

DÚN LAOGHAIRE HARBOUR COMPANY

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2002

ANNUAL REPORT

for the year ended 31 December 2002

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COMPANY INFORMATION

DIRECTORS

Paddy McMahon – Chairman
Victor Boyhan
Elizabeth Coffey
Sean Costello*
Jane Dillon Byrne
Tony Fox*
Michael Hanahoe – Chief Executive
Donal Marren ♦
Gerry Nagle ♦
Thomas Quinn
Eithne Scott Lennon*
Tom Welby

* Member of Audit Committee

♦ Member of Remuneration Committee

SECRETARY

Michael Hanahoe

REGISTERED OFFICE

Harbour Lodge,
Crofton Road,
Dún Laoghaire,
Co. Dublin.

REGISTERED NUMBER OF INCORPORATION

262366

SOLICITORS

L. K. Shields and Company,
39/40 Upper Mount Street,
Dublin 2.

COMPANY INFORMATION (Continued)

BANKERS

Ulster Bank Limited,
Dún Laoghaire,
Co. Dublin.

Ulster Bank Capital Markets Limited,
Ulster Bank Group Centre,
Georges Quay,
Dublin 2.

European Investment Bank,
Luxembourg.

Lombard & Ulster Banking Limited,
Ulster Bank Group Centre,
Georges Quay,
Dublin 2.

Bank of Ireland
Dun Laoghaire,
Co. Dublin.

ACTUARIES

Mercer Limited,
Charlotte House,
Charlemont Street,
Dublin 2.

AUDITORS

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2.

CHAIRMAN'S REPORT

for the year ended 31 December 2002

INTRODUCTION

As Chairman of the company, I am pleased to present the company's sixth annual report.

COMPANY OPERATIONS AND PROFITABILITY

Overall turnover for the year was €9,446,999 compared to €8,747,756 in 2001, an increase of 8%.

Shipping turnover has increased by 3% mainly as a result of the indexing of shipping revenues on foot of the operating agreement with Stena Line. Actual traffic volumes continued to decline in 2002 as shown below:

	2002	2001	Percentage change
Passenger numbers	1,015,465	1,064,181	(4.6%)
Car units	206,817	206,770	(0%)
Commercial units	30,335	35,820	(15%)

The decline in traffic volumes reflects increased competition on the central corridor routes.

The main contribution to the increase in turnover is from non ferry income which increased from €1,245,255 in 2001 to €1,712,185 in 2002, an increase of 37%. Factors contributing to the increase include higher revenues from both the Marina and Pay and Display Parking and, for the first time, license fee income from the Harbour Yard Site.

Operating expenditure has increased from €444,092 in 2001 to €840,761 in 2002. This is mainly due to increased level of expenditure on repair projects in 2002 including restoration work on the Victoria Monument.

Administration and general expenditure has increased from €4,530,910 in 2001 to €4,750,228 in 2002, an increase of 4.8%. The increase was due to a number of different factors including sharply rising insurance costs.

The accounts show exceptional costs in 2002 of €430,743 (2001: €1,603,957). This amount includes a provision for local authority rates of €676,279 (2001: €1,089,713). The total provision for local authority rates in the balance sheet now stands at €2,375,187 (2001: €1,740,187). This provision represents the liability as assessed by the Dun Laoghaire Rathdown County Council, for the four years to 31 December 2002, following a ruling by the Valuation Tribunal that rates should be levied on the commercial ports from the 1st January 1999. The Port of Cork, acting as a test case for all the other ports corporatized under the provisions of the 1996 Harbour's Act, successfully challenged the Valuation Tribunal's ruling in the High Court. However, the Valuation Tribunal has indicated that it intends to appeal the High Court decision to the Supreme Court.

CHAIRMAN'S REPORT

for the year ended 31 December 2002

CHAIRMAN'S REPORT(Continued)

The Company is separately appealing the decision of the Valuation Office to double the rateable value of the Dun Laoghaire Harbour Company in March 2001.

Profit before taxation has risen from €1,270,396 in 2001 to €2,470,256 in 2002, an increase of 94%. Profit after taxation has risen from €838,843 in 2001 to €1,886,304 in 2002, an increase of 125%.

The company is subject to corporation tax on all of its income at the standard rate in 2002.

SIGNIFICANT DEVELOPMENTS DURING 2003

Negotiations with the preferred bidder for the Harbour Yard Site concluded in December and the contract was approved by the Board in January 2003. Under the terms of the contract the Company has agreed to sell the majority of the site to the preferred bidders the Earlsfort Development Group and Christopher Bennett & Sons Limited in return for a package which includes minimum licence payments of €2.5 million during the planning and construction phases of the development and ownership of an office building in the completed development. The rental income from the building is guaranteed by the developers for five years at a minimum of €940,000 per annum. The total financial consideration has been valued by the Company's property advisors Lisney at between €12.5 and €15 million.

Licence fee income payments commenced on the 15 September 2002.

