

Independent Auditors' Report to the Minister for the Environment, Heritage and Local Government

We have audited the financial statements on pages 35 to 53.

This report is made solely to the Authority's member in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Authority's member those matters we are required to state to him in an auditor's 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 Authority and the Authority's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Board and auditors

The members of the Executive Board are responsible for preparing the annual report. As described on page 33, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and our profession's ethical guidance.

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 Urban Renewal Act, 1986 and the Dublin Docklands Development Authority Act, 1997. We state whether we have obtained all the information and explanations we require for our audit, whether the Authority's balance sheet is in agreement with the books of account and report to you our opinion as to whether:

- the Authority has kept proper books of account;
- the Report of the Executive Board is consistent with the financial statements.

We also report to you if, in our opinion, information specified by law regarding Directors' remuneration and transactions with the Authority is not disclosed.

We review, at the request of the members of the Executive Board, whether (1) the voluntary statement on page 28-31 reflects the Authority's compliance with the nine provisions of the 2003 Combined Code that the Irish Stock Exchange specifies for review by auditors, and (2) the statement on the system of internal control on page 30 and 31 reflects the Authority's compliance with the provision of the Code of Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not.

We are not required to consider whether the Executive Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 members of the Executive Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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 group and the Authority at 31 December 2004 and of the deficit of the group for the year then ended and have been properly prepared in accordance with the Urban Renewal Act, 1986 and the Dublin Docklands Development Authority Act, 1997.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Authority. The balance sheet of the Authority is in agreement with the books of account.

In our opinion, the information given in the report of the Executive Board on pages 28 to 32 is consistent with the financial statements.

Chartered Accountants

Registered Auditors

14th June 2005

Statement of Accounting Policies

Dublin Docklands Development Authority

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Authority's financial statements.

Basis of accounting

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, as modified by the revaluation of investment properties, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by The Institute of Chartered Accountants in Ireland.

Basis of consolidation

The consolidated financial statements for the year to 31 December 2004 include the results of the Authority and its subsidiary undertakings for that period. All significant inter-company profits, transactions and account balances have been eliminated.

Turnover

Turnover comprises the net sales proceeds on the disposal of investment properties or development properties. For the purpose of these financial statements 'sale' includes the granting or assignment of a lease that transfers substantially all the risks and rewards of ownership to the lessee. Disposals are accounted for on the exchange of contracts unless the contracts are conditional in which case the disposal is deemed to occur when all conditions have been satisfied and the contract is unconditional.

Where a licence or arrangement to develop has been granted to a developer and it is agreed that the Authority and developer will share in the eventual surplus on disposal, the Authority's share of the surplus is recognised in turnover as earned. The surplus on sale is recognised on a percentage of completion basis or as otherwise determined under the terms of the licence agreement.

Accrued income

Revenue earned, which has not yet been billed to customers, is recorded as accrued income where a contractual obligation exists on the part of a customer to pay a specified sum to the Authority and the Authority has discharged its commitments as set out in the contract.

Deferred income

Unearned revenue which has been billed to customers is excluded from turnover and recorded as deferred income.

Development assets

Development assets include land and buildings acquired by the Authority for the purpose of securing the redevelopment of the Dublin Docklands Area.

On acquisition, development assets are recorded at the lower of cost and recoverable amount. Cost comprises purchase cost and all other necessary costs required to acquire the asset under the purchase agreement. Recoverable amount is determined by reference to the estimated value of the development assets given the Authority's intention for the ultimate use of the assets.

Acquisitions are accounted for on exchange of contracts unless the contract is conditional in which case the acquisition is deemed to occur when all the conditions have been satisfied and the contract becomes unconditional.

Development assets on which development has commenced are transferred to current assets.

Development costs incurred by the Authority are included in the costs of such current assets. Once development has commenced, interest on related borrowings is capitalised. Development assets on which development has commenced are carried at the lower of cost and open market value. Cost comprises purchase cost, demolition costs, site preparation, design fees and other development preparation costs. On substantial completion, development properties then held for investment are transferred to investment properties at carrying value.

Development assets on which development has commenced under a licence or arrangement with a third party developer are also transferred to current assets and carried at the lower of cost and open market value. Where income is recognised under the licence or other arrangement, an appropriate portion of the development asset is charged to cost of sales.

Statement of Accounting Policies

Dublin Docklands Development Authority

Investment properties

Investment properties are freehold properties on which development has been completed and which are retained by the Authority for the purpose of their investment potential and rental generation.

