

**Due Diligence Report
Dun Laoghaire Harbour Company Limited**

November 2016

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CONTAINS COMMERCIALLY SENSITIVE INFORMATION
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1. Scope, Process & Summary Findings

1.1 Project Scope

LHM Casey McGrath Limited (“LHMCMG”) was appointed in April 2015 by Dun Laoghaire Rathdown County Council (“DLR”) to carry out a due diligence investigation of Dun Laoghaire Harbour Company (“DLHC” or “the Company”). This assignment was commissioned in contemplation of the proposed transfer of shareholding/ownership of DLHC to DLR as envisioned by the Harbours Bill 2015. Following a number of meetings with the transition team, LHMCMG commenced their investigatory work on 30th November 2015.

This report outlines significant and material findings arising from the due diligence review performed on DLHC. This is an exception based report and any matters which have come to our attention through our review have been highlighted. We categorised our Due Diligence findings into three categories depending on the perceived level of importance of these findings to DLR.

We have presented all of our findings, irrespective of importance to DLR. For the purposes of this report we have highlighted those findings and areas of risk which we perceive to be of high importance to DLR and have attempted to quantify the potential financial impact of these findings where applicable/possible. Those matters which we have considered to be of a perceived low or medium importance are summarised at *Appendix I* to this report.

LHMCMG makes no representation regarding the sufficiency of our work either for purposes for which this report has been commissioned or for any other purpose. This document has been prepared for DLR, for use by them in connection with the proposed enactment of the Harbours Bill 2015 and the possible subsequent change in shareholding or dissolution of DLHC under the aforementioned legislation.

1.2 Information relied upon during the Due Diligence Process

For the purposes of this report we have placed reliance on:

- Audited financial statements of DLHC for the years ended 31st December 2013 and 2014;
- Internal audit reports prepared by Mullen Scully Daly Limited for Q1, Q2 and Q3 2015;
- Unaudited management accounts for Q3 2015;
- Information and explanations provided by the Management team of DLHC; and
- Agreements, select documents and details provided by the Management team of DLHC.

We reviewed the unaudited management accounts for Q3 2015 and backup documentation for the purposes of preparing our due diligence report. It should be noted that since the preparation of this report, the audited financial statements for the year ended 31st December 2015 were prepared and we have referenced these financial statements throughout this report where relevant. We did not perform any investigative work on the audited financial statements for the year ended 31st December 2015.

1.3 Management Representations

The representations made by management and included in this report have generally been made orally. In addition, in respect of any factual information provided to us by the management of DLHC, we have assumed that the information provided was accurate and that no information of significance or essential to the due diligence investigation has been withheld.

1.4 Summary Findings

As outlined above, for the purposes of this report we have highlighted those findings and areas of risk which we perceive to be of high importance to DLR and have attempted to quantify the potential financial impact of these findings where applicable/possible. A summary of the findings/areas of risk are as follows:

- Ownership-related issues over the title and ownership of the foreshore areas within the harbour confines and St. Michael's Pier;
- Possible clawback of Government & EU Grants;
- Pension Scheme Deficit; and
- Possible provision for legal costs in relation to all outstanding legal matters including the title and ownership of the foreshore areas and the possible clawback of Government & EU Grants.

2. Background

2.1 Dun Laoghaire Harbour Company Limited

DLHC is a commercial state company charged with developing Dun Laoghaire Harbour as a marine, leisure and tourism destination whilst maintaining and enhancing the recreational and amenity value of the Harbour and promoting investment and commercial development to support the historic Harbour's long-term maintenance. DLHC's stated corporate objectives are:

- To enhance Dun Laoghaire's attractiveness as a gateway for tourists to Ireland by offering state of the art berthing and terminal facilities to ferry operators at Dun Laoghaire Harbour;
- To maintain and enhance the recreational and amenity value of the Harbour in the interest of its stakeholders;
- To promote investment in the Harbour; and
- To generate sufficient cash flow from commercial operations to provide for the long term maintenance of the Harbour and meet the dividend targets for the Department of the Marine and Natural Resources.¹

The Company was established under the 1996 Harbours Act and subsequently vested on March 3rd 1997. Under current legislation the Harbour Company has a direct relationship with the Department of Transport, Tourism and Sport ("DTTAS"). Currently, the shareholding of DLHC is vested in the Minister who appoints directors to the Board, sets the remuneration of the Directors, requires submission of annual accounts and must give consent in the event of borrowing or commercial diversification.