SIGNIFICANT DEVELOPMENTS DURING THE 2002 FINANCIAL YEAR

The Company intends to initiate a "Design and Build" competition and tendering process for the Carlisle Pier based on the new zoning approved by Dun Laoghaire Rathdown County Council in December 2002. The new zoning calls for:

" An exceptional landmark building of international architectural quality which regenerates and enlivens the waterfront".

The Company is fully committed to support the County Council's objective for the pier. However any development on the Pier must generate a reasonable financial return to the Company.

SYSTEM OF INTERNAL FINANCIAL CONTROL

The board of directors is responsible for the system of internal controls, which operate in the company. Internal control procedures when properly established and operated can provide reasonable but not absolute assurance against material error.

CHAIRMAN'S REPORT

for the year ended 31 December 2002

SYSTEM OF INTERNAL FINANCIAL CONTROL (Continued)

The key procedures which have been put in place to provide effective internal financial control are:

- establishment of a clearly defined management structure
- establishment of authorisation limits for expenditure
- regular review of the financial results at board level
- assessment of results versus budgets previously approved by the board
- approval of major contracts at board level
- establishment of an audit committee to independently review the financial results of the company and to meet independently with the external auditors of the company.

CHAIRMAN'S & DIRECTORS' FEES

During the year fees of €10,423 were paid to the chairman and fees of €95,776 were paid to the other members of the board. The fees were paid in accordance with Government Guidelines.

PUBLIC PROCUREMENT

The company is fully committed to best practice in relation to the regulations governing public procurement procedures.

CODE OF PRACTICE FOR THE GOVERNANCE OF STATE COMPANIES

The company is in the process of implementing the new requirements included in the Code of Practice for the Governance of State Bodies issued by the Department of Communications, Marine & Natural Resources in November 2001.

I would like to conclude by thanking my fellow directors, management and staff for their commitment, hard work and dedication, which has delivered a strong set of financial results for the Company in 2002.

PATRICK J. McMAHON

Chairman

29 April 2003

DIRECTORS' REPORT

for the year ended 31 December 2002

The directors present herewith their report and audited financial statements for the year ended 31 December 2002.

LEGAL STATUS

Dún Laoghaire Harbour Company is a limited liability company established pursuant to the Harbour's Act, 1996. On 3 March 1997, the company became the successor entity to the Department of Communications, Marine and Natural Resources and to the Dún Laoghaire Harbour (Finance) Board, the statutory bodies previously responsible for Dún Laoghaire harbour.

On that date, the company took over the functions and acquired the assets and liabilities of the predecessor bodies at valuations agreed with the Minister for Communications, Marine and Natural Resources. In consideration for the assets and liabilities, the company issued share capital in the amount of €10.9 million to the Minister for Communications, Marine and Natural Resources.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS AND ITS PRINCIPAL ACTIVITIES

The company is engaged in the management, control, operation and development of Dún Laoghaire harbour. The review of activities is contained in the Chairman's report.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2002

The profit and loss account for the year ended 31 December 2002 and the balance sheet at that date are set out on pages 13 and 14.

DIVIDENDS

The directors of the company do not propose the payment of a dividend for the year.

DIRECTORS

The following changes in directorships took place during 2002 and to date:

The five year term of office of Philip Lynch as chairman of the board and Elizabeth Coffey, Jane Dillon Byrne, Aine Elliott, Alice Hayes, Ann Joyce, Donal Marren, Eithne Scott Lennon and Timothy Wilson as directors of the board expired on 2 March 2002.

Elizabeth Coffey, Jane Dillon Byrne and Donal Marren were reappointed by the Minister for Communications, Marine and Natural Resources as directors of the company from 3 March 2002 for a further five year term. Patrick McMahon was appointed by the Minister for Communications, Marine and Natural Resources as chairman of the company from 25 April 2002, for a five year term. Victor Boyhan, Sean Costello, Tony Fox, Gerry Nagle and Tom Welby were appointed by the Minister for Communications, Marine and Natural Resources as directors of the company from 25 April 2002 for a five year term. Eithne Scott Lennon was reappointed as a director of the company for a further five year term from 25 April 2002.

DIRECTORS' REPORT

for the year ended 31 December 2002 (Continued)

DIRECTORS (Continued)

David Redmond retired from the Board on the 30 November 2002 having completed his term of office as employee director. Thomas Quinn was elected by the staff to replace him. His appointment was confirmed by the Minister for Communications, Marine and Natural Resources and his term of office commenced on the 15 December 2002.

Michael Hanahoe served throughout the year.

DIRECTORS' INTERESTS IN SHARES

None of the directors or their immediate families hold shares in the company.

POST-BALANCE SHEET EVENTS

The contract for the sale of the Harbour Yard site was approved by the Board and signed in January 2003. A summary of the financial terms for the sale of the site is included in the Chairman's Report.