In accordance with Statement of Standard Accounting Practice No. 19:

- investment properties are stated on the basis of open market values determined by internal professional valuers at each year end and by professional independent valuers in accordance with the RICS Appraisal and Valuation Standards at least every three years. Surpluses arising are credited to the revaluation reserve through the statement of total recognised gains and losses. Devaluations down to historical cost are debited to the revaluation reserve through the statement of total recognised gains and losses and impairments below historical cost or from a clear consumption of economic benefit are charged to the profit and loss account in the year in which they arise, and
- no depreciation or amortisation is provided in respect of freehold investment properties.

This treatment is a departure from the requirements of Company Law concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Executive Board considers that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Acquisitions are accounted for on exchange of contracts unless the contract is conditional in which case the acquisition is deemed to occur when all the conditions have been satisfied and the contract becomes unconditional.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on land.

The charge for depreciation is calculated to write down other tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Buildings	50 years
Office fixtures and fittings	5 years
Office equipment	3 years

Area regeneration

Area regeneration costs are expensed in the year in which they are incurred, net of any associated revenue grants. See note 7.

Financial assets

Investments in subsidiary undertakings are stated at cost less any provision required for impairment in value.

Foreign currency

Foreign currency denominated transactions are translated into euro at exchange rates applying at the date of the transactions or at a contracted rate. Exchange gains or losses arising are dealt with in the income and expenditure account.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date using exchange rates applying at that date or at a contracted rate. Exchange gains or losses arising on translation are also dealt with in the income and expenditure account.

Pension commitments

The Authority's pension commitments are operated under the terms of the Dublin Docklands Development Authority Superannuation Scheme 2000 and the Dublin Docklands Development Authority Spouses and Children's Contributory Pension Scheme 2000 ('the pension schemes').

The pension schemes are unfunded and payment of pension obligations by the Authority only fall due on the retirement of pensionable employees. However, the actuarially calculated annual cost is charged to the income and expenditure account and the pension liability so as to spread the pension cost over the service lives of the pensionable employees.

Liquid resources

Liquid resources represent commercial paper with maturities between 1 and 60 days. Such commercial paper is readily convertible into known amounts of cash.

Grants

Revenue grants are credited to the Income & Expenditure account to offset the related expenditure.

Consolidated Income and Expenditure Account

For the year ended 31 December 2004

	Note	2004 €	2003 €
Turnover – continuing operations	2	25,690,483	17,035,500
Cost of sales	3	(9,846,731)	(9,137,589)
Operating income – continuing operations		15,843,752	7,897,911
Other income	4	1,897,191	433,706
		17,740,943	8,331,617
Operating expenses			
Remuneration and allowances	5	(2,368,348)	(2,440,295)
Consultancy fees		(660,662)	(420,720)
Marketing, promotion and publicity		(1,131,677)	(759,648)
Other expenses	6	(1,052,490)	(1,032,400)
Tangible fixed asset impairment	9	(590,394)	–
Investment property impairment	10	(100,000)	–
		(5,903,571)	(4,653,063)
Operating surplus		11,837,372	3,678,554
Interest receivable on commercial paper		462,771	661,175
Operating surplus after interest income		12,300,143	4,339,729
Area regeneration costs, net	7	(15,037,383)	(8,854,990)
Deficit for year		(2,737,240)	(4,515,261)



Lar Bradshaw

Chairman of Executive Board



Séan FitzPatrick

Director of Executive Board

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 2004

	Note	2004 €	2003 €
Deficit for year		(2,737,240)	(4,515,261)
Unrealised surplus on revaluation of investment property	10	306,000	718,800
Total recognised gains and losses for year		(2,431,240)	(3,796,461)

Consolidated Reconciliation of Total Surplus

For the year ended 31 December 2004

	2004	2003
	€	€
Total recognised gains and losses for year	(2,431,240)	(3,796,461)
Opening surplus	100,818,581	104,615,042
Closing surplus	<u>98,387,341</u>	<u>100,818,581</u>

Consolidated Balance Sheet

At 31 December 2004

	Note	2004 €	2003 €
Fixed assets			
Tangible assets	9	256,590	896,291
Investment properties	10	2,524,800	2,318,800
Development assets	11	2,269,847	2,213,597
		<u>5,051,237</u>	<u>5,428,688</u>
Current assets			
Development assets	11	85,381,101	82,431,653
Debtors	12	2,879,295	17,854,893
Cash in hand and at bank		21,951,883	14,017,107
		<u>110,212,279</u>	<u>114,303,653</u>
Creditors: amounts falling due within one year	13	<u>(11,681,175)</u>	<u>(14,220,760)</u>
Net current assets		98,531,104	100,082,893
Total assets less current liabilities		103,582,341	105,511,581
Provisions for liabilities and charges	14	<u>(5,195,000)</u>	<u>(4,693,000)</u>
Net assets		<u>98,387,341</u>	<u>100,818,581</u>
Surplus on revaluation	15	1,024,800	718,800
Closing surplus		<u>97,362,541</u>	<u>100,099,781</u>
Total surplus		<u>98,387,341</u>	<u>100,818,581</u>



