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Abbreviations used in this report

AER	Alternative Energy Requirement	LGCSB	Local Government Computer Services Board
BGE	Bord Gáis Éireann	NSS	National Spatial Strategy
BMW	Border, Midland and West	NDP	National Development Plan
CAP	Common Agricultural Policy	REP	Renewable Energy Partnership
ESG	Enterprise Strategy Group	SME	Small & Medium-sized Enterprises
IBEC	Irish Business Employers Confederation	WDC	Western Development Commission
ISC	Information Society Commission	WDTP	Western Development Tourism Programme
KIA	Knock International Airport	WIF	Western Investment Fund

Chairperson's Foreword



In 2004, the Western Development Commission (WDC) prepared a new strategy for 2004-2006. The core of the strategy is the concentration of the strengths of the WDC on both the needs and opportunities for the Western Region. Driving the WDC strategy is our belief that the Western Region should be competitive not only within Ireland, but within the European Union and further afield.

Four strategic aims underpin the new WDC strategy: building awareness of the positive living and working conditions that the Western Region has to offer; promoting the development of strategic regional infrastructure; continuing to support an enterprise environment and develop a venture capital culture through the Western Investment Fund; and creating new approaches to supporting, developing and sustaining rural enterprises.

The development of Gateways and Hubs, as part of the National Spatial Strategy (NSS), provides a rationale for the WDC's focus on regional infrastructure.

The provision of strategic regional infrastructure – sometimes ahead of demand – will drive the development of Gateways and Hubs in the Western Region. Infrastructural policies supporting the provision of international air access, road and rail access, telecommunication infrastructure, and energy infrastructure continue to be key priorities for the Western Region and the WDC.

The Western Region is typified by many small to medium-sized towns. As significant changes in the Common Agricultural Policy (CAP) result in a reduction of the numbers employed in agriculture, our small towns emerge as significant players in the provision of employment for their rural hinterlands. The WDC's 2003 report, *Jobs for Towns: Small and Medium-Sized Towns on Radial Routes in the Western Region*, highlighted the investment readiness of twenty of the smaller towns in the Western Region. We believe the decentralisation of Government Departments and agencies to these smaller towns is crucial to enable them develop according to the plans detailed in the NSS.



"Driving the WDC strategy is the belief that the Western Region has to be competitive, not only within Ireland, but within the European Union and further afield".

Chairperson Michael Farrell, 2004.



To illustrate further the readiness of towns in the West to receive people and investment, the WDC launched the *Look West* initiative in 2004. *Look West* aims to increase the awareness of key audiences of the positive working and living conditions available in the Western Region. This exciting initiative highlights the strengths of the region, including more affordable property and childcare, along with services such as a good educational system and vibrant leisure and social opportunities.

The Western Region is still one of the most rural parts of Ireland. The radical revision of the CAP will bring about considerable change in the region. The WDC stresses the importance of developing a variety of approaches to supporting rural development. A combined policy and proactive development approach enables the WDC to provide working models for change in a number of sectors, including rural tourism, renewable energy and organic agri-food production.

Challenges facing the Western Region include the move to a knowledge-based economy, the growth in the services sector and the decline in the agricultural and manufacturing sector. Increasingly, firms will achieve international competitiveness through research and innovation. Bringing this about in the Western Region was the focus of WDC work submitted to the Enterprise Strategy Group and published in May 2004 as *Enterprise and Employment in the Western Region: Issues, Challenges and Recommendations*.

Given that the current favourable levels of support will be gone at the end of 2006, the WDC is of the view that firms across all sectors in the Border, Midland and West (BMW) region should receive the maximum funding allowable under Objective 1 status. The excellent performance of the Western Investment Fund (WIF) in 2004 bears out our evidence that, given the right encouragement, there are good innovative projects in the region. The WDC disbursed its full WIF allocation of €4m in 2004. The WDC also made a strategic investment in Knock International Airport and I am particularly encouraged by its strong business performance in 2004. We believe that the development of an international air access hub at Knock can have a major impact on the economy of the Western Region.

I am satisfied that the WDC, through its work in 2004, has made a significant contribution to creating a positive future for the people of the Western Region. I would like to thank all those who worked with and supported the work of the WDC in 2004, in particular Éamon Ó Cuív, TD, Minister for Community, Rural and Gaeltacht Affairs, my fellow Commission members and all those who participated in the WIF and the WDC's various advisory panels. I would also like to compliment Chief Executive Lisa McAllister and her staff on their commitment and achievements in 2004. The WDC looks forward to the continued development of its activities and to another productive year in 2005.

Michael Farrell
Chairperson

Chief Executive's Report



The WDC had a good year in 2004, the first year in the implementation of our new Strategic Plan 2004-2006. Highlights in 2004 included the WIF's best year ever, the launch of *Look West*, our promotional campaign for the region and the publication of a guidebook on wind energy. Between WIF investments and our policy and development work to promote the West's competitive advantages, the WDC contributed significantly to the seven western counties in 2004.

During 2004, the WDC set about building on its previous work, highlighting the role and investment readiness of small to medium-sized towns in the Western Region. It launched the *Look West* initiative, which promotes the West as an attractive place to live and work. This exciting promotion and advertising campaign is aimed at people in and around the greater Dublin area who may consider moving to the West. *Look West* is aimed at attracting the broadest range of people and skills to the western counties, including those who may have roots in the region, and others who have no previous connection with the West. Radio, press and billboard advertising carry the message that the West offers less stressful and more affordable living. The campaign is backed by a website – www.lookwest.ie – which highlights the many benefits of moving to the West, and includes links to comprehensive information on housing, schooling, culture and social life. The WDC was particularly pleased to work closely with the local authorities in the region in preparing this website.

The WDC continues to stress the importance of good quality infrastructure to ensure the region's competitiveness in attracting and retaining knowledge-based industries. In 2004, the WDC put particular emphasis on the importance of Knock International Airport (KIA) as a key element of regional infrastructure. The WDC co-financed a study by Goodbody Economic Consultants

of the economic impact of Knock Airport, which showed that KIA added 740 jobs and €36.5m to national GDP in 2004, mainly through its impact on tourism.

Knock Airport is hugely important to industry, business and tourism in the Western Region. Its spectacular growth in recent years, and our own contact with business in the West, has convinced the WDC of its potential and its critical importance for access to the region. The WDC emphasised this in its contact in 2004 with Government, the Enterprise Strategy Group and other key policy think-tanks, and will continue to do so in 2005.

Advanced telecommunications infrastructure is also essential to the West's future, so the WDC has led the way in stressing the need for broadband to be available throughout the region. While progress on rollout was made in 2004, the WDC remained concerned about regional differences in the availability, quality and cost of broadband. The WDC continued to monitor the rollout of broadband to the West in 2004 and participated in the Information Society Commission (ISC)¹.

Building on the interest generated by its landmark Rail Seminar which followed the publication of the Strategic Rail Review in 2003, the WDC continued to contribute to the development of rail infrastructure through its membership of the Expert Working Group on the Western Rail Corridor. The WDC has examined the role and contribution of rail infrastructure to regional development in its previous work and has been proactive in ensuring that due consideration is given to re-opening the Western Rail Corridor. The Expert Working Group on the Western Rail Corridor is due to report in early 2005.

In 2004 the WDC invested €4m in 22 projects in the Western Region through the WIF. A proportion of the WIF is dedicated to local investment projects. In 2004, some 16% of the annual WIF allocation was invested in loans to community projects.

¹ The Information Society Commission (ISC) is a policy advisory body to the Taoiseach.

*“Highlights in 2004 included the WIF’s best year ever, the launch of **Look West**, our promotional campaign for the region and the publication of a guidebook on wind energy”.*

Chief Executive Lisa McAllister

The Western Investment Fund (WIF) has matured into a recognised source of seed and venture capital for commercial projects in the Western Region and is also an important source of funding for social investments. Since 2001, the WDC has invested €11 million of the Western Investment Fund in 56 projects. Many of the projects would not have been able to access the finance necessary to start or to develop their business without the WIF, as they lacked the required assets or track record with the banks. The WIF penetrated all corners of the Western Region in 2004 and, most encouragingly, half of disbursements were in rural areas, with 70% of the approvals also in rural areas. The WDC looks forward to continuing to achieve its targets in the coming years, particularly as the Fund begins to receive a return on investment and can re-invest in other projects. Through the availability and performance of the WIF, the WDC is beginning to achieve its aim of creating a venture capital culture in the Western Region.

In 2004 the WDC published its report *Enterprise and Employment in the Western Region: Issues, Challenges and Recommendations*. The report, which contains 23 recommendations concerning issues and challenges facing the Western Region in a globalised, competitive economy and knowledge-based society, was submitted to the Enterprise Strategy Group (ESG)². The WDC was pleased that several of the issues it highlighted were taken up in the final report of the ESG.

As part of its commitment to ensuring that the West’s natural resources provide returns to rural areas, the WDC is proactive in the development of projects in which the West has a real competitive advantage, including sustainable energy, rural tourism and organic agri-food. Work progressed across all three areas in 2004. In rural tourism, the WDC’s contribution is channelled through our participation in the Western

Development Tourism Programme (WTDP) and the Green Box³ initiative. During 2004 the WDC continued to facilitate Atlantic Organics (formally the Western Organic Strategic Initiative) and participated in the National Organic Steering Committee.