SHAREHOLDING

The Minister for Communications, Marine and Natural Resources beneficially holds all the share capital of the company. The share capital of the company was redenominated to euro on 16 October 2001. On the same date the nominal share value was reduced from €1.27 to €1.25 and the decrease in share capital of €229,593 which resulted was transferred to a capital conversion reserve fund.

POLITICAL DONATIONS

The company did not make any political donations during the year.

PROMPT PAYMENTS OF ACCOUNTS ACT, 1997

The directors are satisfied that procedures are in place to ensure that the company is compliant with the Prompt Payment of Accounts Act, 1997 in all material respects.

TAXATION STATUS

The taxation status of the company is dealt with in the Chairman's report under "Company Operations and Profitability".

FUTURE DEVELOPMENTS OF THE BUSINESS

The directors are expecting continued improved profitability in the coming year. The significant development plans expected in the forthcoming years are set out in the chairman's report.

DIRECTORS' REPORT

for the year ended 31 December 2002 (Continued)

HEALTH AND SAFETY AT WORK

The well-being of the company's employees during the year was safeguarded through the strict adherence to health and safety standards in accordance with the requirements of the Safety, Health and Welfare at Work Act, 1989.

CORPORATE GOVERNANCE

The directors are committed to maintaining the highest standards of corporate governance as set out for port companies in the Corporate Governance Framework issued by the Department of Communications, Marine and Natural Resources in February 1998 and revised in November 2001. The main areas covered by this framework are as follows:

Directors' code of conduct

It is the company's aim to ensure that all directors are aware of, and in compliance with, the code of conduct for directors.

Reporting arrangements and requirements

It is the company's aim, at all times, to comply with the agreed reporting requirements of the Department of Communications, Marine and Natural Resources and other government departments as required on a timely and accurate basis.

Audit committee

The audit committee is a sub committee of the main board and comprises three members. The main function of the audit committee is to review and monitor the financial reporting process, including audit activities, so as to give additional assurance regarding the reliability of the company's financial information.

Internal audit

The Company has identified a shortlist of three candidates to provide outsourced internal audit services. The Audit Committee will make a final decision on a preferred candidate by the end of March 2003.

Procurement procedures, advertising and award of contracts

All material contracts entered into during the year comply with government guidelines regarding procurement procedures, advertising and award of contracts.

Chief Executive's remuneration

The Chief Executive's salary and benefits package is ratified by the board of directors and the Department of Communications, Marine and Natural Resources.

Investment appraisal procedures

All investments of a material nature are ratified by the board of directors.

Procedure for the disposal of fixed assets

All asset disposals of a material nature are ratified by the board of directors.

DIRECTORS' REPORT

for the year ended 31 December 2002 (Continued)

ENERGY EFFICIENCY

The company is continually examining ways to improve energy efficiency.

BOOKS AND ACCOUNTING RECORDS

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the company. To achieve this, the directors have appointed appropriate accounting personnel including a professionally qualified accountant, in order to ensure compliance with these requirements.

The books and accounting records are maintained at Harbour Lodge, Crofton Road, Dun Laoghaire, Co. Dublin.

*STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS*

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors

PATRICK J. McMAHON

MICHAEL HANAHOE

Directors

29 April 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUN LAOGHAIRE HARBOUR COMPANY

We have audited the financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the company is not given and, where practicable, include such information in our report.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report and Chairman's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Continued /...

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUN LAOGHAIRE HARBOUR COMPANY (Continued)**

Basis of audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion the balance sheet on page 14 does not disclose a financial situation which, under the provisions of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Ernst & Young,
Registered Auditors

Dublin

19 May 2003

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

		2002	2001
	Note	€	Restated €
Turnover –			
continuing operations	3	9,446,999	8,747,756
Operating, maintenance, dredging and related costs		(840,761)	(444,092)
Administration and general Expenditure – normal		(4,750,228)	(4,530,910)
– exceptional	4	(430,743)	(1,603,957)
		<hr/>	<hr/>
Operating profit – continuing operations		3,425,267	2,168,797
Interest receivable and similar income	5	41,684	15,116
Interest payable and similar charges	6	(996,695)	(913,517)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	7	2,470,256	1,270,396
Tax on profit on ordinary Activities	8	(583,952)	(431,553)
		<hr/>	<hr/>
Retained profit for the financial year		1,886,304	838,843
Profit carried forward at beginning of year			
As previously stated		9,987,857	9,099,149
Prior year adjustment	9	(120,391)	(70,526)
		<hr/>	<hr/>
As restated		9,867,466	9,028,623
		<hr/>	<hr/>
Profit carried forward at end of year		11,753,770	9,867,466
		<hr/>	<hr/>

There are no recognised gains or losses in either year other than the profit attributable to shareholders of the company.

