost local economies in the west of Ireland and ease traffic congestion.

As the largest scheme in Phase 1 of the PPP Stimulus Programme, the successful fundraising marked an important milestone in the continuation of the Irish

PPP programme and confirmed the international project finance markets' renewed confidence at both a bank and institutional level. The NDFA played a key role in managing the complex funding solution developed for this PPP Project.

The EIB will provide €144 million over 26 years for the scheme – the bank's third engagement to support PPP projects since 2010. Speaking after the contract award the EIB's Vice President, Jonathan Taylor, said that the participation of leading European commercial investors in the project showed that the Irish PPP market, with transitional assistance from the EIB, has once again become attractive to international investors.

N25 New Ross Bypass

The N25 New Ross Bypass will provide high quality links within the south east region and ease traffic congestion by providing a bypass of New Ross town on the N25 and N30.

The NRA commenced the tender process for the PPP scheme in March 2013. Subsequent to a shortlisting process, four teams were qualified for the receipt of tenders. Tenders are due to be submitted in July 2014 with financial close targeted for Q1 2015.

The scheme has been approved in 'principle' by EIB for inclusion in the pilot phase of the European Commission / EIB 2020 Project Bond Initiative. The NDFA will manage this innovative new funding source to ensure the State achieves Value for Money and a successful outcome from the State's perspective.

M11 Scheme (Gorey to Enniscorthy)

The M11 Scheme (Gorey to Enniscorthy) will comprise the construction of three new sections of road, including the M11, N30 and an N80 link. The scheme comprises:

- M11 Enniscorthy Bypass - 26km of mainline to motorway standard, starting at Frankfort and continuing to Roperstown on the existing N11
- N80 Link - 4km dual carriageway connecting the Ballydawnmore junction to the existing N11/ N80 junction at Scarawalsh
- N30 Western Link - 8km of single carriageway connecting the N11/ N80 junction at Scarawalsh to Jamestown, passing west of Enniscorthy Town

The procurement process commenced in July 2013 and expressions of interest were received by the NRA in October 2013. Following a shortlisting process, four consortia have been issued with tender documents. Tenders are due in Q4 2014 with financial close targeted for Q3 2015.

The scheme may also be eligible for the European Commission / EIB 2020 Project Bond Initiative although no decision has been made at this point.

Tranche 2 Service Areas

This project, comprises the design, construction, operation and maintenance and financing of two service areas located on the M6 motorway east of Athlone and on the M9 motorway south of Kilkullen, together with the possible fit-out, operation and maintenance of a third service area on the M11 motorway north of Gorey (once constructed).

A notice was published in the OJEU in March 2014. Tender documentation was issued to the shortlisted tenderers in June 2014.

Luas Cross City

The Railway Procurement Agency (RPA) is responsible for the procurement of the LUAS Cross City scheme (formerly known as LUAS BXD), 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. The line will also connect to the Maynooth and Dunboyne suburban rail line. With a total project budget of €368 million, the scheme will be funded directly by the Exchequer. The main construction contract is targeted to commence in late 2014/early 2015.

The NDFA is providing financial advice to the RPA and the National Transport Authority in respect of this scheme.

Five consortia have been shortlisted to tender for the LUAS Cross City main Infrastructure Works contract. The Invitation to Negotiate documents issued in April 2014 and a contractor will be appointed by end of the year. The successful contractor will commence the main infrastructure works in 2015 with commencement of passenger services is planned for Q4 2017.

The EIB has agreed to provide €150 million to support construction of the project as well as the acquisition of 10 new trams. As part of its role, the NDFA has coordinated EIB's (traditional) loan financing to the project in an agreement which was signed in March 2014.

ENVIRONMENT, COMMUNITY & LOCAL GOVERNMENT

Charlemont Street

The NDFA is providing financial advice to Dublin City Council on this social housing project. The project will deliver circa 150 social housing units, as well as private units and some commercial development. Planning permission has been secured and in Q4 2013 Dublin City Council requested the assistance of the NDFA with the completion of the PSB.