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Director of Executive Board

Consolidated Cash Flow Statement

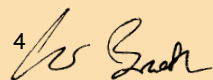
For the year ended 31 December 2004

	Note	2004 €	2003 €
Net cash inflow/(outflow) from operating activities	16	10,939,769	(4,318,820)
Returns on investment and servicing of finance			
Interest received		453,804	702,171
Net cash inflow from returns on investment and servicing of finance		453,804	702,171
Capital expenditure			
Fixed development assets		(56,250)	(17,723)
Tangible fixed assets acquired		(124,458)	(102,591)
Current development assets		(2,849,091)	(20,858,142)
Net cash outflow from capital expenditure		(3,029,799)	(20,978,456)
Cash outflow before management of liquid resources	17	8,363,774	(24,595,105)
Management of liquid resources			
Purchase of commercial paper		(43,905,128)	(30,061,402)
Disposal of commercial paper		36,223,110	52,816,203
Increase/(decrease) in cash in the year	17, 18	681,756	(1,840,304)

Authority Balance Sheet

At 31 December 2004

	Note	2004 €	2003 €
Fixed assets			
Investment in subsidiary undertakings	8	258	258
Tangible assets	9	256,590	896,291
Investment properties	10	2,524,800	2,318,800
Development assets	11	2,269,847	2,213,597
		5,051,495	5,428,946
Current assets			
Development assets	11	85,381,101	82,431,653
Debtors	12	2,879,295	17,854,893
Cash in hand and at bank		21,951,883	14,017,107
		110,212,279	114,303,653
Creditors: amounts falling due within one year	13	(11,681,433)	(14,221,018)
Net current assets		98,530,846	100,082,635
Total assets less current liabilities		103,582,341	105,511,581
Provisions for liabilities and charges	14	(5,195,000)	(4,693,000)
Net assets		98,387,341	100,818,581
Surplus on revaluation	15	1,024,800	718,800
Closing surplus		97,362,541	100,099,781
Total surplus		98,387,341	100,818,581



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Notes

Forming part of the Financial Statements

1 Dublin Docklands Development Authority Act, 1997

By order of the Minister for the Environment and Local Government under Section 56 of the Dublin Docklands Development Authority Act, 1997 on 1 May 1997, the Customs House Docks Development Authority was dissolved.

Under Section 14(1) of the said Act on 1 May 1997, a body to be known as the Dublin Docklands Development Authority was established to perform the functions assigned to it under this Act.

Under the terms of the Act, all land and property, rights and liabilities of the Customs House Docks Development Authority on 1 May 1997 were vested in the Dublin Docklands Development Authority.

2 Turnover – continuing operations

	2004	2003
	€	€
Income earned on disposals of development assets	25,690,483	17,035,500
3 Cost of sales		
Cost of development assets	9,971,104	10,182,405
Revenue grants	(124,373)	(1,044,816)
	<u>9,846,731</u>	<u>9,137,589</u>

The revenue grants received were in respect of expenditure relating to programmes to enhance the public areas in IFSCII and Grand Canal Harbour.

4 Other income

Rent receivable	312,338	131,230
Service and other income	469,853	302,476
Levy income	1,115,000	–
	<u>1,897,191</u>	<u>433,706</u>

Notes

Forming part of the Financial Statements

5 Staff numbers and costs

The average number of persons employed by the Authority during the year was 26 (2003:26). The aggregate payroll costs of these persons were as follows:

	2004	2003
	€	€
Wages and salaries	1,689,488	1,755,121
Social welfare costs	120,826	115,761
Other pension costs	558,034	569,413
	<u>2,368,348</u>	<u>2,440,295</u>
Directors' remuneration included above		
Fees	<u>76,184</u>	<u>76,184</u>

The directors' remuneration represents fees, expenses or allowances paid to directors, apart from the direct recovery of costs incurred strictly in the performance of the normal and legitimate business of the Board.

6 Other expenses

Travel and subsistence	218,605	247,284
Electricity, postage and telephone charges	114,073	106,620
Insurance	52,483	47,436
Books and periodicals	15,863	13,487
Printing and stationery	32,681	31,641
Auditors' remuneration	27,500	24,000
Internal audit services	52,500	56,000
Office cleaning, repairs and maintenance	97,001	83,682
Security	81,986	75,064
Sundry expenses	66,983	63,114
Training	100,553	29,902
Rates	18,497	18,721
Depreciation	173,765	235,449
	<u>1,052,490</u>	<u>1,032,400</u>