A key achievement in 2004 was the publication of the report *To Catch the Wind: the Potential for Community Ownership of Wind Farms in Ireland*. This guidebook and accompanying CD provide a practical step-by-step manual for community groups interested in becoming involved in a wind energy project. It was prepared by the WDC in partnership with Mayo Community Wind Energy Group and Brí Nua Community Group, Inishowen, Co Donegal. The WDC would like to express its sincere gratitude to both groups for their participation in this project. The WDC is very pleased with the enthusiastic response to this guidebook and hopes to follow it up by facilitating a pilot renewable energy project with a community in the Western Region.

I would like to take this opportunity to thank the Chairperson, Michael Farrell, the members of the Commission and all those who participated in the WIF and the WDC’s various advisory panels for their support and encouragement throughout 2004. In particular I want to thank the WDC staff for their commitment and contribution to the organisation’s activities. Finally, I am grateful to all those organisations and individuals, in the Western Region and nationally, who contributed their time and energy to assisting the work of the WDC in 2004. We look forward to continuing our work and to making further contributions to the development of the Western Region in the future.

Lisa McAllister
Chief Executive

² The Enterprise Strategy Group was appointed by the Tánaiste to prepare an enterprise strategy for Ireland to the year 2015.

³ An area-based integrated ecotourism plan covering counties Leitrim, Sligo, Donegal and Fermanagh.



Introduction

Chief Executive and Members of the WDC



Under the terms of 1998 Western Development Commission Act, the Western Development Commission (WDC) promotes, fosters and encourages economic and social development in the Western Region. The WDC responds to its statutory responsibilities by working to ensure that economic and social policy and practice meet effectively the development needs of counties Donegal, Sligo, Leitrim, Mayo, Roscommon, Galway and Clare. Operating under the aegis of the Department of Community, Rural and Gaeltacht Affairs, the WDC had an operational budget of €1.5 million in 2004.



Functions of the WDC

Through its policy, development and investment activity, the WDC focuses on highlighting opportunities and supporting initiatives in the Western Region's productive sectors, its economic infrastructure and in its rural communities. Co-operating with Government Departments and agencies, local and regional authorities and with companies, as well as with the community and voluntary sectors, the WDC works to:

- ensure that the development needs and interests of the Western Region are considered at the highest levels of Government;
- identify, monitor and promote economic and social policy actions which are effective in meeting the region's need for sustainable development and which maximise the use of its human and physical resources;
- foster and encourage regional initiatives in a variety of sectors, including the business, community and voluntary sectors and the local authorities, to ensure that the region retains its competitive positioning;
- close a funding gap in the region, by managing the dedicated €34.4 million seed and venture capital and loan fund known as the Western Investment Fund (WIF).

Structure of the WDC

The Western Development Commission is made up of twelve members appointed by the Minister for Community, Rural and Gaeltacht Affairs.

The WDC is supported by an executive located in Dillon House, Ballaghaderreen, County Roscommon. The structure of the 15-member executive appears above. Work activity is delivered by project teams typically comprising policy, development and investment staff. When necessary, full-time executives are supported by contract staff.

The WDC's Strategic Aims

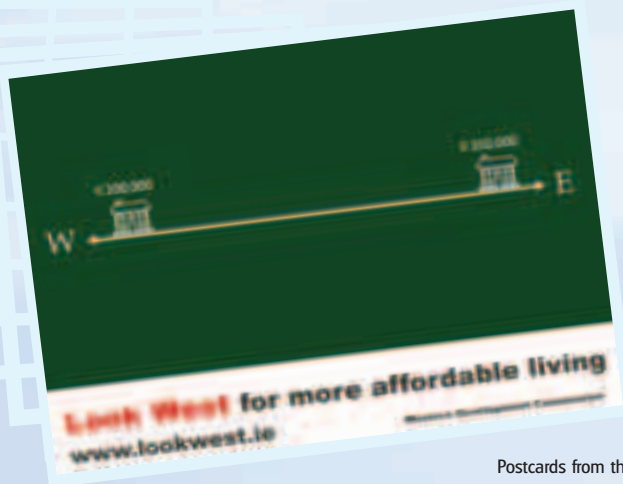
Building on the contributions it received from a wide array of partners and from regional and national interests, the WDC based its work programme for 2004 on initiatives that support its strategic aims to:

- foster and promote job creation and the transfer of skills to the Western Region;
- contribute to the creation of a quality economic and social environment by highlighting and supporting opportunities for improvements in the Western Region's transport, communications and energy infrastructure;
- stimulate the creation of a quality business and community-based enterprise environment across the Western Region;
- create vibrant and sustainable enterprise in the rural areas of the Western Region.

Fostering and Promoting Job Creation and the Transfer of Skills to the Western Region

The **Look West** Campaign

One of the WDC's most exciting ventures in 2004 was the launch of the *Look West* initiative.



Postcards from the **Look West** initiative

Look West is a promotion and advertising campaign which positions the Western Region as an appealing place to live and work. It is aimed at people in and around the greater Dublin area who may consider moving to the Western Region. The intention is to attract a broad range of people and skills to the western counties.

The key message of the *Look West* initiative is the excellent quality of life available in the western counties. Typically, people living in the Western Region can enjoy shorter commuting times, lower house prices, more affordable childcare and other services and a rich and varied sporting and cultural life.

The *Look West* initiative incorporates:

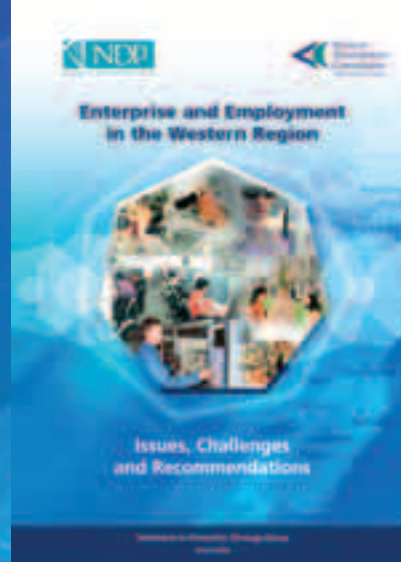
- the www.lookwest.ie website which highlights the many benefits of moving West and contains information on:
 - ➔ living, leisure and business in the Western Region, including links to interesting articles and relevant websites

- ➔ each of the seven western counties, including links to town websites and various other county sites;

- radio, press and billboard advertising in the greater Dublin area. The advertising campaign is built around the *Look West* concept and promotes the Western Region as a place for less stressful and more affordable living.

The WDC worked closely with eight local authorities in compiling the www.lookwest.ie website. Local authorities took responsibility for providing links to town websites. In some cases this involved the creation of entirely new sites. The Local Government Computer Services Board (LGCSB) provided technical support for the construction of www.lookwest.ie and is hosting the site.

The *Look West* initiative will continue into 2005. More town websites from across the Western Region will be linked to www.lookwest.ie in the future.



Enterprise and Employment in the Western Region: Issues, Challenges and Recommendations

In an increasingly globalised and competitive economic environment, enterprise and employment in the Western Region face significant challenges, including:

- the move to a knowledge-based economy, the growth of the services sector and declines in traditional manufacturing and agriculture;
- the reality that research and innovation are now the main ways that firms achieve international competitiveness.

The structure of the Western Region's economy creates particular challenges in this new environment, so in May 2004 the WDC set out the issues for the region in its publication *Enterprise and Employment in the Western Region: Issues, Challenges and Recommendations*. The WDC submitted this report to the Enterprise Strategy Group (ESG) which aims to develop Ireland's enterprise strategy over the next decade.

The WDC report contains 23 recommendations on enterprise in the Western Region. Key recommendations from the report appear below.

The WDC was pleased that several of the issues it highlighted were taken up in the final report of the ESG.

The ESG acknowledged that the provision of infrastructure ahead of demand in key locations is a driver of regional development. It stressed the link between the rollout of broadband in the regions and their ability to attract foreign direct investment, the need to improve road linkages between airports and the regions they serve and also the need to improve road access to the northwest. The ESG report also identified the potential of the West's cluster of medical devices firms to make Ireland a world leader in this sector and recognised the need for public sector involvement in early stage business finance.

The WDC continues to monitor developments in enterprise and employment in the Western Region and to participate in various regional initiatives, including a regional foresight exercise, aimed at making it more competitive.

Box 1: Key recommendations of the WDC submission to the ESG

- National enterprise strategy should include specific goals for regions.
- Improve infrastructure provision in the Western Region, including broadband rollout to areas of lower population density and improved transport access, with a particular focus on Knock International and Shannon International airports.
- Firms in the Border, Midland and West (BMW) region should receive maximum allowable State aid under Objective 1 to end 2006.
- Support existing research competence in the third-level sector.
- Create a technology-based knowledge network in the north of the Western Region, incorporating the Institutes of Technology, industry and development agencies.
- Support capacity building in marketing and in business and technology management in SMEs in the traditional sector.
- Create area-based policies to address declining employment in traditional manufacturing and agriculture.
- Develop further the cluster of companies in the Western Region focusing on medical devices.