Waterford Grouped Towns & Villages Water Scheme

The NDFA provided financial advice to Waterford County Council during the procurement phase of the Waterford Grouped Towns & Villages Sewerage Scheme. This project was included in the Water Services Investment Programme 2010 – 2013 and involves the design, build and operation of waste water treatment facilities across towns and villages in County Waterford. The NDFA provided a Value for Money Opinion letter to Waterford County Council in December 2013.

Poolbeg Waste/Energy Plant

The Dublin Waste to Energy project is being developed as a Public Private Partnership between Dublin City Council (DCC), 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).

The NDFA is acting as statutory financial advisor to DCC, with PWC as financial advisors to the project. Following clearance of the EU Commission's State Aid and Procurement complaint in April 2014, the project is expected to reach financial close in Q3 2014, subject to satisfactory completion of funder due diligence and Value for Money assessment.

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

Works planned by Dublin City Council (DCC) to upgrade and expand the Ringsend WwTW (which is the main treatment works for the Dublin area) initially envisaged two main contracts. The first contract was to 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 km offshore in Dublin Bay via a new Long Sea Outfall Tunnel (LSOT). The second contract was to extend the WwTW's capacity to meet growing population needs. Both contracts were scheduled to be procured using the Public Works Contract for Civil Engineering Works designed by the Contractor.

The NDFA was financial advisor to DCC during the pre-qualification of candidate submissions for both projects carried out in February and May 2013.

Responsibility for the decision on approval to proceed with the projects was transferred to Irish Water on 1 January 2014. Irish Water announced in May 2014 that the scope of the project was under review but that a decision had been taken to no longer proceed with the LSOT element of the scheme.



Artist impression, Charlemont Street

DEPARTMENT OF JUSTICE AND EQUALITY

Cork Prison

The NDFA has provided financial advice to the Irish Prison Service on the new Cork Prison project, which will replace the existing prison facility at Rathmore Road, Cork.

The procurement process commenced in February 2013 and tenders were received in September 2013. PJ Hegarty & Sons was selected as preferred tenderer and signed the contract in December 2013. Construction commenced on site in January 2014.

In March 2013, the CEB approved a loan application made by the NDFA on behalf of the Irish Prison Service amounting to €22.7 million to be used towards the part-financing of the new prison.

DEPARTMENT OF SOCIAL PROTECTION

JobPath

The Government issued its policy statement "Pathways to Work" in 2012 endorsing the Department of Social Protection's plan for the establishment of a national employment and entitlements service. This plan was put in place to meet the commitment set out in the Programme for Government to integrate the provision of income support and employment support services to unemployed jobseekers.

An important element of the "Pathways to Work" plan is to provide more intensive support to the long-term unemployed. In order to augment and complement the existing resources aimed at the long-term unemployed, the Department of Social Protection is procuring the provision of intensive employment support activation services from experienced providers under the JobPath initiative. The Department issued a Request for Tenders for this complementary service provision in December 2013 and the NDFA is providing financial advice to the Department in relation to the qualification of tenders from potential JobPath service providers.

OTHER NDFA ADVISORY WORK AND ACTIVITIES

PPP Contract Administration Support (post-construction phase): Financial advice

The NDFA provides post-construction stage financial advice to project sponsors, as requested from time to time, in relation to a number of PPP projects which are fully constructed and are now operational. This includes the Criminal Courts of Justice, the Convention Centre Dublin and the Pilot Schools projects (completed 2001), all of which are projects in 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 firstly creating "handbooks" and providing training support and advice to the Sponsoring Agency regarding the practical application of the contract payment mechanisms. In addition, NDFA reviews financial information passed to Sponsoring Agencies by the PPP Companies, including the statutory annual accounts of the private sector consortiums.

NDFA also assists with particular matters which may have financial implications under the respective PPP Project Agreements for a State Authority. This has included matters to be dealt with under the Project Agreement arising from the liquidation of an SPV shareholder of the Convention Centre Dublin PPP and assistance to State Authorities in cost benchmarking exercises of facility management services.

