Dublin Airport Authority plc
Extract from
Regulated Entity Accounts

Year Ended 31 December 2010

Dublin Airport Authority plc – Extract from Regulated Entity Accounts Year Ended 31 December 2010

Contents *Page*

Statement of accounting policies

for year ended 31 December 2010

Extract from Regulated Entity Accounts

This document comprises an extract from the Regulated Entity Accounts of accounting policies, profit and loss account and associated notes as they pertain to Dublin Airport. The extract from the financial statements has been prepared in accordance with the following accounting polices.

Basis of Preparation

The format and content of the Regulated Entity Accounts was determined following discussion with the Commission.

For the purpose of preparing these accounts pursuant to Section 28(1) of the Aviation Regulation Act 2001, the Regulated Entity comprises Dublin Airport Authority plc (the Company) and four of its subsidiaries, ASC Airport Services Consolidated Limited, DAA Airport Services Limited, DAA Finance plc and DAA Operations Limited. Subsidiary undertakings of Dublin Airport Authority plc not forming part of the Regulated Entity are not consolidated for the purpose of these accounts.

These Regulatory Entity Accounts have been prepared by consolidating the audited single company accounts of Dublin Airport Authority plc, ASC Airport Services Consolidated Limited, DAA Airport Services Limited and DAA Operations Limited for the year ended 31 December 2010 and audited financial information for DAA Finance plc for the year ended 31 December 2010 (as the statutory accounts of DAA Finance plc are for the ten months ended 31 December 2010).

The Regulated Entity Accounts are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by Chartered Accountants Ireland, except for the accounting policy relating to the Appropriation Account which is only relevant for these Regulated Entity Accounts.

The accounting policies used in the preparation of these Regulated Entity Accounts accord with those used in the preparation of the audited statutory accounts of Dublin Airport Authority plc, except for the accounting policy relating to the Appropriation Account.

Separated Profit and Loss Accounts

Within the profit and loss account, the results for Dublin Airport are shown separately from the results of those attributable to all Other Activities that have an insufficient nexus to the operating activities of Dublin Airport and hence do not form part of the regulatory or single till. Shannon and Cork Airports, international investments and other international activities (Aer Rianta International cpt) and property related joint venture and associated undertakings fall outside the regulatory till. Costs associated with the proposed development of Dublin Airport City have, in line with DAA's response to Commission Paper 6/2008 and correspondence with the Commission, also have been excluded from the results of Dublin Airport and included under Other Activities. All costs (and where appropriate, revenues) of the Regulated Entity have been allocated to the airports (Dublin, Shannon and Cork) as set out below:

- Shared and head office activities

  All costs (and where appropriate, revenues) of shared and head office activities are allocated to the airports. Where direct attribution is not possible the revenue and cost is apportioned between each airport on a basis that reflects the causality of the cost with allocations as appropriate. Cost causality implies that costs are attributed to businesses in accordance with the activities which cause the costs to be incurred.

Statement of accounting policies *(continued)*
for the year ended 31 December 2010

- Exceptional items

  The exceptional item in 2009 relating to the cost of fundamental restructuring has been allocated to the airports based on the number of applicants from each airport and the associated costs.

- Interest

  Interest on borrowings and deposits attributable to subsidiary undertakings not forming part of the Regulated Entity or otherwise relating to the cost of fundamental restructuring arising from activities or investments outside of the single or regulatory till have been excluded from the airport allocation. Such interest is included within Other Activities in the profit and loss account and taxation adjusted accordingly. Regulated Entity interest payable has been allocated to the airports on the basis of intra-group borrowings attributable to these airports and interest receivable has been allocated on the basis of deemed cash balances.

- Taxation

  The tax charge attributable to the airports, comprising corporation tax and deferred tax, has been allocated by pro-rating the current year tax charge/credit (excluding tax on exceptional items) by reference to the profit/loss before exceptional items and tax of the individual airports. Tax on exceptional items is specifically allocated to the airport where the exceptional items arise.

  Amounts receivable or payable for group tax relief from subsidiaries not forming part of the Regulated Entity, where applicable, in excess of the relevant tax value are included within other operational income or expense and excluded from the amounts allocated to each airport.

Turnover

Turnover represents the fair value of goods and services, net of discounts, delivered to external customers excluding value added tax. Where the provision of a service is delivered over a time period, turnover is recognised proportionately to the time elapsed.

Financial Assets

Income from financial assets is recognised on a receivable basis in the profit and loss account. Investments in entities (subsidiaries, joint ventures and associates) not forming part of the Regulated Entity are shown in the balance sheet as financial fixed assets and are stated at cost less provisions for impairment in value with income from such assets included under other activities. Other financial fixed assets are also carried in the balance sheet on the same basis.

Foreign Currency

Transactions arising in foreign currencies are translated into euro at the rates of exchange ruling at the date of the transactions or at contracted rates. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the contracted rates or at year-end rates of exchange. The resulting profits or losses are dealt with in the profit for the year.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on invoice price on an average basis for all stock categories. Net realisable value is calculated as estimated selling price less estimated selling costs.