Creating a Quality Economic Environment by Improving Regional Economic Infrastructure



Knock International Airport

Transport Air Access



The WDC regards good quality infrastructure as essential to the Western Region's competitiveness in attracting and retaining investment. Air access is particularly important to the knowledge-based, innovative industries that Ireland seeks to attract and build. This confirms the international airports at Shannon and Knock as very important elements of the Western Region's infrastructure. Knock International Airport (KIA) is well-located to serve the needs of the northern half of the Region and beyond, with Shannon serving the southern end.

KIA has grown substantially in recent years but significant investment in upgrading and expansion is now required. In 2004, the WDC co-financed a study of

the economic impact of KIA. The work, carried out by Goodbody Economic Consultants, comprised an analysis of the spending and dynamic impacts of KIA. The study showed that KIA added 740 jobs and €36.5m to national GDP in 2004, through direct and indirect employment and particularly through its impact on tourism. Foreign companies in the region were found to place a high value on the services of the airport. Goodbody Economic Consultants concluded that regional air access is vital to the development of a knowledge-based economy and that inward investment decisions are likely to have a much greater regard to air access than in the past. More focused and substantial Government support for KIA is needed if its contribution to the region is to be optimised.

Sligo inner relief road under construction



Roads

Access to, from and within the Western Region is critical to promoting economic development and social progress. In recent years, road improvements throughout the region have made a dramatic difference to journey times. To date, however, expenditure has lagged behind that forecast and there is much more to do to catch up on the backlog. Cumulative National Development Plan (NDP) expenditure on national roads to the end of 2003 was only 63% of budget in the Border Midland and West (BMW) Region, compared to 143% in the Southern and Eastern Region.

The WDC continued to monitor expenditure on national roads in 2004 and was heartened to witness an increase in road expenditure in the BMW region. It is essential, however, that the regional imbalance in spending be halted for the remaining years of the NDP. Budget commitments for one region should not be affected by cost overruns or changes in priorities in other regions.

During the year the WDC submitted a list of road building priorities to the Minister for Community, Rural and Gaeltacht Affairs. The N5 route to Mayo, the more congested routes in Galway and Clare and the north/south route corridor for access to the international airports at Knock and Shannon were among the key priorities highlighted.

Rail Services

In the context of increased congestion on some of the country's major roads, rail is becoming an increasingly important and attractive mode of transport. The WDC has long argued for improved services to, from and within the region. In its 2001 report *The State of the West*, and in a submission to the Strategic Rail Review, the WDC identified inadequate rolling stock, poor timetabling and the need for additional services as priority areas for investment in the Western Region.

Ballymote Railway Station





The WDC welcomed the provision of additional services in 2004 on the Dublin-Galway and Ennis-Limerick routes. The success of the Ennis-Limerick service may indicate latent demand for additional commuter routes in the West. Since there was no expansion in services on the Sligo or Mayo routes in 2004 the WDC believes that these routes should now be given priority for investment.

In May 2004 the WDC's Chief Executive was appointed to the Expert Working Group to examine the feasibility of the Western Rail Corridor. This route could provide a transport link for both passengers and freight from Sligo to Limerick and onwards to Cork and Rosslare. The WDC has consistently highlighted the importance of this corridor and welcomes the chance to serve alongside representatives of other key agencies and local authorities on the working group.

The group is examining the costs and benefits of the Western Rail Corridor in the context of the National Spatial Strategy, the Strategic Rail Review, Regional Planning Guidelines and County and City Development Plans. The WDC believes that to assess accurately the costs and benefits of the Western Rail Corridor it is important to include variables such as the impact on regional development and environmental sustainability as well as the more traditional indicators used in cost-benefit analysis. The Working Group is expected to report to the Minister in early 2005.

Telecommunications

An advanced telecommunications infrastructure is essential to the West's future. The availability of broadband capacity at a competitive price would have a major impact on the competitiveness of the region by allowing firms to operate globally from remote locations. In 2004 the WDC was again proactive on the broadband issue through its representation on the Information Society Commission (ISC). The ISC, in a report entitled *21st Century Infrastructure*, drew attention to the continuing gap in broadband access between larger towns and smaller centres. It recommended continued public funding and support to assist in broadband deployment and stimulate competition. This is an area of infrastructure expenditure in which much value can be achieved at relatively low cost to the public purse.



While acknowledging significant progress in rollout in 2004, the WDC remains concerned about the regional differences in the availability, quality and cost of broadband and will continue to monitor broadband availability in the West in 2005.

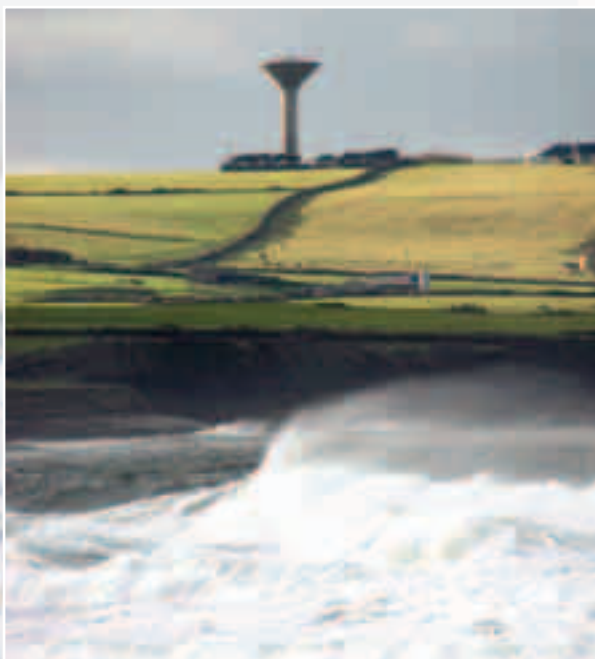


Energy

Electricity

A reliable electricity infrastructure, capable of meeting new and existing demand, is essential to the development of the Western Region. The WDC is working to ensure that appropriate investments in transmission and distribution continue to be made to allow the region to compete in attracting industry.

In 2004, the WDC, along with the Irish Business Employers Confederation (IBEC) and representatives of manufacturers in the region, met the ESB National Grid yet again to highlight the importance of quality electricity transmission infrastructure for the development of the region. The WDC emphasised that, in line with the infrastructure priorities in the National Spatial Strategy, both estimated and potential future demand should be taken into account when planning grid network developments.



Gas

The Corrib Gas Field is a significant natural resource with the potential to bring enormous benefits to the Western Region and Ireland as a whole. Natural gas can provide a clean energy source for industry and the Corrib field will bring greater energy security. It is essential that the Western Region benefits from this resource and that it is used to help in the development of the region as a whole.

The WDC welcomed An Bord Pleanála's October 2004 decision to uphold planning permission granted by Mayo County Council for an inshore terminal at Bellanaboy, Co Mayo. This will allow Bord Gáis Éireann (BGÉ) to start work on a Mayo-Galway transmission pipeline to connect into the natural gas transmission grid. There is potential for spurs from this pipeline to provide natural gas for towns along the route.

By offering a choice of energy supply, access to the natural gas grid will ensure that the Western Region is well-positioned to be competitive in sustaining existing industries and attracting new investment. The WDC continued its engagement with relevant bodies to ensure that the benefits to the Western Region are maximised and that its rural nature and the small size of many towns do not militate against the development of the natural gas transmission network in the region.

Creating a Quality Business Environment and Supporting Regional Enterprise with the Western Investment Fund

Western Investment Fund

The Role of the Western Investment Fund

People with viable ideas for high potential start-ups and business expansion often find it difficult, if not impossible, to get backing from mainstream financial institutions. This is generally due to the high-risk nature of such projects, the promoter's lack of commercial track record and the low level of available security. Such situations are particularly common in the Western Region, where, traditionally, venture capital firms have not been as active as elsewhere. Similarly, community groups planning to undertake projects with important social benefits also have problems in securing loans.

It was against this background, and to solve such problems, that the Western Investment Fund (WIF) was established. The WIF is now a focal point for risk capital in the Western Region, alleviating problems and eliminating barriers faced by businesses and community groups in the region in securing development funds. In addition to filling an equity gap the WIF is also a catalyst for social and economic enterprise in the region. The WIF works with its clients, supporting them on a long-term basis and helping them to achieve their growth targets.



The Western Investment Fund Team: John Allen, Investment Executive; Fiona Regan, Clerical Officer; Gillian Buckley, Investment Manager; Geraldine McLoughlin, Investment Executive.
(Missing from photo: Tracey Hannon, Social Investment Executive, Clann Credo Ltd./WDC.)

A key objective of the WIF is to develop a venture capital culture in the region. Through its growing investment portfolio, the WIF demonstrates the viability of western-based investments to the private sector.

In 2004 the WIF disbursed over €4.03m, approved €3.34m, de-committed €0.48m. To date the WIF has invested €11m in 56 projects in the Western Region.

The WIF in Brief

The WIF provides equity capital and loans on a commercial basis. It aims to achieve a balanced spread of investments across geographical areas, industry sectors and the business lifecycle, reflects the investment needs of the region and seeks a financial return and a socio-economic dividend on its investments.