Approved by the Board on 29 April 2003

PATRICK J. McMAHON
MICHAEL HANAHOE
Directors

BALANCE SHEET
at 31 December 2002

		2002	2001
		€	Restated €
ASSETS EMPLOYED	<i>Note</i>		
FIXED ASSETS			
Tangible assets	10	53,060,151	52,278,979
CURRENT ASSETS			
Debtors	11	1,979,729	1,665,606
Cash at bank and in hand		2,381,093	1,861,642
		4,360,822	3,527,248
CREDITORS (amounts falling due within one year)	12	(6,988,248)	(6,521,821)
NET CURRENT LIABILITIES		(2,627,426)	(2,994,573)
CREDITORS (amounts falling due after more than one year)	13	(12,479,510)	(12,986,542)
TOTAL ASSETS LESS CURRENT LIABILITIES		37,953,215	36,297,864
PROVISIONS FOR LIABILITIES AND CHARGES	14	(11,429,842)	(11,660,795)
		26,523,373	24,637,069
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	15	14,540,010	14,540,010
Capital conversion reserve fund	16	229,593	229,593
Profit and loss account	16	11,753,770	9,867,466
Shareholders' funds – equity interests	17	26,523,373	24,637,069

Approved by the Board on 29 April 2003

PATRICK J. McMAHON
 MICHAEL HANAHOE
 Directors

CASH FLOW STATEMENT
for the year ended 31 December 2002

	Note	2002 €	2001 €
Net cash inflow from operating activities	18	4,385,159	3,966,311
<i>Returns on investments and servicing of finance</i>			
Interest paid		(745,092)	(935,347)
Interest received		41,321	14,752
		(703,771)	(920,595)
Taxation		(573,241)	(498,006)
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(2,088,337)	(5,509,242)
Government and EU grants received		—	608,086
		(2,088,337)	(4,901,156)
Net cash inflow/(outflow) before financing		1,019,810	(2,353,446)
<i>Financing</i>			
Long term loans repaid		(1,719,059)	(1,382,554)
Loan received		1,637,904	4,572,708
		(81,155)	3,190,154
Increase in cash	19, 20	938,655	836,708

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

1. ACCOUNTING POLICIES

(a) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(b) *Turnover*

Turnover represents the invoiced value of all services provided to third parties, exclusive of value added tax, but adjusted for ferry revenues deferred from one financial year to another as described below.

Ferry revenues are generated mainly from Stena Line Limited, the company's key trading partner. An operating agreement between the company and Stena Line Limited sets out a formula for calculation of a minimum level of revenue in each operating year. To the extent that revenues in any one operating year exceed this minimum level, the term of the agreement is shortened in accordance with an agreed formula. In addition, part of the excess is refundable to Stena Line Limited. The accounting treatment for income which exceeds the minimum level and which is not refundable to Stena Line Limited is to spread it over the remaining term of the operating agreement rather than recognising it in full in the year in which it arises.

(c) *Depreciation*

Depreciation is calculated to write off the cost of tangible fixed assets, excluding land which is not depreciated, over their expected useful lives as follows:

Marina Development Project	120 years
Buildings and harbour infrastructure	5 to 41 years
Dolphin moorings	23 years
Fixtures and fittings	8 years
Plant and equipment	6.66 years
Motor vehicles	5 years
Computer equipment	3 years

Expenditure of €749,554 capitalised on the new maintenance building under construction has not been depreciated as this building was not in use at the year end.

(d) *Government and European Union grants*

Government and European Union grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the useful life of the asset to which they relate.

Revenue grants are released to the profit and loss account over the life of the projects to which they relate.

(e) *Pension costs*

The company provides benefits to employees through contributions to a separately administered defined benefit pension scheme. The company's annual contributions are based on actuarial advice.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

1. ACCOUNTING POLICIES (Continued)

(e) *Pension costs (Continued)*

The regular cost of pensions is charged to the profit and loss account over the employees' service lives. Variations from regular costs, arising from periodic actuarial valuations, are charged to the profit and loss account over the expected remaining service lives of current employees.

Any difference between amounts charged to the profit and loss account and contributions paid to the scheme is included in 'Debtors' or 'Creditors' in the balance sheet.

(f) *Deferred taxation*

The company adopted Financial Reporting Standard 19 "Deferred Tax" during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future

Timing differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

On adoption of FRS 19, the company has changed its accounting policy in respect of deferred taxation and restated prior year results accordingly (note 9).

(g) *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and revenues, costs and non-monetary assets at the exchange rate ruling at the date of the transaction.

All exchange gains and losses are accounted for through the profit and loss account.

Monetary assets are money held and amounts to be received in money and all other assets are non-monetary assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

1. ACCOUNTING POLICIES (Continued)

(h) *Dredging*

The cost of routine or ongoing dredging projects is charged to the profit and loss account as incurred. Capital dredging which enhances port access or infrastructure is capitalised as part of the related fixed asset and depreciated over its estimated useful life.

(i) *Continuing operations*

The profit and loss account has been prepared on the basis that the company has only continuing operations.