PPP Contract Administration Services for Department of Education and Skills

At the request of the Department of Education and Skills, the NDFA took over the PPP contract management of the operations and maintenance of 15 operational PPP Schools in October 2012. This agreement was extended in March 2014 for a further 12 months with the consent of the Department of Public Expenditure and Reform.

The NDFA is managing the contract for three operational schools projects: Schools PPP Bundle 1 (four schools), Schools PPP Bundle 2 (six schools) and the Pilot Schools PPP (five schools) on behalf of the Department. Working under a Service Level Agreement, the support provided involves monitoring the relevant PPP companies in the performance of their obligations under the PPP contract.

The PPP Contract Administration Services typically include:

- checking and approving the monthly invoices from PPP companies and the assessment of deductions/penalties
- periodic audits of PPP companies' business systems
- review of annual accounts of PPP companies
- liaison with school management teams and the Department of Education and Skills on the performance of the PPP contracts
- agreement of annual maintenance programmes and service delivery plans (to meet contract requirements)

The total amount of availability and service performance deductions made in 2013 was €187,500.

Government Construction Contracts Committee

The NDFA is represented on the Government Construction Contracts Committee (the GCCC).

Following a request, the NDFA has been working with the GCCC on developing a guidance document for the financial appraisal of contractors under the various Public Works forms of contract. In the final stages of approval with the Committee, it is expected that this document 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.

The NDFA has also made contributions to the Committee in respect of guidance issued by the GCCC on the level of bonding to be set in public construction works, the adoption of the Building Control (Amendment) Regulations and its impact on the Public Works suite of contracts as well as in the more general review of the Public Works Contracts launched by the Minister for Public Expenditure in December 2013.

EPEC (European PPP Expertise Centre)

The European PPP Expertise Centre (EPEC) is a joint initiative of the EIB, the European Commission and European Union Member States and Candidate Countries that is aimed at strengthening the capacity and expertise of public administrators in member States who are responsible for developing and delivering Public Private Partnership (PPP) transactions.

The NDFA has represented the Irish PPP Policy Unit (based in the Department of Public Expenditure and Reform) on various working committees within EPEC during the course of 2013 and attended the 'All Members Meeting' in November 2013.

The NDFA made contributions through working groups and through the EPEC secretariat to EPEC guidance papers on:

- "Managing PPPs during their contract life"
- "Termination and Force Majeure Provisions in PPP contracts"
- "Treatment of Value Added Tax within PPPs"

The NDFA also participated in the 'Spring 2013 Private Sector Forum', a semi-annual event organised by EPEC in co-operation with DG ECFIN from the European Commission and leading private sector participants in the European PPP market.

Governance

NDFA Board

The NDFA Act 2002, as subsequently amended, provides for 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 by the Minister for Finance for no more than two terms of five years.

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 2013 to 30 June 2014 are as follows:

John Corrigan

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

Brian Murphy

Chief Executive Officer
Director, National Treasury Management Agency

Gerry Murray

Chief Executive Officer, Institutes of Technology Ireland

Petrina Smyth

Tax Partner, Walkers Ireland Law Firm

Robert Watt

Secretary General of the Department of Public Expenditure and Reform

As of 24 June 2014 there are three vacancies on the Board.

The Board met on five occasions during 2013. Attendance by members is set out below.

| Board Member | Meetings Attended |
|---------------------------|--------------------------|
| John Corrigan | 5 |
| Brian Murphy ¹ | 4 |
| Gerry Murray | 5 |
| Petrina Smyth | 5 |
| Robert Watt | 5 |

¹ Mr. Brian Murphy excused himself from attending the meeting of 31 January 2013.

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 over the period 1 January 2013 to 30 June 2014 are as follows:

- Brendan McDonagh (Chairperson from 1 January 2013)
- Gerry Murray (from 1 January 2013) – Member of the NDFA Board
- Michael O'Grady – 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 Chairman, Chief Executive Officer and the Board would like to express their appreciation for the efforts of all staff involved in the NDFA's operations.