The WIF has three sub-funds:

- **Business Investment Fund**, designed mainly to help high-potential small and medium-sized enterprises (SMEs)

- **Local Investment Fund**, aimed at supporting community-based and not-for-profit projects
- **Special Projects Investment Fund**, which targets flagship projects and initiatives with the potential to have a major impact on the region.

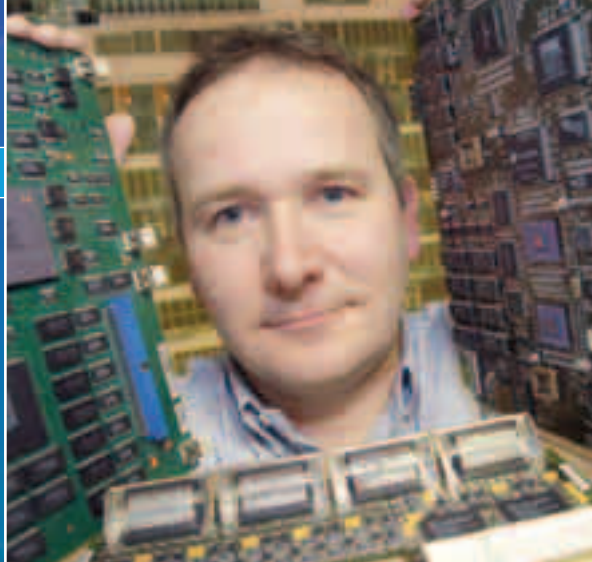
The WIF is supported by a voluntary Fund Advisory Panel and Joint Evaluation Panel. The membership of each panel is drawn from the private sector, State agencies, Clann Credo Ltd and the WDC.

<< INVESTMENT CASE STUDY >>

Lightstorm Networks Ltd

The WIF provided very early stage finance to this specialist semi-conductor design firm. This investment enabled the company to begin research and development for broadband network solutions. Resulting from the WIF funding, the company has progressed to a level that attracted significant second round funding from two private venture capital firms at the end of 2004.

Bryan Campbell, Chief Executive of Lightstorm Networks ▶



Building on Momentum

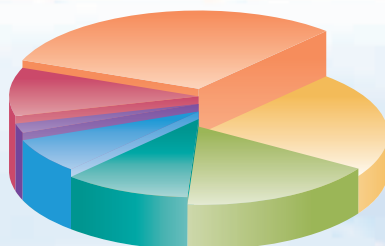
The WDC continued to build throughout 2004 on the investment momentum it generated in the region in 2003. Interest in the WIF continued to grow as the number of applications, approvals and disbursements increased on previous years. During the year WIF disbursed investments totalling €4m to 22 projects, including the provision of seed capital to a Galway-based semi-conductor design firm, the provision of venture capital to a Co Roscommon hi-tech systems firm and venture capital to a games software company located in Muff, Co Donegal.

The WIF also provided €635,000 of loan finance to community projects in 2004, including assisting in the development of a community campus consisting of a new national school, childcare and community facilities in Co Mayo and a novel tourist attraction in Kilkee, Co Clare. Without the support provided by the WIF, many of these projects would never have got off the ground or developed.

Investments Disbursed in 2004

Of the €4 million disbursed, the bulk (72%) was invested under the Business Investment Fund, some 12% was allocated using the Special Projects Investment Fund and the remaining 16% was given as loan finance to community groups through the Local Investment Fund. Almost 50% of the total went to projects located in rural areas, as defined by the National Spatial Strategy. The figures and tables below show the distribution of projects.

Disbursements in 2004 by County



County	% of Funding	No. of Projects	Amount
Clare	2	1	€75,000
Donegal	10	2	€400,000
Galway City	31	7	€1,265,903
Galway County	22	3	€896,325
Mayo	17	4	€697,000
Roscommon	11	3	€432,000
Sligo	7	2	€267,000
Total	100	22	€4,033,228

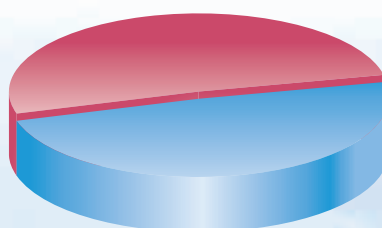


<< INVESTMENT CASE STUDY >>

Torc Interactive Ltd

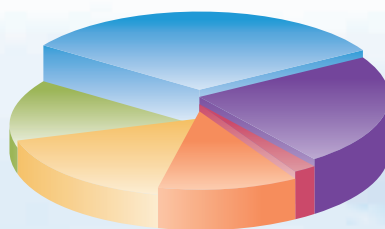
Founded in 1999 and located in Muff, Co Donegal, Torc Interactive Ltd develops "middleware" (software that provides enhanced services to existing applications) for the PC-based games market. Its flagship product, the *Instinct* engine, to be completed following WIF investment of €317,000 in the firm, provides increased visual reality to 3D graphics applications. Using the *Instinct* engine, games players enjoy a more compelling gaming experience. The company is also developing an educational (Varsity) version for use in third-level institutions.

Disbursals in 2004 by Setting



	% of Funding	No. of Projects	Amount
● Gateways and Hubs	51	10	€2,049,903
● Rural	49	12	€1,983,325
Total	100	22	€4,033,228

Disbursals in 2004 by Industry Sector



Sector	% of Funding	No. of Projects	Amount
● Aquaculture and Fisheries	12	1	€500,000
● Bio/Medical Devices	17	3	€675,403
● Economic & Social Infrastructure	14	6	€560,000
● Information Communications Technology	32	7	€1,309,500
● Manufacturing & Services	23	4	€913,325
● Tourism	2	1	€75,000
Total	100	22	€4,033,228

<< INVESTMENT CASE STUDY >>

Maoiniú Mara Teo

The Irish Seafood Producers Group (ISPG) established Maoiniú Mara Teo (MMT) to assist in the changeover of the farmed salmon industry from being production-led to becoming market-led. The WDC advanced loan finance of €500,000 to MMT to facilitate the changeover. Operational change will underpin the existing 1,400 jobs in the industry and enable further growth in their share of the farmed salmon market.

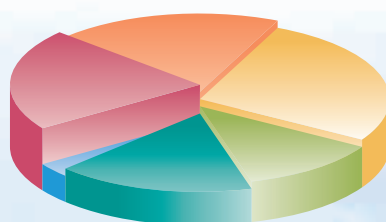
Servicing a salmon farm in Co Galway ►



Investments Approved in 2004

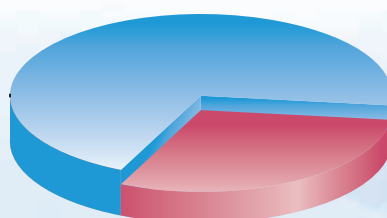
In 2004 the WDC approved a total of almost €3.4m for 15 different projects. Equity investments accounted for 74% of the total, with the remainder being loan finance. 70% of WIF approvals in 2004 were in rural areas.

Approvals in 2004 by County



County	% of Funding	No. of Projects	Amount
Donegal	21	3	€692,000
Galway City	20	3	€674,000
Galway County	27	3	€917,000
Mayo	12	3	€397,000
Roscommon	17	2	€559,000
Sligo	3	1	€100,000
Total	100	15	€3,339,000

Approvals in 2004 by Setting



	% of Funding	No. of Projects	Amount
Gateways and Hubs	30	4	€991,000
Rural	70	11	€2,348,000
Total	100	15	€3,339,000



<< INVESTMENT CASE STUDY >>

Kilkee Tourism Ltd

Kilkee Chamber of Commerce developed the Kilkee Road Train. This WIF-supported project is a new tourist attraction in the seaside town of Kilkee, Co Clare. Although a relatively new concept in Ireland, the road train is a very popular tourist attraction on the continent. The WDC advanced loan finance of €75,000 to purchase the road train.

◀ The Kilkee Road Train

Approvals in 2004 by Industry Sector



Sector	% of Funding	No. of Projects	Amount
● Aquaculture and Fisheries	15	1	€500,000
● Bio/Medical Devices	9	1	€317,000
● Economic & Social Infrastructure	12	5	€395,000
● Information Communications Technology	49	6	€1,610,000
● Manufacturing & Services	15	2	€517,000
Total	100	15	€3,339,000

Potential jobs created/sustained and funds leveraged by the WIF

Projects approved or disbursed in 2004 have the potential to create or sustain more than 500 jobs in the Western Region. A further €23m of additional investment could also be leveraged into the region as a result of the WIF investments approved or disbursed in 2004. Of this amount, around 61% is expected to come from the private sector and the remainder from the public sector.

Modifications to State Aid Approval

In 2004 the WDC made an application, through the Irish authorities, to the European Commission for modifications to the State Aid approval of the WIF. The application was made under the Commission's *Communication on State Aid and Risk Capital*. The key modifications sought were to have the WIF recognised as risk capital not as operating aid, to invest up to €1 million in a single tranche and to obtain Commission approval to operate the WIF using exchequer funding until December 2008. A decision on this application is due in 2005.

<< INVESTMENT CASE STUDY >>

Aghamore Community Development Association Ltd.