Statement of accounting policies *(continued)*
for the year ended 31 December 2010

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost of tangible fixed assets other than land and assets in the course of construction on a straight line basis over the estimated useful lives as follows:

Terminal complexes	10 - 50 years
Airfields	10 - 50 years
Plant and equipment	2 - 20 years
Other property	10 - 50 years

Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete.

Borrowing costs incurred up to the time that separately identifiable major capital projects are ready for service are capitalised as part of the cost of the assets. Where appropriate, cost also includes own labour costs of construction, related architectural and engineering services and directly attributable overheads.

Where a tangible fixed asset is to be withdrawn from use, the depreciation charge for that asset is accelerated to reflect the asset's remaining useful life based on the period between the date of the decision to withdraw the asset and the forecast date when withdrawal will take place.

On an annual basis, the Company estimates the recoverable amount of its tangible fixed assets based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. For the purposes of this review, Dublin, Cork and Shannon airports combined are considered to form one income-generating unit. Where the recoverable amount is less than the carrying amount of the assets the Company recognises an impairment loss in the financial statements.

In estimating the present values of future cash flows the discount rate used is the pre-tax discount rate that reflects the time value of money and the risk specific to the income generating unit.

The cash flows are taken from the Company's ten year business plan. The main components of the business plan are:

- Earnings projections based on expected passenger numbers, revenues and costs
- Capital investment and working capital projections

Added to these cash flows is a terminal value including an estimate of the full remuneration for all regulated assets, some of which has been deferred due to the regulatory profiling of future revenues.

The main assumptions that affect the estimation of the value in use are continuation of the current regulatory regime without material change, the passenger growth rate and the discount rate.

Capitalisation of Interest

Interest incurred from commencement of activities on separately identifiable major capital projects up to the time that such capital projects are ready for service is capitalised as part of the cost of the assets.

Statement of accounting policies *(continued)*
for the year ended 31 December 2010

Taxation

Corporation tax is provided at current rates and is calculated on the basis of the results for the year adjusted for taxation purposes.

Full provision without discounting is made for all timing differences at the balance sheet date in accordance with Financial Reporting Standard 19 (FRS 19) "Deferred Tax". Provision is made at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that they are regarded as recoverable based on the likelihood of there being suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Pension and Other Post-Retirement Obligations

The Company operates contributory pension schemes, covering the majority of its employees. The schemes are administered by Trustees and are independent of the Company.

For schemes accounted for as defined contribution, contributions are accrued and recognised in operating profit in the period in which they are earned by the relevant employees.

For the schemes accounted for as defined benefit schemes:

- The difference between the market value of the schemes' assets and actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet net of deferred tax (to the extent that it is recoverable).
- The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year.
- The expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount during the year are shown in finance costs/income in the profit and loss account.
- Any differences between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

The Company has certain unfunded retirement benefit liabilities which are accounted for as defined benefit arrangements.

Statement of accounting policies *(continued)*
for the year ended 31 December 2010

Operating Leases

Expenditure on operating leases is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally on a straight-line basis over the lease period.

Capital Grants

Capital grants are treated as deferred income and amortised over the expected lives of the related fixed assets.

Derivative Financial Instruments

The principal objective of using derivative financial instruments, including forward exchange contracts, forward rate agreements and interest rate swaps, is to hedge the Group's interest rate and currency exposures. Where these derivative financial instruments hedge an asset, liability or interest cost reflected in the financial statements, the cost of the hedging instrument is included in the carrying amount together with the income and expenses relating to the asset and liability. Where the derivative is a hedge of future cash flow, the gains and losses on the hedging instruments are not recognised until the hedged future transaction occurs.

Cash and Liquid Resources

Within the cash flow statement, cash is defined as cash, deposits repayable on demand and overdrafts. Other deposits with maturity or notice periods of over one working day, but less than one year, are classified as liquid resources.

Debt and Finance Costs

Debt is initially stated at the amount of the net proceeds after deduction of finance and issue costs. Finance and issue costs are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

Dublin Airport Authority plc – Extract from Regulated Entity Accounts Year Ended 31 December 2010

Profit and loss account – Dublin Airport

for the year ended 31 December 2010

	Note	**2010 Dublin Airport €000**	2009 Dublin Airport €000
Turnover	*1*	**321,600**	316,035
Operating costs			
Cost of sales		**(30,172)**	(37,491)
Payroll and related costs	*2*	**(100,010)**	(113,343)
Materials and services	*3*	**(73,439)**	(68,079)
Depreciation and amortisation	*4*	**(53,406)**	(42,693)
		(257,027)	(261,606)
Operating profit – continuing operations		**64,573**	54,429
Cost of fundamental restructuring	*5*	**-**	(39,400)
Profit before interest		**64,573**	15,029
Net interest payable		**(36,145)**	(16,697)
Profit/(loss) on ordinary activities before tax		**28,428**	(1,668)
Tax (charge)/credit on (profit)/loss on ordinary activities		**(3,379)**	2,802
Profit on ordinary activities after tax		**25,049**	1,134

Notes on and forming part of the Regulated Entity Accounts
for the year ended 31 December 2010

1 Turnover

	2010 €000	2009 €000
Airport charges	**170,068**	152,590
Property and concessions	**41,452**	36,745
Direct retailing and retail/catering concessions	**80,688**	91,830
Car parking	**24,934**	27,392
Other activities	**4,458**	7,478
	321,600	316,035

Airport charges

Airport charges are charges levied in respect of the landing, parking or taking off of an aircraft including the supply of airbridges, charges levied in respect of the arrival at or departure from an airport by air of passengers, or charges levied in respect of the transportation by air of cargo to or from an airport.