2.2 National Ports Policy

The National Ports Policy was approved by Government and published by the Minister for Transport, Tourism and Sport in March 2013. This policy categorises Dun Laoghaire Harbour Company as a "Port of Regional Significance"² and states that it has become increasingly clear over the past decade that the long-term future of Dun Laoghaire Harbour Company will be in terms of marine leisure, maritime tourism, cultural amenity and urban redevelopment.

One of the key recommendations of the National Ports Policy is the transfer of control of the Ports of Regional Significance to the relevant Local Authority – in this instance the transfer of control of DLHC to DLR.

¹ <http://dlharbour.ie/about/company-information/>

² <http://www.dttas.ie/sites/default/files/node/add/content-publication/National%20Ports%20Policy%202013.PDF>

2.3 Harbours Bill 2015

In June 2015, the Irish Government approved the text of the Harbours Bill 2015. The purpose of the Bill is to provide the necessary legal basis to allow for the later transfer by Ministerial order of the control of the five Ports of Regional Significance, namely Drogheda, Dún Laoghaire, Galway, New Ross and Wicklow – to local authority led governance structures.

In addition the Bill will further enhance the corporate governance structures of all port companies including the five proposed transferee ports and those relevant Ports of National Significance, namely Cork, Dublin, Shannon Foynes and Waterford.

The primary purpose of the Bill is to provide the necessary legal basis to allow for the transfer by Ministerial order of the control of the five Ports of Regional Significance – Drogheda, Dún Laoghaire, Galway, New Ross and Wicklow – to local authority led governance structures.

For DLR, the Bill provides for two possible transfer options of DLHC to DLR as follows:

- a) A Ministerial power to transfer the shareholding of DLHC to DLR; or
- b) A Ministerial power to dissolve DLHC and transfer all assets, liabilities and employees to DLR.

The Harbours Bill 2015 provides that the Minister may appoint 2 additional directors to the board of the company until 31 July 2018 or earlier if specified by the Minister whether the shares in DLHC are proposed to be vested under Section 8 of the Bill or to which a company' activities is proposed to be transferred under Section 28 of the Bill. The Minister may consult with the Chief Executive of DLR and the Chief Executive may, following such consultation, recommend to the Minister that a particular person be appointed. The Minister shall consider such a recommendation.

In line with Government policy, the draft General Scheme of the Bill was submitted to the Joint Oireachtas Committee for pre-legislative scrutiny. The Joint Oireachtas Committee held a stakeholder meeting on the 24th September 2014 and subsequently published its report on the Bill which identified nine ‘Key Issues’ for consideration. The Minister issued a response to the Joint Oireachtas Committee in November 2014 which is available on the Departmental website.

On 1st December 2015, the Bill was listed on the Dáil Order Paper at a stage of ‘Order for Report’³. President Michael D. Higgins signed the Harbours Bill 2015 into law on Christmas Day, 2015.

³http://www.taoiseach.gov.ie/eng/Taoiseach_and_Government/Government_Legislation_Programme/State_of_Play_of_Bills_before_the_D%C3%A1il/

2.4 Dun Laoghaire Harbour Company Limited – Master Plan

The Dun Laoghaire Harbour Master Plan dated October 2011, as published on the DLHC website, proposes a 20 year strategy aimed at developing the Harbour as an internationally relevant centre for marine based recreation and leisure. The Master Plan is due to be reviewed in October 2016.

The Plan was prepared in order to:

- Develop strategies to secure the harbour's future economic stability
- Provide an overall context for future investment decisions
- Reflect and provide for current national and regional policies, guidelines and initiatives
- Ensure there is harmony and synergy between the plans for the harbour and those for the town centre of Dun Laoghaire.

The Master Plan identifies four character areas of Dun Laoghaire Harbour:

- The Gut;
- The Old Harbour and Irish Lights;
- St. Michael's Pier; and
- Carlisle Pier

The Plan also outlines the two piers:

- West Pier; and
- East Pier.

Since the publication of this document in October 2011, DLHC has prepared a Corporate Plan, with latest draft of same dated 15th April 2015.

2.5 Dun Laoghaire Harbour Company Limited – Corporate Plan

The DLHC Corporate Plan outlines the long term objectives of DLHC as:

- To focus on the company's strategic objective to become successful as a Harbour which provides Marine, Leisure and Tourism services; and
- To recognise that the traditional Revenue Profile no longer applies and therefore need to create new Revenue Streams.