WDC provided bridging finance to Aghamore Community Development Association, based in Aghamore, Co Mayo, to develop an integrated community campus, comprising a new national school, sports and recreation facilities and childcare facilities.



A collage of pictures sold at an art auction organised Aghamore Community Development Association Ltd.

<< INVESTMENT CASE STUDY >>

3Touch Ltd

Formed in 2002 and based in Athlone, Co Roscommon, 3Touch Ltd has developed a new-generation conference management system to eliminate commonly experienced presentation problems such as equipment malfunction, time delays, lost slides etc. In a follow-on development to their Liberty system, and based on similar technology, 3Touch also developed an innovative teaching support tool called CampusWide which allows the simultaneous delivery of lectures at multiple locations. Investment made by the WIF will assist in the final product development and commercialisation stages of both products.

The 3Touch presentation management system ►



Social Audit

The first three years of the joint working arrangement between the WDC and Clann Credo Ltd was the subject of a social audit in 2004. This audit reviewed the working arrangements of the partnership and a cross-section of projects it supported. The audit report noted a positive response to the provision of funds and to the process of project evaluation.

Many respondents commented that their project would not have happened without the investment provided by the WDC and Clann Credo Ltd. *Social Audit for the Three Year Pilot Phase of the Joint Working Arrangement between the Western Development Commission and Clann Credo Ltd*, published in 2004, detailed the key findings of the social audit and included recommendations on how the partnership could be improved.



Gillian Buckley, WDC, Éamon Ó Cuív, Minister for Community, Rural and Gaeltacht Affairs, Lisa McAllister, WDC, Paul O'Sullivan, Clann Credo Ltd and Tracey Hannon, Clann Credo Ltd/WDC at the launch of the Social Audit.

Éamon Ó Cuív, TD, Minister for Community, Rural and Gaeltacht Affairs, launched the report in November 2004 at Ballybane Community Centre, Galway city, a community project supported by the joint funding arrangement. In complementing the partnership between the WDC and Clann Credo Ltd, the Minister highlighted the importance of social finance to the community and voluntary sectors in the Western Region. The WDC and Clann Credo Ltd have agreed to continue the joint funding arrangement for a further three years to 2007.

INVESTMENT CASE STUDY

North West Wireless Networks Ltd

In 2004, a group of local people around



Network monitoring at NW Wireless

Killala and Enniscrone developed a proposal to bring a wireless broadband service to their area. The resulting enterprise, North West Wireless Networks Ltd, currently provides a wireless broadband service to businesses and residents in Killala and Enniscrone. The service will be extended to Dromore West, Easkey and surrounding areas in 2005 after the WIF approved loan finance of €30,000 for the project.

INVESTMENT CASE STUDY

Hookablemedia Ltd



Based in the Business Innovation Centre, Institute of Technology, Sligo, Hookablemedia Ltd, was founded in 2002. The firm develops software which allows users to monitor, record and deliver radio, TV and internet broadcasts, customised to personal needs. The system is used by media monitoring agencies, political parties and Government press offices to identify and record specific media items and content automatically.

The WIF invested €317,000 in Hookablemedia to fund the firm's product development activities, build its customer base and recruit core staff.

INVESTMENT CASE STUDY

Cora Systems



Using the Cora Systems project management software

Cora Systems, located in Carrick-on-Shannon, is a web applications product developer. Its core product range is project management software. In 2002, the WIF provided Cora Systems with seed capital funding to support its early growth. The company subsequently achieved key milestones. These successes led to the WIF providing follow-on funding of €317,000 as part of a second-round investment package which will allow the company to strengthen its UK sales efforts.

Cultivating Sustainable Rural Industries in the Western Region



Organic vegetable production at the Organic Centre, Co Leitrim

The Organic Agri-Food Sector

Atlantic Organics

Following four years of development work by the WDC in partnership with the Organic Centre, the Leitrim Organic Farmers Co-op and North West Organic Co-op, Co Donegal, a new company, Atlantic Organics (formerly the Western Organic Strategic Initiative), was set-up to spearhead the development of the organic food industry in the West, North West and Border areas. This strategic alliance positioned Atlantic Organics to become a market leader in the Irish organic sector.

INTERREG provided Atlantic Organics with funds of €500,000 in 2004. This money allowed the company to appoint a development manager, food development project co-ordinator and administrative support. The funds will also be used to develop added-value organic products, investigate new market opportunities for organic products and examine a new co-operative business model. Seminars, conferences and a newsletter, all funded by INTERREG, will be used to raise the awareness of the sector among consumers and organic producers.

Work on many of these initiatives started in 2004 and positive results are expected in 2005. The WDC sees this initiative as an excellent example of what can be achieved through working in partnership. During 2005 the WDC will focus on developing similar partnerships in other areas in the Western Region.

National Organic Committees

The WDC continues to ensure that the concerns of the organic sector in the Western Region are raised at national levels. The WDC brought practical development experience to important national fora through its participation on the National Organic Committee and on the National Partnership Expert Working Group. Contributions by the WDC concerning development funding, demonstration farms, training and education influenced the formulation of national policy for the organic agri-food sector during 2004.



Tourism in Under-developed Areas

Western Development Tourism Programme

The WDC continues to support the development of tourism in rural areas by its contribution to, and participation in, the Western Development Tourism Programme (WDTP). This inter-agency regional partnership, which arose from the WDC report *Blueprint for Tourism Development in the West* (2000), is funded by the Department of Rural, Community and Gaeltacht Affairs and supported by Fáilte Ireland. The WDTP continues to focus on developing innovative rural tourism products which contribute to the economic and social development of rural areas.

The main focus of the WDTP in 2004 was to set up the *Green Box* initiative, a conceptual and spatial “box” which aims to be the island’s first ecotourism destination. Using a bottom-up approach this project involves both public and private sector participation in developing new tourism initiatives and products. Five full-time staff were appointed to the company in 2004.

The initiative will create Ireland’s first-ever certification scheme for green tourism accommodation in 2005. Using INTERREG funding received in December 2004 more projects will be developed and rolled out over the coming year.

Other WDTP projects in 2004 included:

- a joint venture with Institute of Technology Sligo, offering an outreach National Certificate in Sustainable Tourism Management and Development in Sligo and Inishowen. Over 57 participants enrolled on these courses;
- *Walking in the West*, an action research project, aimed at identifying a model of best international practice to support the commercialisation of trail-walking holidays in the Western Region. This involved collaboration by twelve LEADER companies in the Region. A handbook of best practice will be published early in 2005;
- marketing activity, including the publication of the first-ever three-region generic tourism brochure for the international marketplace and a Leitrim Pilot Marketing Initiative.





Community Ownership of Wind Farms

The Western Region has an international competitive advantage in the generation of wind energy as a result of having some of the highest average wind speeds in Europe. In order to investigate how people in rural areas could benefit from this natural resource, the WDC established the Renewable Energy Partnership (REP) in 2002. The partners are the WDC, Mayo Community Wind Energy Group and Brí Nua Community Wind Energy Group, Donegal. The REP investigated the potential for community ownership of wind farm projects in the Western Region and produced the first guide to community ownership of wind farms in 2004.

To Catch the Wind: the Potential for Community Ownership of Wind Farms in Ireland, published by the REP, was launched in June 2004 by Éamon Ó Cuív, TD, Minister for Community, Rural and Gaeltacht Affairs, at the Arigna Mining Experience Centre. The guidebook and accompanying CD consist of two parts:

Part I

- Summary of research findings
- Case studies of community ownership in Europe and Ireland
- Recommendations for policy change in the area of wind farm development

Part II

- A step-by-step guide for community groups interested in investing in a wind farm project
- Interactive financial templates (on accompanying CD) that enable communities to assess the rate of return for a wind farm development project.



Fiona Candon, WDC, Michael Farrell, Chairman, WDC, Éamon Ó Cuív, Minister for Community, Rural and Gaeltacht Affairs, Lisa McAllister, WDC, David Taylor, Sustainable Energy Ireland, at the launch of the guide to community ownership of wind farms.

The main recommendation of *To Catch the Wind* is that, given the current constraints to community ownership of wind farms, communities should consider participating in commercial wind farm projects through owning a share of the site's generating capacity, rather than establishing a 100% community-owned project. Investment in a commercial project should only be considered after it has secured planning consent, a grid connection agreement and a contract for the sale of electricity.



To Catch the Wind Guidebook and CD

To Catch the Wind's policy recommendations to address the current constraints appear below.

Key recommendations of *To Catch the Wind*

National policy

National electricity policy tends to favour larger wind farm developers. Community-driven or small local investment projects should be provided with free connection to the national grid.

Price offered

The Alternative Energy Requirement (AER), the current competitive bidding system, should be replaced by a fixed price system for all electricity generated from renewable resources for at least 10 years.

Financial supports and incentives

State support or incentives should be given to encourage investment by those living in areas of wind farm development.

Access to information

Seed funding should be made available to establish a Renewable Energy Advisory Group.

Local authority structures

Local authorities should encourage involvement in wind energy projects, e.g. by identifying areas in County Development Plans.

The country should be zoned, outlining areas suitable for wind farming. Planning permission should be determined on the level of community ownership of the development.

