Dublin Airport Authority plc
Extract from
Regulated Entity Accounts

Year Ended 31 December 2009

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for year ended 31 December 2009

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 two of its subsidiaries, 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, the audited statutory accounts of DAA Operations Limited and audited financial information for DAA Finance plc for the year ended 31 December 2009 (as the statutory accounts of DAA Finance plc are made up to 28 February).

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.

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.

Separated Profit and Loss Accounts

Within the profit and loss account, all costs (and where appropriate, revenues) of the Regulated Entity have been allocated to the airports 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.

- 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. The exceptional item in 2008 relating to pension costs has been allocated to the airports based on the pensionable salaries of employees at each location at year-end.

Statement of accounting policies *(continued)*
for the year ended 31 December 2009

- Interest

  Interest on borrowings and deposits attributable to subsidiary undertakings not forming part of the Regulated Entity or otherwise 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 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 and excluded from the amounts allocated to each airport.

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.

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.

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.

Statement of accounting policies *(continued)*
for the year ended 31 December 2009

Tangible Fixed Assets and Depreciation

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

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 airport 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, Shannon and Cork airports 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.

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.

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.

Statement of accounting policies *(continued)*
for the year ended 31 December 2009

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.

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.

Debt and Finance Costs

Debt is initially stated at the amount of the net proceeds after deduction of finance/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 2009

Profit and loss account – Dublin Airport
for the year ended 31 December 2009

	Note	**2009 Dublin Airport €000**	2008 Dublin Airport €000
Turnover	*1*	**316,035**	360,869
Operating costs			
Cost of sales		**(37,491)**	(45,961)
Payroll and related costs	*2*	**(113,343)**	(122,273)
Materials and services	*3*	**(68,079)**	(69,698)
Depreciation and amortisation	*4*	**(42,693)**	(45,540)
Exceptional item – pension	*5*	**-**	(27,200)
		(261,606)	(310,672)
Operating profit – continuing operations		**54,429**	50,197
Cost of fundamental restructuring	*5*	**(39,400)**	-
Profit before interest		**15,029**	50,197
Net interest payable		**(16,697)**	(13,460)
(Loss)/profit on ordinary activities before tax		**(1,668)**	36,737
Tax credit/(charge)on (loss)/profit on ordinary activities		**2,802**	(3,882)
Profit on ordinary activities after tax		**1,134**	32,855

Notes on and forming part of the Regulated Entity Accounts

for the year ended 31 December 2009

1 Turnover

	2009	2008
	€000	€000
Airport charges	**152,590**	171,261
Property and concessions	**36,745**	39,365
Direct retailing and retail/catering concessions	**91,830**	109,995
Car parking	**27,392**	34,653
Other activities	**7,478**	5,595
	316,035	360,869

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.

	2009	2008
	€000	€000
Runway	**68,167**	75,896
Aircraft parking	**10,478**	13,094
Airbridge	**580**	797
Passenger charges	**76,728**	86,676
Traffic / route incentive schemes	**(3,363)**	(5,202)
	152,590	171,261

Persons with reduced mobility ("PRM")

Included in other activities are PRM charges of €3.8 million (2008: €1.2 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.

Notes *(continued)*
for the year ended 31 December 2009

2 Payroll and related costs

	2009	2008
	€000	€000
Wages and salaries	**101,019**	108,645
Social welfare costs	**9,335**	9,676
Pension costs	**5,556**	4,895
Other staff costs	**1,757**	1,821
	117,667	125,037
Staff costs capitalised into fixed assets	**(4,324)**	(2,764)
Net staff costs (excluding exceptional pension costs – Note 5)	**113,343**	122,273

3 Materials and services

	2009	2008
	€000	€000
Materials and services include:		
Energy	**3,100**	6,211
Maintenance and cleaning	**11,207**	13,648
Insurance	**2,751**	3,741
Rent and rates	**12,741**	11,877
Marketing and related costs	**3,691**	3,610
Regulatory levy	**2,998**	2,846

4 Depreciation and amortisation

	2009	2008
	€000	€000
Depreciation and loss on retirements and disposals of fixed assets	**43,500**	46,397
Amortisation of capital grants	**(807)**	(857)
	42,693	45,540

Notes *(continued)*
for the year ended 31 December 2009

5 Exceptional items

(i) Costs of Cost Recovery Programme ("CRP")/Restructuring

During 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, which has been agreed, includes a voluntary severance scheme, reductions in pay, further pay pauses and changes in work practices. The estimated cost of the programme attributable to Dublin Airport is €39.4 million (before tax) which has been charged to the profit and loss account in the current year. The impact on the taxation charge was to reduce the tax charge by €4.9 million. Implementation of this programme has commenced and is expected to be completed in 2010, with certain elements of the costs of the CRP payable in future years.

(ii) Pension costs

During 2008, the Company reached agreement with the trade unions representing the majority of staff to establish, subject to Ministerial approval, certain additional pension arrangements independent of the existing scheme. Pursuant to this agreement the Company intends to make a once-off pension contribution in respect of past service. In 2008, an amount of €27.2 million was charged to the profit and loss account in respect of Dublin Airport. The impact on taxation was to reduce the charge in 2008 by €3.4 million.

Appendix 1 – Passenger numbers

	2009	2008
Embarking	**10,240,046**	11,699,483
Disembarking	**10,244,214**	11,702,537
Transit	**19,417**	64,691
	20,503,677	23,466,711

Appendix 2 - Employee numbers

	2009	2008
Average full-time equivalents	**1,929**	2,004