The cornerstone projects outlined in the corporate plan include:

2.5.1 St. Michael's Pier Development

St. Michael's Pier constitutes both the main development area and the principal zone for the provision of ferry and potentially cruise liner facilities. It is presently dominated by the terminal building and standage areas.

The County Development Plan stipulates that the area should be developed for mixed use, including terminal facilities and associated infrastructure, residential, hotel, office, retail, restaurants, leisure and recreational uses and the improvement of public access to the waterfront. DLHC considers this potential development as a possible mainstay revenue stream for the Company for harbour maintenance purposes.

DLHC's goal is to find a development partner who will be responsible for the funding of any development project and who will be responsible for the planning risk of any potential project.

However, the Company has encountered ownership-related issues over the title and ownership of the foreshore at St. Michael's pier; therefore no further investigation into this potential project has been completed. The terminal building at St. Michael's pier is currently available to let with a 10 year lease.

2.5.2 Irish International Diaspora Centre (The Exchange)

The Irish International Diaspora Centre Trust Limited (A company limited by guarantee and not having a share capital) was incorporated on 15th December 2011. The principal activity of the company was to carry out a comprehensive feasibility study to determine the viability of a major new visitor attraction. The company ceased trading at the end of 2013 as a result of the completion of the feasibility study and has been voluntarily struck off.

This Company received a grant of €150,000 from DLHC (its ultimate parent) from incorporation. It also received Grant Income of €49,944 from a combination of The Department of Foreign Affairs and The Ireland Fund.

We reviewed the feasibility study provided; this project is proposed as part of the overall redevelopment of St. Michael's Pier and is therefore currently on hold due to the ownership-related issues over the title and ownership of the foreshore at St. Michael's pier. However, management have noted that The Exchange could in fact be housed ultimately at the Carlisle Pier.

2.5.3 East Pier and the Urban Beach Project

The Master Plan seeks to maintain and enhance the urban personality of the East pier. As part of this maintenance and enhancement, DLHC applied for and received planning permission for a floating pool and 'urban beach' facility. This project is currently on hold. The project is expected to take approximately 16-18 months from commencement to completion.

A contract exists between DLHC & DLR to deliver the Urban Beach Project at a total capital cost of €3million (cost estimate provided by Arup). Funding for this project is by way of Grant from DLR (€1.5m) plus appropriate DLHC funds.

DLHC produced financial projections for this project that detailed an expected annual turnover of €1m.

2.5.4 New Cruise Facility

A decision in relation to planning permission for a proposed new Cruise Berth at Dun Laoghaire was made by An Bord Pleanala in early November 2016. This decision will allow DLHC to accommodate up to 80% of cruise ships that currently visit Dublin Bay. This proposed project involves the construction of a new cruise ship facility to accommodate direct berthing within Dun Laoghaire Harbour. Overall construction costs are estimated at approximately €18m and construction is expected to take up to two years.

DLHC estimates that this new berth will attract c. 50 cruise calls a year (from May to September) with an average of 2,000 cruise visitors per ship. The money generated from these visitors each season for the area is estimated at €10m per season.

2.5.5 Marina Village Site/ “The Gut”

DLHC owns a site known as Marina Village/”The Gut” at the West Pier which is in the process of being sold. A current offer for this site has been considered by the Board and the Board has agreed to proceed with the sale. As this sale has not yet been finalised, details of this are not contained within this report.

2.5.6 Recruit a new ferry operator

The Company is in discussions with four ferry operators to have a new fast-ferry operator in situ for quarter 2, 2018. Ongoing talks are taking place in this regard.

2.5.7 Corporate Plan – Current Status

On 10th December 2015, DLHC received notification from the Department of Transport, Tourism and Sport that it was the Department’s view that given that the St Michaels Pier project underpins the assumptions and projections set out in the current draft plan, the plan as presented now needs to be updated to take account of changed circumstances. The letter states that “revising the draft plan may not be the most efficient use of the port’s resources and it is suggested that the revisions needed to be carried out can be reflected in the draft Corporate Plan to be submitted for period 2016-2020.”

2.6 Dun Laoghaire Harbour Heritage Management Plan

In parallel with the preparation of the Company’s Master Plan, the Dun Laoghaire Harbour Master Heritage Management Plan was prepared by Shaffrey Associates Architects in November 2011 and is due to be reviewed in 2016. The document focuses on the cultural heritage aspects of DLH and it informs the Master Plan. We recommend that DLR familiarise themselves with the recommended action points in this document.