Administrative Developments

During 2004 the WDC developed and implemented various policies and operating procedures, as required under the Sustaining Progress Agreement and in compliance with the Code of Practice for the Governance of State Bodies. This involved the preparation of a manual that set out the WDC's human resource strategic objectives and its HR policies and procedures. The manual was developed through the active and participative involvement of staff, unions and management, using the partnership model. It serves the purpose of adding value to the roles of individual staff and the quality of the service the WDC delivers.

Staff

Under the provisions relating to the Public Service Pay Agreement the WDC reported progress on its Sustaining Progress Action Plan to the Department of Community, Rural and Gaeltacht Affairs, as part of the performance verification system.



WDC Customer Charter booklet

Customer Care

The WDC prepared and published a Customer Charter in 2004. This sets out the standard of services which customers can expect in their dealings with the organisation. The WDC is committed to providing its customers with a professional, efficient and courteous service, in accordance with the Principles of Quality Customer Service approved by Government. As part of its commitment to improving and monitoring its level of service, the WDC redesigned its website (www.wdc.ie) in 2004.

In an evaluation of its service commitments, the WDC found:

- it had delivered on all its customer care commitments in relation to meetings, visitors, information, website, publications and the Official Languages Act;
- all applications to the WIF were dealt with consistently and impartially, and in accordance with WIF rules and regulations;
- it is committed to a policy of equal opportunity, updating its policies in relation to equality in the workplace in 2004;
- it respects and maintains the confidentiality of information it is entrusted with;
- no customer complaints were received during 2004.

Report on WDC Compliance with the Code of Practice for the Governance of State Bodies in 2004

1. Code of Business Conduct for Directors and Employees of the WDC

Codes of business conduct for all directors and employees are in place, have been signed by all relevant parties and were complied with in 2004.

2. Internal Audit Function

I confirm that all appropriate procedures for internal audit as set out in the Code of Practice were complied with by the WDC in 2004. The following work was carried out in relation to internal audit:

(i) Internal Audit

In 2004, the WDC appointed Ernst & Young to carry out the internal audit function of the WDC. An internal audit charter was prepared. The head of the internal audit reports to the Audit Committee. As part of their work programme in 2004, Ernst & Young prepared an Internal Audit Plan and carried out two expenditure reviews. The auditors reported their findings and made recommendations to the Audit Committee and to the Commission.

(ii) WDC Audit Committee

The WDC Audit Committee met four times during 2004, reporting on its activity to the Commission.

(iii) WDC Audits

To review the effectiveness of the WDC internal financial control system, the following audits were completed in 2004:

- A full financial audit of the WDC by the Comptroller and Auditor General;
- Two organisational expenditure reviews (including the WIF and payroll) by the internal auditors;

- An audit of the WDC by the Revenue Commissioners, which included withholding tax and payroll;
- A follow up of the WDC audit in 2004 by the internal audit team of the Department of Community, Rural and Gaeltacht Affairs.

3. Procurement

The WDC complied fully with relevant procurement procedures as set out in the 2004 Government Procurement Guidelines.

4. Disposal of Assets and Access to Assets by Third Parties

There were no disposals of assets by the WDC in 2004.

5. Guidelines for the Appraisal and Management of Capital Expenditure

These guidelines are not applicable to the WDC.

6. Pay to Chief Executives and State Body Employees

The WDC adheres to Government guidelines and to the Department of Community, Rural and Gaeltacht Affairs' arrangements in relation to the remuneration of the Chief Executive and employees.

7. Payment of Directors' Fees and Expenses

The WDC adheres to Government guidelines and Department of Community, Rural and Gaeltacht Affairs' arrangements in relation to the payment of Directors' fees. Details of these fees and aggregate expenses are given in the annual accounts.

8. A separate Chairperson's report has been submitted to the Minister with the 2004 Annual Report.
9. I confirm that the WDC has complied in full with the appropriate tax laws and with its tax obligations.

Signed: _____



WDC Chairperson

Western Development Commission Financial Statements for the Year Ended 31 December 2004

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Members of the Western Development Commission (2005)

Chairperson

Michael Farrell, Co. Sligo
Retired Chief Executive, Connacht Gold Co-operative

Members

Mary Bohan, Co. Leitrim
Leitrim County Council

Mary Devine O'Callaghan, Co Roscommon
Office Manager

Tish Gibbons, Co. Galway
Branch Secretary, SIPTU

Pat Gilmore, Co Galway
Farmer and Publican

Billy Grimes, Co Donegal
Lecturer, Killybegs Tourism College

Greg Jackson, Co Mayo
Auctioneer

Des Mahon, Co Mayo
County Manager, Mayo County Council

Martina Minogue, Co. Clare
Director E-Training (Int) Ltd

Pádraig Ó Caomhánaigh, Co. Galway
Community Activist

Ray O'Donoghue, Co Galway
Council for the West

Katie Sweeney, Co Mayo
Principal of GMIT, Castlebar

Bankers: Bank of Ireland
Ballaghaderreen
Co. Roscommon


Auditors: The Comptroller and Auditor General
Treasury Building
Dublin Castle
Dublin 2

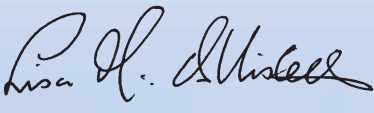
Statement of the Commission's Responsibilities

Section 22 of the Western Development Commission Act, 1998, requires the Commission to prepare financial statements in such form as may be approved by the Minister for Community, Rural and Gaeltacht Affairs with the concurrence of the Minister for Finance and to submit them for audit to the Comptroller and Auditor General. In preparing these financial statements the Commission is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless that basis is inappropriate;
- disclose and explain any material departures from applicable accounting standards

The Commission is responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Commission and which enable it to ensure that the financial statements comply with Section 22 of the Act. The Commission is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Chairperson: 

Chief Executive: 

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

WESTERN DEVELOPMENT COMMISSION

I have audited the financial statements on pages 5 to 12 under the Section 22(2) of the Western Development Commission Act, 1998.

Respective Responsibilities of the Members of the Commission and the Comptroller and Auditor General

The accounting responsibilities of the members of the Commission are set out on page 2. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me and to report on them.

I review whether the statement on the system of internal financial control on page 4 reflects the Commission's compliance with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

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 judgments made in the preparation of the financial statement, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, proper books of accounts have been kept by the Commission and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Western Development Commission at 31st December 2004 and of its income and expenditure of the year then ended.



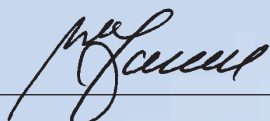
Gerard Smyth
For and on behalf of the
Comptroller and Auditor General
8 August 2005

Statement of Internal Financial Control 2004

- 1 On behalf of the Board of the Western Development Commission I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.
- 2 The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely period.
- 3 The following procedures have been put in place by the Board designed to provide effective internal financial control:
 - i) The board has taken steps to ensure an appropriate control environment is in place by establishing :
 - a clearly defined organisational structure;
 - with defined lines of responsibility; authority limits; segregations of duties and delegated authority;
 - reporting mechanisms to management and to the Chairperson.
 - ii) The Commission uses an in house Financial Management System enabling it to operate a comprehensive budgeting process and ensure that any budgetary variances are promptly identified, examined and addressed.
 - iii) The Commission has in place procedures for addressing financial implications of major business risks. These include :
 - an annual budget approved by the Board;
 - clearly defined set of operational financial procedures;
 - clearly defined and board approved investment procedures for the operation of the Western Investment Fund; including post investment procedures;
 - defined authorisation limits, segregations of duties.
 - iv) The Commission has in place the following procedures to monitor the effectiveness of the internal financial control system:
 - (a) An Internal Audit Function, which has been outsourced and operates in accordance with the Code of Practice for the Governance of State Bodies. The internal audit function prepares annual internal audit plans based on the analysis of risk to the organisation. This audit plan is endorsed by the Audit Committee. The Internal Audit provides the Audit Committee with a report of internal audit activity.
 - (b) The Board's monitoring and review of the effectiveness of the system is informed by:
 - the work of the internal auditor;
 - the audit committee (which oversees the work of the internal auditor);
 - the Commission executive who have responsibility for the development and maintenance of the
 - financial control framework; and
 - comments made by the Comptroller and Auditor General in their management letter.
- 4 I confirm that the following steps were taken in 2004 to review the effectiveness of the system of internal financial control:
 - WDC Internal Auditors Ernst & Young carried out two organisational expenditure reviews (including the Western Investment Fund and payroll), and reported to the audit committee and Board on these reviews;
 - The Department of Community, Rural and Gaeltacht Affairs' internal auditors carried out a follow up audit in 2004.

While reviews of specific areas were carried out no overall review of the effectiveness of the system was carried out for 2004.

Chairperson: _____



Statement of Accounting Policies

1 Basis of Accounting

The financial statements are prepared under the accruals method of accounting, except as indicated below, and in accordance with generally accepted accounting principles under the historical cost convention. Financial Reporting Standards recommended by the recognised accountancy bodies are adopted as they become operative.

2 Oireachtas Grants

Oireachtas Grants are accounted for on a cash receipts basis.