2. EMPLOYEES

The average number of persons employed by the company during the year was as follows:

	2002 Number	2001 Number
Administration	9	9
Operations and maintenance	39	39
	—	—
	48	48
	==	==
	2002 €	2001 €

The staff costs comprise:

Salaries	2,019,160	1,817,366
Social welfare costs	199,588	211,819
Other pension costs	199,330	165,556
	—	—
	2,418,078	2,194,741
	==	==

3. TURNOVER

2002	2001
€	€

The turnover by activity is as follows:

Ferry revenue	7,734,814	7,502,501
Other harbour related activities	1,712,185	1,245,255
	—	—
	9,446,999	8,747,756
	==	==

All turnover is in the Republic of Ireland.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

4.	EXCEPTIONAL ITEMS	2002 €	2001 €
	Local Authority rates	(676,279)	(1,089,713)
	Insurance	245,536	(514,244)
		<u>(430,743)</u>	<u>(1,603,957)</u>

The company has provided €676,279 for local authority rates charges in 2002. At 31 December 2002 the company has a total provision for local authority rates of €2,375,187. This amount is still subject to an appeal.

The insurance write back relates to the settlement of legal cases during the year.

5.	INTEREST RECEIVABLE AND SIMILAR INCOME	2002 €	2001 €
	Bank interest	<u>41,684</u>	<u>15,116</u>

6.	INTEREST PAYABLE AND SIMILAR CHARGES	2002 €	2001 €
	Bank overdraft	4,221	3,990
	Bank loans repayable by instalments within five years	384,610	519,979
	Bank loans repayable otherwise than by instalments within five years	607,864	389,548
		<u>996,695</u>	<u>913,517</u>

7.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 €	2001 €
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The profit on ordinary activities before taxation is
stated after charging (crediting):

	Auditors' remuneration	10,000	7,618
	Depreciation	1,307,165	1,204,228
	EU and government grants	<u>(279,321)</u>	<u>(279,320)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

Directors' remuneration

	Executive directors			Non-executive directors	Total
	Michael Hanahoe €	Tom Quinn €	David Redmond €	€	€
Basic salary	126,516	34,778	29,564	—	190,858
Fees	10,158	745	10,986	84,310	106,199
Allowances	—	—	5,891	—	5,891
Benefits in kind	10,475	—	—	—	10,475
Performance related bonus	22,550	—	—	—	22,550
Total – 2002	169,699	35,523	46,441	84,310	335,973
Total – 2001					303,149

Pension entitlements

The company made an aggregate contribution of 12% (€15,389) of basic salary plus allowances in relation to the executive directors in 2002 (2001: 12%, €12,033).

8.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2002	2001
		€	Restated €

(a) Analysis of charge in year:

Current tax:

Republic of Ireland corporation tax on profits of the year at 16% (2001: 20%)	535,584	336,262
Adjustments in respect of previous periods	—	45,426
Total current tax (see reconciliation below)	535,584	381,688

Deferred tax:

Origination and reversal of timing differences	48,368	49,865
Total deferred tax (note 14)	48,368	49,865
Tax on profit on ordinary activities	583,952	431,553

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

(b) **Reconciliation of the expected tax charge at the standard tax rate to the actual tax charge at the effective rate.**

The tax assessed for the period is higher than the standard rate of corporation tax in the Republic of Ireland 16% (2001: 20%). The differences are explained below:

	2002 €	2001 €
Profit on ordinary activities before tax	2,470,256	1,270,396
Profit on ordinary activities multiplied by standard rate of tax of 16% (2001: 20%)	395,241	254,079
Effects of:		
Expenses not deductible for tax purposes	16	(14,043)
Depreciation for year in excess of capital allowances	86,408	92,766
Higher tax rates on rental and other income	53,919	3,460
Adjustments to tax charge in respect of previous years	—	45,426
Current tax charge for period (<i>note 8(a)</i>)	535,584	381,688

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

9. PRIOR YEAR ADJUSTMENT

The company has adopted for the first time Financial Reporting Standard 19 "Deferred Tax". The effect of the standard is that the company has recognised a deferred tax liability in relation to the current and prior years.

In line with the requirements of the new standard the results of previous periods have been amended. The profits for the year ended 31 December 2000 have been decreased by €70,526 and for the year ended 31 December 2001 have been decreased by €49,865.

As a result of the changes in accounting policy, the comparatives have been restated as follows:

	<i>Deferred tax €</i>
<i>Balance sheet</i>	
2001 reported	—
Application of FRS 19	120,391
	<hr/>
2001 restated	120,391
	<hr/> <hr/>
<i>Profit and loss account</i>	<i>Taxation €</i>
2001 reported	381,688
Application of FRS 19	49,865
	<hr/>
2001 restated	431,553
	<hr/> <hr/>

DÚN LAOGHAIRE HARBOUR COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 December 2002 (Continued)