3. Findings

As detailed above, we have presented all of our findings, irrespective of importance to DLR. For the purposes of this report we have highlighted those findings and areas of risk which we perceive to be of high importance to DLR and have attempted to quantify the potential financial impact of these findings where applicable/possible in this Section. Those matters which we have considered to be of a perceived low or medium importance are summarised at *Appendix I* to this report.

3.1 Assets

- 3.1.1** DLHC had net assets of approximately €43.4m at 30th September 2015 and €38.3m as at 31st December 2015.
- 3.1.2** In December 2014, the commercial property at Block 2 Harbour Square was revalued at €7,456,000 by Lisney. The unrealised gain of €1,381,000 was posted to the Profit and Loss.

In December 2015 Lisney prepared another revaluation of the commercial property at Block 2 Harbour Square; we are in receipt of this draft report which revalued the property at €10,521,000.

This has the effect of increasing the profit and loss account by €3,065,000 and increasing the fixed assets in the balance sheet by €3,065,000 in the financial statements for the year ended 31st December 2015.

It is unusual to have such an asset revalued 12 months after an independent third party valuation had been completed. This most recent valuation represents a considerable increase in value of this asset over 12 months of over 40%. Management confirmed that it is the Company's policy to revalue this asset on an annual basis given its commercial importance to the Company.

DLR should consider the Lisney revaluation report and its impact on the financial statements of the Company.

- 3.1.3** The unaudited net book value of the Ferry Terminal Building at St. Michael's Pier as at 30th September 2015 is c. €19m. The property was designed and built for Stena to facilitate their Irish Sea services to and from Dun Laoghaire. The premises are currently unoccupied and DLHC engaged Duff & Phelps to carry out a valuation of the premises based on two separate Plot areas as follows:

- Plot A: The existing Ferry Terminal Building and the adjoining land which formed the original Victoria Wharf.
- Plot B: Car Standage Area

The report provides an opinion on the price attainable for both plot areas as separate standalone plots and together as one plot as follows:

- Plot A as a standalone plot: In the region of €5 million.
- Plot B as a standalone plot: In the region of €2.17million.

- Plot A + Plot B together: If sold on the open market with freehold or effective freehold title in the region of €19 million.

A value of €5 million for this asset was recognised in the financial statements for the year ended 31st December 2015. This resulted in an unrealised loss of approximately €13.8 million being recognised in the Profit and Loss account for the year ended 31st December 2015.

This has the effect of decreasing the profit and loss account by €13.8 million and decreasing the fixed assets in the balance sheet in the financial statements for the year ended 31st December 2015 by €13.8 million.

It should be noted that this valuation has assumed that DLHC holds title to Plot A. If this is not the case it could have a material impact on the valuation. As previously mentioned, the terminal building at St. Michael's pier is currently available to let on a 10 year lease basis.

We recommend that DLR consider this Duff & Phelps report and in particular in light of ongoing issues surrounding the ownership of the foreshore at St. Michael's Pier.

- 3.1.4** The net effect to the profit and loss account for the year ended 31st December 2015 of the revaluation of Block 2, Harbour Square and the unrealised loss of the Ferry Terminal Building is a charge to the profit and loss account as follows:

Effect of Profit & Loss Account	
Revaluation of Block 2 Harbour Square	€3,065,000
Valuation of Ferry Terminal Building	(€13,839,085)
Net Effect on Profit & Loss Account	Decrease of €10,774,085

3.2 Liabilities

- 3.2.1** The Company has made no provision for the possible clawback of Government & EU Grants received by DLHC. It should be noted that due to the fact that the Terminal Building is currently not in use there may be a possibility that part of the EU Operating Project Transport Grant (€6.1m) and the EU Maritime Interreg Grant (€5.1m) could be the subject of a clawback from the EU. An email from Mr. Peter Carney of the Department of Transport, Tourism & Sport dated 23rd Feb 2016 to the Company states that he did not find any document that referenced implications for the grant aid if the value of the buildings were written down.

EU Grants of €6,082,415 have been released to the profit and loss account in the audited financial statements for the year ended 31st December 2015. This release of EU Grants indicates that the auditors or Board of Directors of DLHC consider that no clawback will occur on the Grant received.

We recommend that DLR consider procuring their legal advisors to review all government and EU Grants received in order to form an opinion as to any possible provision for clawback that may arise.