3 Fixed Assets

Fixed Assets are stated at their historical cost or valuation less accumulated depreciation.

Depreciation is charged to the income and expenditure account on a straight line basis, at the rates set out below, so as to write off the assets, adjusted for estimated residual value, over the expected useful lives.

Fixtures and Fittings 15%

Computers & IT 33%

4 Superannuation

The Commission operate a defined benefit superannuation scheme for the Western Development Commission employees. Superannuation entitlements arising under the scheme are paid out of current income and charged to the Income and Expenditure account in the year they become payable. No provision is made in the financial statements in respect of future benefits. Salaries and Wages are charged in the financial statements net of employee superannuation contributions.

5 Capital Account

The Capital Account represents the unamortised value of income used for capital purposes.

6 Western Investment Fund

An overall fund of €34.4 million has been committed under the National Development Plan via the Department of Community, Rural and Gaeltacht Affairs. On approval of a project by the Commission, funds are drawn down from the Department and loans and investments are issued to the relevant body.

7 Investment Income

Investment income earned on the Western Investment Fund is credited to the Fund.

Interest on loans is calculated on a reducing balance basis and is taken to the Income & Expenditure account over the period of the agreement. Interest on loans in arrears is not accrued and is only taken to the Income & Expenditure account when received.

Dividends on equity investments are taken to the Income & Expenditure account as they are received.

8 Unquoted Investments

Unquoted investments are stated at the lower of cost or net realisable value, based on management's assessments following a review process of each portfolio company using the latest available audited accounts and recent management accounts and other relevant business information. The guidelines followed by the WDC in arriving at valuations are in accordance with the valuation principles of the European and Irish Venture Capital Associations. Where the reasons for provisions in respect of impairment of value have ceased to apply, those provisions are reversed. Where management's assessment of the value of an investment is nil, due to insolvency or otherwise, these investments have been written off.

9 Provisions for Loan Losses Policy

Specific provisions are made for loans when the WDC considers that the creditworthiness of a borrower has deteriorated such that the recovery of whole or part of the outstanding loan is in serious doubt. The amount of the specific provision is equivalent to the amount necessary to reduce the carrying value of the loan to its expected ultimate net realisable value.

Income and Expenditure Account for the year ended 31 December 2004

Western Development Commission	2004	2004	2003	2003
	€	€	€	€
Income				
Oireachtas Grant Note 1	5,519,037		4,897,960	
Transfer to Western Investment Fund	(3,956,537)		(3,513,000)	
Transfer from/(to)Capital Account	6,386		27,393	
		1,568,886		1,412,353
Expenditure				
Operating Costs Note 2		1,575,294		1,419,435
Surplus/(Deficit) at 31 December		(6,408)		(7,082)
Surplus/(Deficit) at beginning of year		(4,253)		2,829
Surplus/(Deficit) at end of year		(10,661)		(4,253)

There are no recognised gains or losses other than those dealt with in the income and expenditure account.
The statement of accounting policies and the notes 1 to 9 form part of these financial statements.



Michael Farrell
Chairperson



Lisa McAllister
Chief Executive

Western Investment Fund Income and Expenditure Account for the year ended 31 December 2004

Western Investment Fund	2004	2004	2003	2003
	€	€	€	€
Income				
Transfer from the Commission	3,956,537		3,513,000	
Interest Earned	80,220		78,235	
Arrangement Fees	95,438		57,637	
		4,132,195		3,648,873
Expenditure		(150,773)		(55,596)
Provision for write down on Investments		(2,573,066)		-
Increase/(Decrease) in the Fund		1,408,356		3,593,277
Balance of the Fund at the Beginning of the Year		7,324,486		3,731,209
Balance of the Fund at the End of the Year		8,732,842		7,324,486

There are no recognised gains or losses other than those dealt with in the income and expenditure account.
The statement of accounting policies and the notes 1 to 9 form part of these financial statements.



Michael Farrell
Chairperson



Lisa McAllister
Chief Executive

Balance Sheet as at 31 December 2004

		2004	2003
		€	€
	NOTES		
Fixed Assets			
Tangible Assets	4	45,583	51,969
Investments	5	8,732,842	7,324,486
		<u>8,778,425</u>	<u>7,376,455</u>
Current Assets			
Bank Current Account		10,328	48,126
Debtor being amount due from Western Investment Fund		45,605	-
Prepayments		17,448	18,891
		<u>73,381</u>	<u>67,017</u>
Current Liabilities			
Creditors and Accruals		(84,042)	(71,269)
		<u>(10,661)</u>	<u>(4,252)</u>
Net Current Assets			
Total Assets Less Current Liabilities		<u>8,767,764</u>	<u>7,372,202</u>
Financed by:			
Investment Fund		8,732,842	7,324,486
Income and Expenditure Account		(10,661)	(4,253)
Capital Account	6	45,583	51,969
		<u>8,767,764</u>	<u>7,372,202</u>

The statement of accounting policies and the notes 1 to 9 form part of these financial statements.



Michael Farrell
Chairperson



Lisa McAllister
Chief Executive

Notes to the Financial Statements

1. Grant Income	2004	2003
	€	€
Operating Grant	1,562,500	1,384,960
WIF Grant	3,956,537	3,513,000
	<u>5,519,037</u>	<u>4,897,960</u>
2. Operating Costs	2004	2003
	€	€
Salaries	830,737	731,247
Travel and Subsistence - Staff	56,935	67,781
Pension	34,864	33,852
Recruitment	6,811	11,730
Training/Conference fees	40,929	40,018
Public Relations	36,620	25,296
Professional Fees	106,929	25,406
Professional Fees -Western Investment Fund	109,356	78,483
Board Members		
Travel and Subsistence	16,127	16,718
Fees	63,487	60,627
Meetings and Seminars	6,534	10,809
Board Meeting Expenses	1,337	1,877
Fund Advisory Panel (FAP)/ Joint Evaluation Panel (JEP)		
Travel and Subsistence	808	2,808
FAP/JEP Meeting expenses	1,448	1,980
Printing, Marketing, Design	26,283	33,347
Publications	1,766	4,690
Office Expenses	45,655	59,890
Leasing	5,064	7,617
Repairs and Maintenance	36,357	58,354
Insurance	19,295	24,188
Audit Fee	11,725	13,393
Accountancy and Internal Audit	22,022	0
Subscriptions and Advertising	70,089	18,204
Depreciation	21,123	40,817
Sundry	2,128	1,940
Regional Development	865	46,465
Research & Development	0	1,897
	<u>1,575,294</u>	<u>1,419,435</u>

3. Premises

The Western Development Commission is a tenant in Dillon House, a building owned by Roscommon County Council. A lease agreement between the County Council and the Office of Public Works is currently being finalised. It is understood that the Office of Public Works will pay rent on behalf of the Commission.

Notes to the Financial Statements (continued)

4. Fixed Assets

	2004	2003
	€	€
Cost/Valuation At 1 January	183,052	212,055
Additions in Year	14,737	13,424
Disposals	0	(42,427)
Balance at 31 December	<u>197,789</u>	<u>183,052</u>
Accumulated Depreciation	131,083	132,693
Charge for period	21,123	40,817
Disposals		(42,427)
Balance at 31 December	<u>152,206</u>	<u>131,083</u>
	<u>45,583</u>	<u>51,969</u>

5. Investments

	2004	2003
	€	€
Equity Investments	5,382,743	4,390,455
Loans	2,601,441	2,432,115
Funds committed for investment	121,928	169,201
Balance available for Investment*	626,730	322,985
Operating Current Account		9,731
	<u>8,732,842</u>	<u>7,324,486</u>

* The balance available for investment comprises €672,335 held on deposit less €45,605 due to the Commission from the Western Investment Fund

** Provision has been made for a write down in the value of loans of €667,128 and equity investments of €1,905,398 following a review of the investments in the year

6. Capital Account

	2004	2004	2003	2003
	€	€	€	€
Balance at 1 January		51,969		79,362
Transfer from Income and Expenditure Account:				
– Funds allocated to acquire Fixed Assets	14,737		13,424	
– Amount amortised in line with asset depreciation	(21,123)		(40,817)	
		(6,386)		(27,393)
		<u>45,583</u>		<u>51,969</u>

7. Future Commitments

	2004	2003
Opening Commitments	3,161,422	1,811,090
Approvals	3,704,000	5,678,000
Decommitments	(650,194)	(625,972)
Disbursals	(4,033,228)	(3,701,696)
Closing Commitments	2,182,000	3,161,422

8. Superannuation

A new accounting standard Financial Reporting Standard No 17 (FRS 17), Retirement Benefits issued by the Accountancy Standards Board in November 2000. Compliance with the new standard does not become mandatory until the financial year 2005. However in accordance with the transitional arrangement set down by the standard, the Western Development Commission is required to disclose the assets (if any) and liabilities related to the pension scheme for its public service employees by way of a note to the accounts.

The results set out below are based on an actuarial valuation of the liabilities in respect of Western Development Commission Public Service Employees superannuation scheme as at 31st December 2004. The valuation was out using the projected unit method.