	2010 €000	2009 €000
Runway	**73,814**	68,167
Aircraft parking	**12,757**	10,478
Airbridge	**636**	580
Passenger charges	**86,159**	76,728
Traffic / route incentive schemes	**(3,298)**	(3,363)
	170,068	152,590

Persons with reduced mobility ("PRM")

For Dublin, PRM charges of €2.3 million are included in passenger charges within airport charges as they form part of the price cap pursuant to CP 4/2009 (Determination on Maximum Levels of Airport Charges at Dublin Airport). In 2009 these PRM charges of €3.8 million were included in other activities.

For Other Activities, PRM charges of €1.2 million are included in other activities (2009: €1.4 million).

Cargo services charges

No separate charges in respect of cargo were levied during the year other than charges generally applicable to the landing, parking or taking off of cargo aircraft (including the supply of airbridges), which are disclosed as airport charges.

Access to installations ("ATI")

Pursuant to S.I. No. 505/1998 — Regulations Entitled European Communities (Access To The Groundhandling Market At Community Airports) Regulations, 1998, DAA is required to seek approval from the Commission for changes to ATI fees. At Dublin Airport ATI fees comprise fees for check-in desks. Included in property and concessions turnover above are ATI fees for check-in desks of €2.1 million (2009: €2.4 million) for Dublin Airport and €0.4 million (2009: €0.4 million) for Other Activities.

Notes *(continued)*
for the year ended 31 December 2010

2 Payroll and related costs

	2010	2009
	€000	€000
Wages and salaries	**90,209**	101,019
Social welfare costs	**8,316**	9,335
Pension costs	**5,172**	5,556
Other staff costs	**365**	1,757
	104,062	117,667
Staff costs capitalised into fixed assets	**(4,052)**	(4,324)
Net staff costs (excluding exceptional pension costs – Note 5)	**100,010**	113,343

3 Materials and services

	2010	2009
	€000	€000
Repairs and maintenance	**13,402**	9,319
Rents and rates	**12,716**	12,741
Energy costs	**3,550**	3,100
Technology operation costs	**5,769**	4,477
Insurance	**2,277**	2,751
Cleaning contracts & materials	**2,341**	1,887
CUTE operating lease costs	**1,188**	998
Fees and professional services	**8,597**	11,329
Marketing & promotional costs	**4,321**	3,691
Aviation customer support	**298**	533
Telephone, print and stationery	**716**	985
Employee related overheads	**3,055**	2,906
Other overheads	**5,429**	2,856
PRM service provider	**3,790**	3,766
Travel & subsistence	**511**	497
Car park direct overheads	**3,464**	3,246
CAR costs	**2,015**	2,998
	73,439	68,079

Notes *(continued)*
for the year ended 31 December 2010

4 Depreciation and amortisation

	2010	2009
	€000	€000
Depreciation and loss on retirements and disposals of fixed assets	**54,195**	43,500
Amortisation of capital grants	**(789)**	(807)
	53,406	42,693

5 Exceptional items

Costs of Cost Recovery Programme ("CRP") and related pension credit

In 2009, in response to significant challenges in the business environment, a CRP was developed following consultation with staff and staff representatives, to address fundamental changes to the cost base. The CRP included a voluntary severance scheme, reductions in pay, further pay pauses and changes in work practices. The estimated cost of the programme of €44.0 million (before tax) was charged to the profit and loss account in 2009. The impact on the taxation charge was to reduce the tax charge by €5.5 million.

An additional €2.8 million has been charged to exceptional items in 2010, reflecting an increase in the estimated cost of the CRP.

Arising from the implementation of the CRP, a number of staff who previously had entitlements (including, inter alia, the Early Retirement Obligation (see Note 24)), left the service of the Company. This resulted in a curtailment gain of €2.8 million for the purposes of FRS 17 "Retirement Benefits" and was credited to exceptional items as it arises directly from the CRP, the cost of which has been charged to exceptional items.

Appendix 1 – Passenger numbers

	2010	**2009**
Embarking	**9,217,274**	10,240,046
Disembarking	**9,204,048**	10,244,214
Transit	**9,742**	19,417
	18,431,064	20,503,677

Appendix 2 - Employee numbers

	2010	**2009**
Average full-time equivalents	**1,797**	1,954