A possible provision of part of the €11.2m Grant Aid received may be required. EU Grants of €6,082,415 was released to the profit and loss account in the audited financial statements for the year ended 31st December 2015. This has the effect of increasing the profit and loss account by €6,082,415 in the financial statements for the year ended 31st December 2015.

- 3.2.2** A contingent liability accrual for legal fees of €98,453 is represented in the Company accruals figure as at 30th September 2015. €66k of this accrual is for one specific claim in 2015.

We reviewed a list of ongoing legal cases dated 10th January 2014 prepared by Willis. We recommend the DLR review all ongoing legal matters.

We recommend that DLR review all ongoing legal matters and consider any provisions that could potentially be required for same. In particular, we recommend that DLR consider a possible provision for €200k in relation to these ongoing legal matters.

3.3 Pension and Post Retirement Liability

3.3.1 The Company Pension Scheme

The company operates a defined benefit pension scheme (the “Scheme”) for its employees, which is funded by the payment of contributions to a separately administered fund.

The regulations governing the Scheme have not yet been signed by the relevant Minister, and so the Scheme is currently being administered in line with the draft regulations despite no formal signing by the relevant Ministers.

3.3.2 Valuation of the Scheme

Willis issued a letter to DLHC on 2nd December 2015 in which the financial position of the scheme was summarised under various valuation bases at 1st January 2015. The Deficit in the Scheme as at 1st January 2015 was considered to between €1.6 and €3.4m.

This means that should DLHC be dissolved under the Harbours Bill 2015, a contribution to the pension fund of between €1.6m and €3.4m may become payable. If the shareholding of DLHC is transferred to DLR, it will be the responsibility of DLR to fund the deficit in the pension scheme going forward.

Deferred annuities are policies that secure the pension benefits for members who have not yet reached the normal retirement age. A buyout on a deferred

annuity basis would need to be sourced from an insurance company which is very seldom purchased in practice.

Willis Towers Watson, in a letter dated 5 May 2016, reported that a buyout cost on a deferred annuity basis would be in the region of €8 to €10 million. This was heavily caveated and it was stated that this was an indicative figure only.

3.3.3 Minimum Funding Standards

It should be noted that in order to satisfy the funding standard provisions of the Pensions Act, 1990 the Scheme has to have sufficient resources if it were wound up at the effective date of an Actuarial Funding Certificate to provide for:

- The estimated expenses of administering the winding up of the Scheme;
- Pensions in the course of payment; and
- Benefits for members in service and former employees who are entitled to deferred benefits.

The sufficient funds required are referred to as the Minimum Funding Standard (MFS). According to an Actuarial Valuation on 1 January 2015 prepared by Invesco, the MFS of the Company as at 1 January 2015 was a surplus of €166k. However, Invesco also states that the Scheme did not have sufficient assets to cover a Funding Standard reserve in excess of €1.2m.

3.3.4 Issues facing the Scheme

In a letter dated 2nd December 2015, Willis summarised the primary issues facing the Scheme at present as follows:

- Scheme may become insolvent due to higher funding requirements from 2016;
- The valuation as at 1 January 2015 requires an increase in the current Company contribution rate from 24.5% to 86.4% of Pensionable Remuneration.

The Actuarial Valuation on 1 January 2015 prepared by Invesco states a recommended contribution rate of 76.9%.

It should be noted that the Company has continued to reiterate to Willis that it is not in a position to increase its contribution rate above 24.5% of Pensionable Salary.

We recommend that DLR seek specialist pensions/employment law advice before making any changes to pension schemes as currently provided by the Company.

It should also be noted that the Harbours Bill 2015 states that under the transfer of shareholding option, if a new superannuation scheme is established it must be approved by the local authority chief executive with the consent of the Minister for Public Expenditure and Reform. The Harbours Bill 2015 also states that any existing superannuation scheme in existence will continue and

allow for new members to join those schemes, continue the protections offered to those persons who were former employees of harbour authorities or the then Department of the Marine and who moved into the port companies in 1997.