Notes to the Financial Statements (continued)

The final assumptions used to calculate scheme liabilities were as follows;

	2004	2003
Discounted Rate	5.50%	6%
Salary Increase Assumption	4%	4%
Pension Increase Assumption	4%	4%
Price Inflation	2%	2%

On the basis of these assumptions and using the projected unit method prescribed in FRS 17, the pension liability is as follows;

	2004
	€
Accrued Liabilities in respect of WDC Staff at 31st December 04	633,000

There are no assets held in respect of the accrued pension liabilities of the WDC staff

If the requirements of FRS 17 were fully adopted in 2004 the following would have been reflected in the Financial Statements

Analysis of the amount that would have been charged to operating profit under FRS 17

	€
Current Service Cost	112,000
Past Service Cost	-
Total Operating Cost	<u>112,000</u>

Analysis of the amount that would have been credited to other finance income

	€
Interest on pension scheme liabilities	<u>(21,000)</u>

Analysis of the amount that would have been recognised in the statement of total recognised gains and losses (STRGL)

	€
Experience gains and losses arising on the scheme liabilities:	(88,000)
Changes in assumptions underlying the present value of the scheme liabilities:	(62,000)
Actuarial gain recognised in STRGL:	<u>(150,000)</u>

Deficit at the beginning of the year

	€
Deficit at the beginning of the year	(350,000)
Current service cost:	(112,000)
Interest on scheme liabilities:	(21,000)
Actuarial gain recognised in STRGL:	(150,000)
Deficit in scheme at end of the year	<u>(633,000)</u>

9. Commission Members' Interests

The Commission adopted procedures in accordance with the Code of Practice for the Governance of State Bodies in relation to the disclosure of interests by Commission members, and these procedures have been adhered to in the year. Mr. Sean Hannick who is a member of the Commission declared an interest in a project of Northwest Wireless, of which he is a member. Mr. Sean Hannick absented himself from the meeting during the course of the decision.

Appendices

Appendix 1:

Members of the Western Development Commission 2004

Chairperson

Michael Farrell, *Ballymote, Co Sligo*

Members

Mary Bohan, *Member, Leitrim County Council*
Alice Bonnar, *Member, Donegal County Council*
Tish Gibbons, *Branch Secretary, SIPTU, Castlebar, Co Mayo*
Billy Grimes, *Lecturer, Killybegs Tourism College, Co Donegal*
Séan Hannick, *MD, Killala Precision Components, Co Mayo*
Joe Healy, *Farmer, Co Galway*
Des Mahon, *County Manager, Mayo County Council*
Paddy McGarry, *Former Principal, Roscommon VEC*
John MacNamara, *Economist and Retired Banker, Galway*
Martina Minogue, *Director, E-training International, Co Clare*
Pádraig Ó Caomhánaigh, *Community Activist, Co Galway*

Audit Committee

Chairperson

John MacNamara, *Economist and Retired Banker, Galway*

Members

Martina Minogue, *Director, E-training International, Co Clare*
Séan Hannick, *MD, Killala Precision Components, Co Mayo*
Michael Farrell, *Ballymote, Co Sligo*

Appendix 2:

Staff of Western Development Commission

Lisa McAllister, *Chief Executive*

Patricia O'Hara, *Policy Manager*

Deirdre Frost, *Policy Analyst*

Helen McHenry, *Policy Analyst*

Pauline White, *Policy Analyst (temporary contract)*

Dermot Hurst, *Regional Development Manager*

Caríosa Lynch, *Regional Development Executive*

Fiona Candon, *Regional Development Executive*

Gillian Buckley, *Investment Manager*

John Allen, *Investment Executive*

Geraldine McLoughlin, *Investment Executive*

Theresa Higgins, *Head of Administration*

Breda Joyce, *Finance Officer*

Caroline Coffey, *Clerical Officer*

Fiona Regan, *Clerical Officer*

Mary Keaveney, *Clerical Officer*

Tracey Hannon, *Social Finance Executive, WDC/Clann Credo Ltd*

Appendix 3:

Fund Advisory Panel

Chairperson

Michael Farrell, *Ballymote, Co Sligo*

Members

Michael Corless, *Ernst & Young, Galway*

John Dillon, *Shannon Development, Co Clare*

Judy Greene, *Judy Greene Pottery, Galway*

Willie O'Brien, *Enterprise Ireland, Dublin*

Martina Minogue, *E-Training International, Co Clare*

Séan Hannick, *Killala Precision Components, Co Mayo*

John MacNamara, *Economist and Retired Banker, Galway*

Joint Evaluation Panel

Revolving Chairpersons

Gillian Buckley, *Investment Manager, Western Development Commission*

Paul O'Sullivan, *Chief Executive, Clann Credo Ltd, Dublin*

Members

Jerry Butler, *Clann Credo Ltd, Dublin*

Martin Coggins, *Coggins & Company, Sligo*

Sr Magdalen Fogarty, *Clann Credo Ltd, Dublin*

Sue Taggart, *Eiri Corca Baiscinn Ltd, Co Clare*

Tish Gibbons, *SIPTU, Castlebar*

Pat Cummins, *Connacht Gold Laboratory, Co Roscommon*

Appendix 4: Project Portfolio

Investments Approved and/or Disbursed in 2004

Business Projects

Company Name	County	Investment Type/Amount	Status
3Touch Ltd	Roscommon	Equity - €317,000	First tranche disbursed
Description	Seamless conference management system		
Brivant Ltd	Galway	Equity - €317,000	Fully disbursed
Description	Medical devices		
Cora Systems Ltd	Roscommon	Equity - €242,000*	Fully disbursed
Description	Project management software		
Eirnet Technologies Ltd	Galway	Equity - €200,000	Second tranche disbursed
Description	Parliamentary monitoring software		
Emerald Guitars Ltd	Donegal	Equity - €200,000	Fully disbursed
Description	Guitar manufacturing		
FMC Tech Ltd	Galway	Equity - €317,000	Fully disbursed
Description	Control/monitoring system for medium voltage electricity networks		
Heatsolve Ltd	Mayo	Equity - €317,000	Fully disbursed
Description	Custom heating elements and systems		
Hookablemedia Ltd	Sligo	Equity - €317,000	Second tranche disbursed
Description	Broadcast media monitoring software		
InterMed Precision Ltd	Galway	Equity - €317,000	Approved
Description	Contract manufacturing of medical devices and components		
Lightstorm Networks Ltd	Galway	Equity - €317,000	Fully disbursed
Description	Semi-conductor design firm		
Metamusic Ltd	Galway	Equity - €100,000	Approved
Description	Software development of a video-driven soundtrack composer		
Netfort Technologies Ltd	Galway	Equity - €317,000	Decommitted (This project was decommitted in 2005 as the promoters did not draw down the funding)
Description	Computer network traffic monitoring and analysis systems		
Plastic Processing Alternatives (PPA) Teo	Galway	Equity - €317,435	Third tranche disbursed
Description	Plastics manufacturing technology		
Proxy Biomedical Ltd	Galway	Equity - €317,000	Second tranche disbursed
Description	Bio-medical devices for tissue repair		
Metis Solutions Ltd	Galway	Equity - €317,000	Second tranche disbursed
Description	Software for financial services intermediaries		

* Total investment in this project to-date is €380,487

Appendix 4: Project Portfolio (continued)

Investments Approved and/or Disbursed in 2004

Business Projects

Company Name	County	Investment Type/Amount	Status
Torc Interactive Ltd	Donegal	Equity - €317,000	First tranche disbursed
Description	3D rendering engine platform for the PC games industry		
Zerusa Ltd	Galway	Equity - €317,000	First tranche disbursed
Description	Medical devices		

Community Projects

Project	County	Investment Type/Amount	Status
Aghamore Community Development Group Ltd	Mayo	Loan - €50,000	Fully disbursed
Description	Integrated community campus comprising national school, childcare and community facilities		
Ballybane Community Centre Ltd	Galway	Loan - €40,000*	Fully disbursed
Description	Community resource and childcare centre		
Belt Torc Development Company Ltd	Sligo	Loan - €100,000	Fully disbursed
Description	Resource and heritage centre		
IRD North Mayo-West Sligo Ltd T/A Moy Valley Resources	Mayo	Loan - €300,000*	Fully disbursed
Description	Community enterprise centre		
Kilkee Tourism Ltd	Clare	Loan - €75,000	Fully disbursed
Description	Tourist attraction		
North West Wireless Networks Ltd	Mayo	Loan - €30,000	Fully disbursed
Description	Wireless broadband service		
Roscommon Community Enterprise Centre Ltd	Roscommon	Loan - €76,200	First tranche disbursed
Description	Community enterprise centre		
Tullyarvan Mill	Donegal	Loan - €175,000	Decommitted (This project was decommitted in 2004 as the promoters did not draw down the funding)
Description	Community enterprise and cultural centre and hostel		

+ Total investment in this project to-date is €85,600 * Total investment in this project to-date is €450,000

Special Projects

Project	County	Investment Type/Amount	Status
Maoiniú Mara Teo (MMT)	Galway	Loan - €500,000	Fully disbursed
Description	The Irish Seafood Producers Group (ISPG) established MMT to assist in the changeover of the farmed salmon industry from being production-led to becoming market-led. The WDC provided loan finance to assist this changeover.		