10. TANGIBLE FIXED ASSETS	Land and infrastructure		Buildings and harbour	Plant and equipment	Computer equipment	Fixtures and fittings	Motor vehicles	Dolphin moorings	Marina development	Total
	€	€	€	€	€	€	€	€	€	€
<i>Cost</i>										
At 1 January 2002	1,667,906	34,739,230	529,305	66,037	338,407	80,268	3,227,639	16,479,635	57,128,427	
Additions	844,816	547,200	130,355	24,490	209,199	31,666	—	300,611	2,088,337	
At 31 December 2002	2,512,722	35,286,430	659,660	90,527	547,606	111,934	3,227,639	16,780,246	59,216,764	
<i>Depreciation</i>										
At 1 January 2002	—	4,036,576	94,232	49,397	75,072	45,701	445,513	102,957	4,849,448	
Charge for year	—	835,621	89,172	26,091	55,376	19,220	143,158	138,527	1,307,165	
At 31 December 2002	—	4,872,197	183,404	75,488	130,448	64,921	588,671	241,484	6,156,613	
<i>Net book amounts</i>										
At 31 December 2002	2,512,722	30,414,233	476,256	15,039	417,158	47,013	2,638,968	16,538,762	53,060,151	
At 31 December 2001	1,667,906	30,702,654	435,073	16,640	263,335	34,567	2,782,126	16,376,678	52,278,979	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

11.	DEBTORS	2002	2001
		€	€
	<i>Amounts falling due within one year</i>		
	Trade debtors	1,573,619	1,363,718
	Value added tax	42,955	230,403
	Sundry debtors	363,155	71,485
		<u>1,979,729</u>	<u>1,665,606</u>
12.	CREDITORS (amounts falling due within one year)	2002	2001
		€	€
	Trade creditors	74,827	15,653
	Bank overdraft	323,951	743,155
	Bank term loan	2,080,807	1,654,930
	Corporation tax	297,610	335,267
	PAYE and PRSI	70,189	36,179
	Accruals and deferred income	4,140,864	3,736,637
		<u>6,988,248</u>	<u>6,521,821</u>
13.	CREDITORS (amounts falling due after more than one year)	2002	2001
		€	€
	Bank term loan	12,479,510	12,986,542
	Repayable within one year (<i>note 12</i>)	2,080,807	1,654,930
	Repayable within one to two years	2,258,535	1,948,838
	Repayable within two to five years	1,314,615	2,792,638
	Repayable after five years	8,906,360	8,245,066
	Repayable after more than one year	12,479,510	12,986,542
	Bank term loan	14,560,317	14,641,472

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

13.	CREDITORS (amounts falling due after more than one year) (Continued)	2002 €	2001 €
	Loans repayable by instalment within five years	5,312,601	4,978,706
	Loans repayable by instalment some of which falls due after five years	9,247,716*	9,662,766
		<u>14,560,317</u>	<u>14,641,472</u>

*Installments falling due after five years = €8,906,360.

€3,466,639 of bank loans is guaranteed by the Minister for Finance, and will be fully repaid within two years.

14.	PROVISION FOR LIABILITIES AND CHARGES	2002 €	2001 <i>Restated</i> €
	Government and EU Grants (a)	11,261,083	11,540,404
	Deferred tax (b)	168,759	120,391
		<u>11,429,842</u>	<u>11,660,795</u>
(a)	Government and EU Grants		
	<i>Cost</i>		
	At beginning of year	12,908,157	12,300,071
	Additional EU grant allocated during year	—	608,086
	At end of year	<u>12,908,157</u>	<u>12,908,157</u>
	<i>Amortisation</i>		
	At beginning of year	1,367,753	1,088,433
	Charge for year	279,321	279,320
	At end of year	<u>1,647,074</u>	<u>1,367,753</u>
	<i>Net book amounts</i>		
	At end of year	<u>11,261,083</u>	<u>11,540,404</u>
(b)	Provision for deferred tax	2002 €	2001 <i>Restated</i> €
	Accelerated capital allowances	<u>168,759</u>	<u>120,391</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

14.	PROVISION FOR LIABILITIES AND CHARGES (Continued)	2002 €	2001 <i>Restated</i> €
	Provision at start of year	120,391	70,526
	Deferred tax charge in profit and loss account (note 8)	48,368	49,865
	Provision at end of year	<u>168,759</u>	<u>120,391</u>
15.	CALLED UP SHARE CAPITAL	2002 €	2001 €
	<i>Authorised</i>		
	Ordinary shares of €1.25 each (2001: €1.25 each)	<u>33,750,000</u>	<u>33,750,000</u>
	<i>Allotted, called up and fully paid</i>		
	Ordinary shares of €1.25 each		
	At beginning of year	14,540,010	14,769,603
	Transfer to capital conversion reserve fund	—	(229,593)
	Ordinary shares at €1.25 each (2001: €1.25 each) at end of year	<u>14,540,010</u>	<u>14,540,010</u>

On 16 October 2001 an extraordinary general meeting was held where the members voted to do the following:

- (i) Redenominate the existing authorised share capital from IR£27,000,000 divided into 27,000,000 ordinary shares of IR£1 each to €34,282,928 divided into 27,000,000 ordinary shares of €1.269738 each.
- (ii) To redenominate the issued share capital from IR£11,632,008 divided into 11,632,008 ordinary shares of IR£1 each into €14,769,603 divided into 11,634,008 ordinary shares of €1.269738 each.
- (iii) To reduce the nominal value of the entire share capital to €1.25 per share in accordance with Section 26 of the EMU Act.
- (iv) To transfer the reduction of €229,593 in share capital resulting from the decrease in nominal share value to a capital conversion reserve fund.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

16. MOVEMENT ON RESERVES

	<i>Capital conversion reserve fund</i>	<i>Profit and loss</i>	<i>Total</i>
	€	€	€
At 1 January 2002			
As originally stated	229,593	9,987,857	10,217,450
Prior year adjustment – deferred tax	–	(120,391)	(120,391)
	<u>229,593</u>	<u>9,867,466</u>	<u>10,097,059</u>
Profit retained for the year	–	1,886,304	1,886,304
	<u>229,593</u>	<u>11,753,770</u>	<u>11,983,363</u>
At 31 December 2002	<u>229,593</u>	<u>11,753,770</u>	<u>11,983,363</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>2002</i>	<i>2001 Restated</i>
	€	€
Shareholders' funds at beginning of year	24,637,069	23,868,752
Reduction in issued share capital due to renormalisation to euro	–	(229,593)
Capital conversion reserve fund	–	229,593
Profit for the financial year	1,886,304	768,317
	<u>26,523,373</u>	<u>24,637,069</u>
Shareholders' funds at end of year	<u>26,523,373</u>	<u>24,637,069</u>

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>2002</i>	<i>2001</i>
	€	€
Operating profit	3,425,267	2,168,797
Depreciation	1,307,165	1,204,228
Grants amortised	(279,321)	(279,320)
Increase in debtors	(314,123)	(100,526)
Increase in creditors	246,171	973,132
	<u>4,385,159</u>	<u>3,966,311</u>
Net cash inflow from operating activities	<u>4,385,159</u>	<u>3,966,311</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

19.	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2002 €	2001 €
	Increase in cash for year	938,655	836,708
	Decrease/(Increase) in debt for the year	81,155	(3,190,154)
		<u> </u>	<u> </u>
	Movement in net debt for year	1,019,810	(2,353,446)
	Net debt at beginning of year	(13,522,985)	(11,169,539)
		<u> </u>	<u> </u>
	Net debt at end of year	<u><u>(12,503,175)</u></u>	<u><u>(13,522,985)</u></u>

20.	ANALYSIS OF CHANGE IN NET DEBT	At 1/1/2002 €	Cash flows €	Other changes €	At 31/12/2002 €
	Cash at bank and in hand	1,861,642	519,451	—	2,381,093
	Overdraft	(743,155)	419,204	—	(323,951)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		1,118,487	938,655	—	2,057,142
	Debt due:				
	Within one year	(1,654,930)	1,522,910	(1,948,787)	(2,080,807)
	After one year	(12,986,542)	(1,441,755)	1,948,787	(12,479,510)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u><u>(13,522,985)</u></u>	<u><u>1,019,810</u></u>	<u><u>—</u></u>	<u><u>(12,503,175)</u></u>

21. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for its employees which is funded by the payment of contributions to a separately administered fund. The contributions to the scheme are determined with the advice of independent actuaries.

Regular actuarial valuations are carried out, normally every three years, in respect of the scheme. The last actuarial report, based on a valuation as at 1 January 2000, was completed by the actuaries, Mercer Limited, who are neither officers nor employees of the company. The actuarial method used was the Projected Unit Method, which involved determining appropriate future company contribution rates designed to fund the projected liabilities of the scheme over the remaining working lifetime of the current members.

According to the report issued, the scheme satisfied the minimum funding standard provided for in the Pensions Act, 1990. The next full valuation is due to be carried out as at 1 January 2003.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

21. PENSION COMMITMENTS (Continued)

Actuarial reports are not available for public inspection. The company pension contributions charged for the year in respect of the defined benefit scheme was €199,330 (2001: €165,556).

According to the actuarial valuation as at 1 January 2000 there was a shortfall in current market value terms of €730,607. Due to funding received during 2001 from the Department of Marine and Natural Resources this shortfall no longer exists.

Up to 2 March 1997 the company's employees were employed by the Department of Communications, Marine and Natural Resources and their pensions were funded by the national exchequer. The pension commitment at that date, which was agreed would be fully funded by the State, has now been transferred to the company's pension fund.

Transitional disclosures under FRS 17

Additional disclosures regarding the company's defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below.