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

Appendices

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 2013 and 2012 are as follows.

| | 2013 € | 2012 € |
|---------------|---------------|---------------|
| Fees of Board | 12,600 | 56,280 |
| Audit Fees | 7,800 | 5,640 |
| | <u>20,400</u> | <u>61,920</u> |

In addition to the above expenses, the administrative costs incurred by the NTMA in the performance of the NDFA's functions in 2013 amounted to €7,113,551 (2012: €6,099,486). These costs are included in the administration expenses of the NTMA 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 2013

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Board Members and Other Information

BOARD MEMBERS

John C. Corrigan – Chairman

Brian Murphy – Chief Executive Officer

Gerry Murray

Petrina Smyth

Robert Watt

AUDITORS

Comptroller & Auditor General

Dublin Castle

Dublin 2

BANKERS

Allied Irish Banks plc

1 Lower Baggot Street

Dublin 2

Statement of Agency's Responsibilities

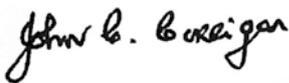
The National Development Finance Agency ("the Agency") is required by the National Development Finance Agency Act, 2002 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

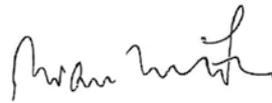
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- discloses and explains any material departure from applicable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

24 June 2014

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 Agency") 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 Agency by:

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

The Agency 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 Agency which (other than Agency 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 analysis of the operational risks to which the Agency is exposed, and annual internal audit plans are based on this analysis. At least annually, the Internal Auditor (currently PricewaterhouseCoopers) provides the NTMA Audit Committee and the Agency 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.

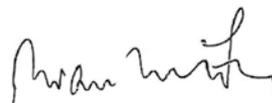
The NTMA's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the executive managers within the NTMA who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports. In addition a member of the Agency Board sits on the NTMA Audit Committee representing the Agency Board's interests. The Board member keeps the Agency Board informed of such matters as are relevant to the Agency. 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 2013, the Board of the Agency, 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

24 June 2014

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 2013 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 2013 and of its income and expenditure for 2013.

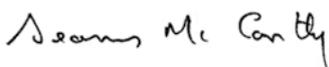
In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

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

27 June 2014

Accounting Policies

BACKGROUND

The National Development Finance Agency (the "Agency") was established by order of the Minister for Finance on 1 January 2003 under the National Development Finance Agency Act, 2002.

The significant accounting policies adopted in respect of the National Development Finance Agency are as follows:

BASIS OF PREPARATION

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

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

REPORTING PERIOD

The reporting period is the year ended 31 December 2013.

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 on an accruals basis.

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.

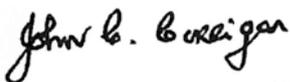
Fees and expenses incurred in respect of the Agency's financing and advisory functions are charged to the Income and Expenditure account and are re-imbursed by the relevant State Authority.

Income & Expenditure Account

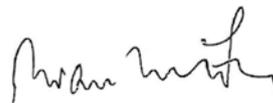
For the year ended 31 December

| | Notes | 2013 € | 2012 € |
|------------------------------------|-------|-------------|-------------|
| Income | 1 | 5,720,150 | 1,692,354 |
| Project fees and expenses | 2 | (5,699,750) | (1,630,434) |
| Transfer to Administration Account | 3 | (20,400) | (61,920) |
| Net income for the year | | Nil | Nil |

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



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

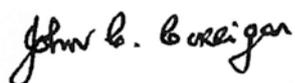
24 June 2014

Administration Account

For the year ended 31 December

| | Notes | 2013 € | 2012 € |
|--|-------|-----------|-----------|
| Transfer from Income & Expenditure Account | 3 | 20,400 | 61,920 |
| Administration expenses of Agency | 4 | (20,400) | (61,920) |
| Net income\ (expenditure) | | Nil | Nil |