3.4 Corporate Estate

3.4.1 Management have provided the following commentary in respect of the title attaching to the current real estate of DLHC:

"The Company's title to its estate is not comprehensively documented. Title derives variously from original title deeds dating from the formation of title, the original enabling legislation including the Dublin Harbour Act 1816, the Vesting Order of the Minister of Finance (under the State Property Act 1954) dated 19th May 1997 and possessory title. In order to perfect title generally across the harbour Mason Hayes & Curran has been appointed to undertake a first registration of all title on the harbour side of the rail line. Mason Hayes & Curran's advice has been to undertake this in three parcels:-

- 1. The Foreshore*
- 2. The St. Michael's Plaza development site*
- 3. The rest of the estate*

Separate maps have been prepared by architects under direction of Duff & Phelps Property and Mason Hayes & Curran, and the Foreshore title application was lodged with the land Registry on the 5th September 2014."

We reviewed all documentation provided regarding the legal title of the Foreshore areas within the harbour confines and St. Michael's Pier. The Company has sought to clarify the ownership of the Foreshore and has procured two separate legal opinions from Seamus Noonan, B.L. S.C. on 12th December 2008 and from Ruth Cannon, B.L. on 7th October 2013 advising that their opinion was that "title to the Foreshore lay with DLHC". However, it appears that the Company's ownership has not been accepted or recognised by the Chief State Solicitor.

As confirmed by management, the core areas of the DLHC estate areas that are currently affected by this issue are the terminal building, the vehicle/compound area around the terminal building and the rest of St. Michael's pier. We recommend that these ownership-related issues be reviewed by DLR and their legal counsel. We also recommend that DLR consider a provision for legal fees for the handling of this matter should the Company wish to pursue same.

3.4.2 We also reviewed unexecuted and undated documents in relation to the Foreshore at Carlisle Pier as follows:

- Warrant from Brian Cowen, Minister for Finance at the time, that the Carlisle Pier including structure and foreshore and seabed immediately under was vested in the Commissioners of Public Works in Ireland on and from 5 August 1924.

- Certificate from Pat the Cope Gallagher, Minister of State at the department of Communications, Marine and Natural resources at the time, to certify that the land situated in Dun Laoghaire Harbour which was vested in the Commissioners of Public Works in Ireland by warrant under the State Property act 1954 given under the official seal of the Minister for Finance.

As the documents reviewed were unexecuted and undated, we recommend that DLR consider the relevance and veracity of these and possibly seek more definitive confirmation on the ownership and title of this real estate.

- 3.4.3** Funding for essential repairs is required on an ongoing basis and specialist guidance and skills are necessary to ensure all repairs are carried out in a manner that is sensitive to the historic fabric, using appropriate materials and methods.

In February 2015, Waterman Moylan Consulting Engineers Limited provided DLHC with a Strategic Risk Review of the Dun Laoghaire Harbour Infrastructure. The report was prepared in order to identify the key elements of infrastructure in the DLH estate, to examine the main risks and maintenance requirement associated with each, and to provide a qualitative assessment of these risks by assessing the likelihood of occurrence and potential financial consequences of the risk/maintenance requirement materialising.

We recommend that DLR familiarise themselves with the Strategic Risk Review and Addendum Report (cost estimates) prepared by Waterman Moylan Consulting Engineers (April 2015) as this document is a comprehensive review of the anticipated level of infrastructure repairs and maintenance required for the corporate estate over the next 20 years, including the estimated cost of the anticipated level of repairs and maintenance over the next 5 years.

The report outlines an estimated annual maintenance cost of €335k. The report further indicates that priority Capital Expenditure infrastructure projects of a once-off nature may cost €3.55m over a 5 year period 2015-2019.

We also recommend that DLR consider all assumptions set out in this report in order to identify any other possible costs that may be required for the maintenance of the corporate estate.

Annual repair and maintenance costs and once-off capital expenditure items as outlined by Waterman Moylan in their report are provided by DLHC in their cashflow forecasts for 2016-2018 and in the company's Corporate Plan. Approximately €1m capital expenditure will be incurred by the Harbour Company each year in 2016, 2017 and 2018 to cater for major infrastructure repair & maintenance. From 2019 onwards, DLHC management have confirmed that the other infrastructure repair & maintenance projects identified in the Waterman Moylan report will be financed by DLHC allocating an annual capital budget of €500k.