An actuarial valuation under the provisions of FRS 17 has been prepared as at 31 December 2002 by a qualified actuary using assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value. The major assumptions used for the actuarial valuation were:

	2002	2001
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions	3.5%	3.5%
Discount rate	5.5%	8.0%
Inflation assumption	2.25%	2.25%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

21. PENSION COMMITMENTS (Continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	<i>Long-term rate of return expected at 31 December 2002 %</i>	<i>Value at 31 December 2002 €'000</i>	<i>Long-term rate of return expected at 31 December 2001 %</i>	<i>Value at 31 December 2001 €'000</i>
Equities	8.0%	1,959	7.5%	2,531
Bonds	4.75%	685	5.0%	736
Property	5.75%	245	6.5%	219
Cash	3.75%	182	3.5%	99
		<hr/>		<hr/>
Total fair value of assets		3,071		3,585
Present value of scheme liabilities		(4,647)		(3,836)
		<hr/>		<hr/>
Deficit in the scheme		(1,576)		(251)
Related deferred tax asset		197		-
		<hr/>		<hr/>
Net pension liability		(1,379)		(251)
		<hr/>		<hr/>

The net assets and reserves of the Company incorporating the pension liability are as follows:

	<i>2002 €'000</i>	<i>2001 Restated €'000</i>
Net assets:		
Net assets excluding pension liability	26,523	24,637
Pension liability	(1,379)	(251)
	<hr/>	<hr/>
Net assets including pension liability	25,144	24,386
	<hr/>	<hr/>
Reserves:		
Profit and loss reserve excluding pension liability	11,754	9,867
Pension liability	(1,379)	(251)
	<hr/>	<hr/>
Profit and loss reserve including pension liability	10,375	9,616
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

21. PENSION COMMITMENTS (Continued)

If FRS 17 had been fully adopted, the following amounts would have been recognised in the profit and loss account in respect of the defined benefit scheme:

	2002 €'000
<i>Charged to operating profit:</i>	
Current service cost	(178)
Past service cost	—
	<u>(178)</u>
	2002 €'000
<i>Credited (charged) to other finance income:</i>	
Interest on scheme liabilities	(235)
Expected return on scheme assets	254
	<u>19</u>

If FRS 17 had been adopted, the following amounts would have been recognised in the Statement of Total Recognised Gains and Losses:

	2002 €'000
Actual return less expected return on scheme assets	(963)
Experience gains and losses on scheme liabilities	(4)
Changes in assumptions underlying the present value of scheme liabilities	(415)
	<u>(1,382)</u>
Deferred tax credit	173
	<u>(1,209)</u>

<i>Movement in surplus /(deficit) during the year</i>	2002 €'000
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Deficit in scheme at 31 December 2001	(251)
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Movement in year:

Current service cost	(178)
Contributions paid	216
Other finance income	19
Actuarial loss	(1,382)

Deficit in scheme at 31 December 2002	<u>(1,576)</u>
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 (Continued)

21. PENSION COMMITMENTS (Continued)

History of experience gains and losses:	2002
Difference between expected and actual return on assets	
Amount (€'000)	(963)
% of scheme assets	(31.4%)
Experience gains and losses on scheme liabilities	
Amount (€'000)	(4)
% of scheme liabilities	(0.1%)
Changes in assumptions underlying the present value scheme liabilities	
Amount (€'000)	(415)
% of scheme liabilities	(8.9%)
Total actuarial gain/(loss)	
Amount (€'000)	(1,382)
% of scheme liabilities	(29.7%)

22. CAPITAL COMMITMENTS

The board of directors has authorised capital expenditure of €500,000 (2001: €1,428,455) for the year ended 31 December 2003. This expenditure has not been contracted for at 31 December 2002.

23. RELATED PARTY TRANSACTIONS

There were no transactions in the year between the company and its directors other than fees for services as directors.

The immediate and ultimate controlling party of the company is the Department of Communications, Marine and Natural Resources.

24. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 29 April 2003.

THE FOLLOWING INFORMATION
DOES NOT FORM PART OF THE
STATUTORY FINANCIAL STATEMENTS

SUPPLEMENTARY ANALYSIS OF EXPENSES
for the year ended 31 December 2002

	2002	2001
	€	€
<i>Operating, maintenance, dredging and related costs</i>		
Repairs and maintenance	231,570	215,958
Repairs and maintenance projects	609,191	228,134
	<u>840,761</u>	<u>444,092</u>

	2002	2001
	€	€
<i>Administration and general expenditure</i>		
Office administration	79,001	78,279
Motor and travel	34,038	78,128
Cleaning/waste disposal	78,523	73,784
Postage, stationery and telephone	66,419	66,245
Advertising and promotion	59,336	153,256
Audit and accounting fees	30,255	26,244
Consultancy fees	294,565	336,524
Directors' fees (including employer's PRSI)	106,688	125,498
Insurance	345,251	208,033
Light and heat	160,439	149,645
Staff costs	2,418,078	2,194,741
Water rates	10,311	9,066
Depreciation	1,307,165	1,204,228
Grants amortised	(279,321)	(279,320)
Bad debts	39,480	106,559
	<u>4,750,228</u>	<u>4,530,910</u>