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



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

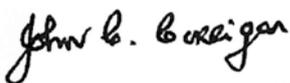
24 June 2014

Balance Sheet

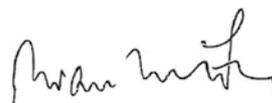
31 December

| | Notes | 2013 € | 2012 € |
|--------------------------------------|-------|------------------|------------------|
| Assets | | | |
| Cash at Bank | | 349,855 | 158,640 |
| Debtors | 5 | 1,407,015 | 1,211,514 |
| | | 1,756,870 | 1,370,154 |
| Liabilities | | | |
| Creditors | 6 | 1,756,870 | 1,370,154 |
| Total Assets less Liabilities | | Nil | Nil |
| Representing | | | |
| Accumulated Reserves | | Nil | Nil |

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



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

24 June 2014

Notes to the Financial Statements

1. Income

| | 2013 € | 2012 € |
|---|------------------|------------------|
| Reimbursement from State Authorities of advisory expenses | 5,699,750 | 1,630,434 |
| Central Fund (Note 7(a)) | 20,400 | 61,920 |
| | <u>5,720,150</u> | <u>1,692,354</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.

| | 2013 € | 2012 € |
|------------------------|------------------|------------------|
| Consultancy fees | 5,028,473 | 1,224,708 |
| Legal fees | 581,497 | 399,782 |
| Other project expenses | 89,780 | 5,944 |
| | <u>5,699,750</u> | <u>1,630,434</u> |

Consultancy fees amounting to €5,028,473 incurred in 2013 (2012: €1,224,708), are analysed as follows:

| | € | € |
|------------------------|------------------|------------------|
| Technical consulting | 4,764,281 | 1,148,714 |
| Financial consulting | 239,818 | 71,807 |
| Other | 24,374 | 4,187 |
| Total consultancy fees | <u>5,028,473</u> | <u>1,224,708</u> |

Technical consulting includes costs of architects, engineers, quantity surveyors, planning consultants and other technical advisors associated with the Public Private Partnership "PPP" and Devolved Schools Programmes. Costs also include topographical surveys, ground investigations, archaeology surveys and related matters.

Technical consulting costs have risen in the past year due to the substantial increase in Agency business activity supporting the delivery of PPP Projects under the Government stimulus package and the Devolved Schools Programmes (Non-PPP). All of these expenses are reimbursed by the relevant Sponsoring Departments. Technical costs incurred in relation to Health PPP Projects are met directly by the Health Services Executive.

Notes to the Financial Statements

continued

2. Project fees and expenses (continued)

Further information on the allocation of technical costs incurred in 2013 is set out below:

| | 2013 € |
|----------------------------------|-----------|
| Grangegorman PPP | 2,375,543 |
| Devolved (Non-PPP) Schools | 1,276,149 |
| PPP Schools (Bundles 3, 4 and 5) | 950,071 |
| Justice PPPs | 162,518 |
| | 4,764,281 |

3. Transfer to Administration Account from Income & Expenditure Account

This amount of €20,400 (2012: €61,920) represents the amount required to cover certain administration costs of the Agency.

4. a) Administration Expenses

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

| | 2013 € | 2012 € |
|-------------------------------|-----------|-----------|
| Fees of the Board (Note 4(b)) | 12,600 | 56,280 |
| Audit fees | 7,800 | 5,640 |
| | 20,400 | 61,920 |

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the Agency's functions amounted to €7,113,551 (2012: €6,099,486). 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.

Notes to the Financial Statements

continued

4. a) Administration Expenses (continued)

The total cost of the operation of the Agency in the year was €12,833,701 (2012: €7,791,840), funded as follows:

| | 2013 € | 2012 € |
|--|-------------------|------------------|
| Project fees and expenses (Note 2) | 5,699,750 | 1,630,434 |
| Administration cost of Agency | 20,400 | 61,920 |
| Administration fees and expenses borne by the NTMA and charged to the Central Fund | 7,113,551 | 6,099,486 |
| | <u>12,833,701</u> | <u>7,791,840</u> |

The breakdown of administration fees and expenses borne by the NTMA and charged to the Central Fund in respect of 2013 is as follows:

| | € | € |
|---|------------------|------------------|
| Employment Costs (including share of support functions) | 5,307,782 | 4,696,076 |
| Professional Fees | 215,211 | 153,587 |
| Operating Expenses (including overheads) | 1,590,558 | 1,249,823 |
| | <u>7,113,551</u> | <u>6,099,486</u> |

The cost analysis above comprises the following elements:

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

Notes to the Financial Statements

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 2013.