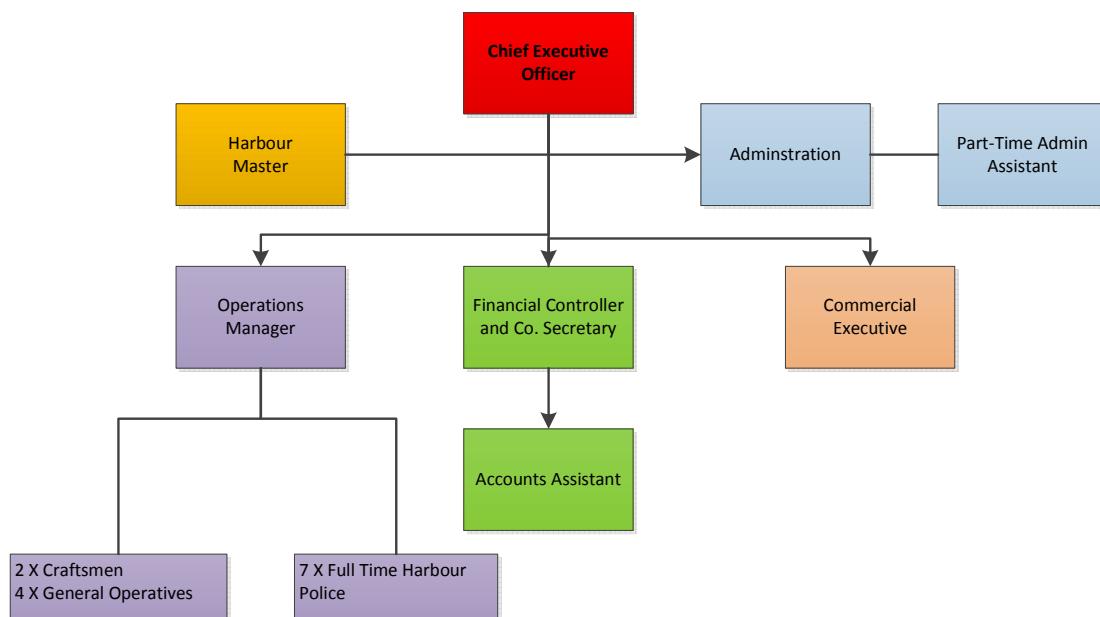
3.5 Budgets & Forecasts

- 3.5.1** Management have confirmed that the Dun Laoghaire Harbour Company Forecast 2016-2018 is the most up to date company forecast and that this was discussed and agreed in principal with the board on the 1st December 2015.

We recommend that DLR review the Company Forecast in light of recommendations made in this report. DLR should consider possible items that might impact on the cashflow of the Company as identified throughout this report and in discussions with DLR.

3.6 Staff & Other Matters

- 3.6.1** DLHC has 21 employees. The DLHC Organisational Chart can be depicted as follows:



- 3.6.2** We were provided with employment contracts and current salary details for the employees depicted in the organisational chart.

We reviewed all staff employment contracts provided. We recommend that DLR seek independent specialist employment law advice in relation to staff contracts.

- 3.6.3** We were provided with dates of birth for 18 of the employees. It should be noted that 15 out of the 18 employees are over 50, 10 of which are over 55.

We are of the opinion that there is a significant reliance placed on the Chief Executive Officer and he is included in all decision making processes.

We recommend that DLR consider succession issues in light of this information.

3.7 Marina Income

DLHC currently enjoys income from the Dun Laoghaire Marina which is accounted for in its annual financial statements. Upon expiration of the current licence (approximately half way through a 30 year licence period presently) the licence will vest in the Company and at which point in time will have a value to be determined at that time.

3.8 Corporate Governance

Having reviewed the financial policy and procedures in place together with relevant Board and Committee meeting minutes we are of the opinion that the Company has reasonable governance policies and that it adheres to good governance procedures whilst conducting its affairs.

Appendix I – Other Matters Considered & Presented to DLR

We have presented all of our findings, irrespective of importance to DLR. For the purposes of this report we have highlighted those findings which we perceive to be of high importance to DLR and have attempted to quantify the potential financial impact of these findings where applicable/possible. Other matters reviewed which we have considered to be of a perceived low or medium importance are summarised as follows:

- All Fixed Assets;
- Trade Debtors;
- Prepayments & Other Debtors;
- Bank Accounts;
- Trade Creditors;
- Accruals & Deferred Income;
- Provisions & Contingent Liabilities;
- Wages & Salaries;
- Revenue Streams;
- Operating Expenses;
- Company Secretarial Matters;
- Corporate Estate Matters;
- Budgets & Forecasts;
- Commitments & Contracts;
- The future of Dun Laoghaire Harbour Company;
- Audit & Internal Controls; and
- Staff and Related Matters.