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 2013.

Chief Executive Officer's Remuneration 2013

| | |
|------------------|----------|
| Salary: | €290,312 |
| Taxable benefits | €22,692 |

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 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 2013.

Notes to the Financial Statements

continued

5. Debtors

| | 2013 € | 2012 € |
|--|------------------|------------------|
| Receivable from State Authorities | 1,369,942 | 1,188,320 |
| Receivable from the Central Fund (non project related) | 37,073 | 23,194 |
| | <u>1,407,015</u> | <u>1,211,514</u> |

6. Creditors

| | 2013 € | 2012 € |
|---|------------------|------------------|
| Amounts due to Central Fund (project related) | 1,078,416 | 544,045 |
| Consultancy and legal fees payable | 439,590 | 734,465 |
| Professional Services Withholding Tax payable | 223,912 | 78,113 |
| VAT payable | - | 2,162 |
| Payroll Taxes payable | 1,512 | 5,729 |
| Accrued Expenses | 13,440 | 5,640 |
| | <u>1,756,870</u> | <u>1,370,154</u> |

Notes to the Financial Statements

continued

7. Central Fund

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

| | 2013 € | 2012 € |
|--|---------------|---------------|
| Amounts drawn from Central Fund | 6,521 | 38,588 |
| Funds transferred from Note 7(b) below | - | 19,595 |
| Increase / (decrease) in Central Fund debtor | 13,879 | 3,737 |
| Administration Expenses (non project related) (Note 4) | <u>20,400</u> | <u>61,920</u> |

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

| | 2013 € | 2012 € |
|---|------------------|----------------|
| Due to Central Fund at beginning of year | 544,045 | 149,256 |
| Advanced during the year | 5,034,371 | 1,369,424 |
| Repaid during the year | (4,500,000) | (955,040) |
| Funds used to offset costs incurred in Note 7 (a) above | - | (19,595) |
| Due to Central Fund (project related) at end of year (Note 6) | <u>1,078,416</u> | <u>544,045</u> |

Notes to the Financial Statements

continued

8. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2013.

9. Related parties

Minister for Finance

The ordinary members of the Board of the National Development Finance Agency, as set out on page 3, are appointed by the Minister for Finance under section 12 of the National Development Finance Agency Act, 2002.

Under section 7 of the National Development Finance Agency Act, 2002 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 were given during the year.

National Treasury Management Agency

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

10. Events since the balance sheet date

In May 2014 the Government published the National Treasury Management Agency (Amendment) Bill. The Bill will, when enacted, streamline and simplify the NTMA's governance structures to enable a more integrated approach to the performance of its functions. The NTMA will be reconstituted as a body with a Chairperson and eight other members who will have over-arching responsibility for all of the NTMA's functions (excluding NAMA which will continue to have its own separate board). The Agency Board, NTMA Advisory Committee, NPRF Commission and State Claims Policy Committee will be dissolved. The Bill also provides for the transfer of the Agency's functions to the NTMA. As the functions and activities carried out by the Agency will continue under the new arrangements, the financial statements continue to be prepared on a going concern basis and no change is anticipated to the carrying value of any of the Agency's assets or liabilities.

11. Board Members - Conflict of Interest

In cases where a conflict of interest has been declared, Board members do not receive Board documentation on the proposed transactions nor do the members participate in or attend Board discussions relating to the matters. All such instances are recorded in the Board Minutes. On no occasion during 2013 did members recuse themselves from Board Meetings in relation to a conflict of interest.

12. Approval of Financial Statements

The financial statements were approved by the Board on 29 May 2014.

Notes

Notes



National Development Finance Agency

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