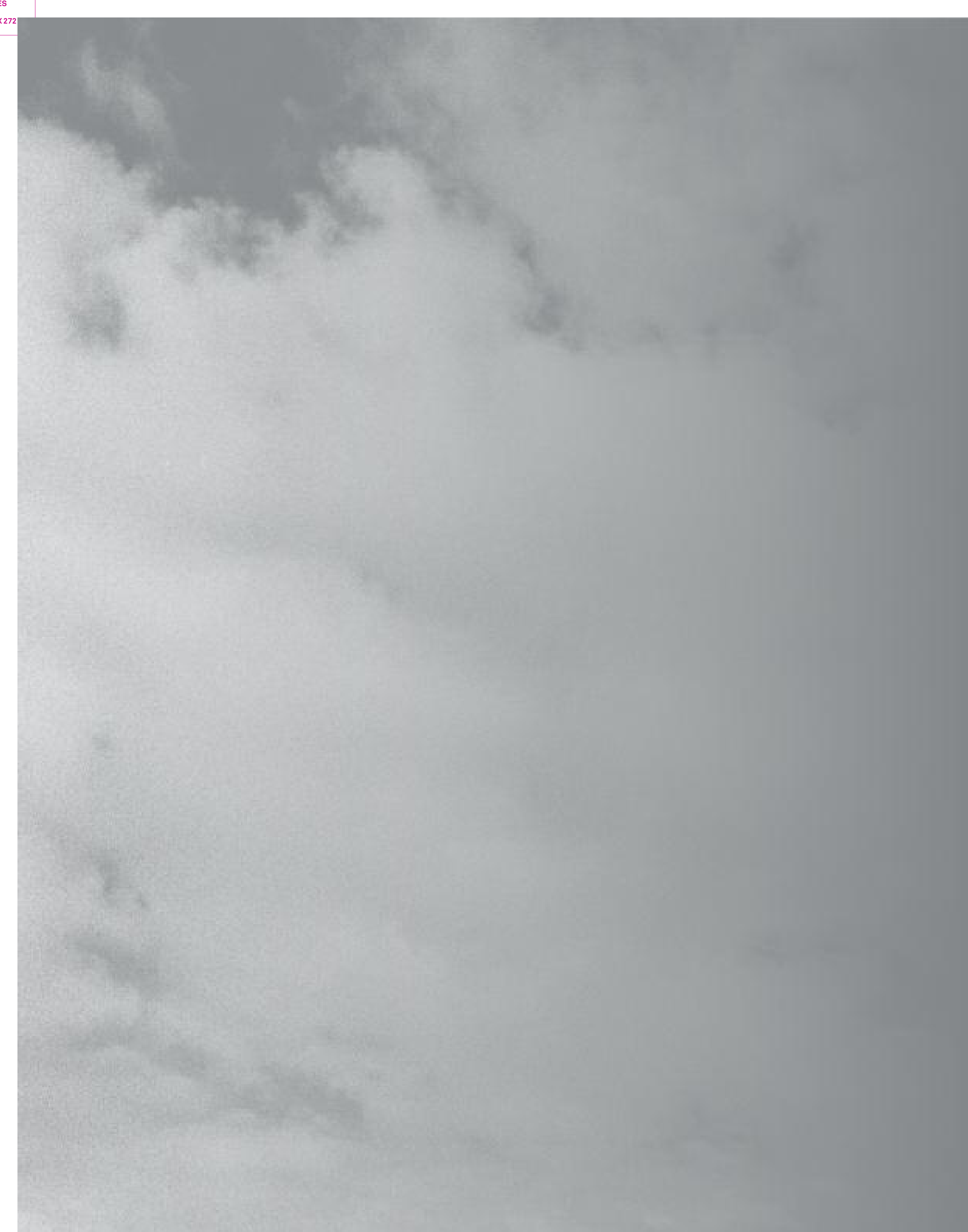
Dublin Airport Authority plc

Annual Report 2007

Dublin Airport Authority
Annual Report and Financial Statements

2007



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Colm Barrington
Colm Barrington is Chief Executive Officer of Babcock & Brown Air Limited, a global aircraft leasing firm based in Ireland, which listed on the New York Stock Exchange in September 2007. He started his career with Aer Lingus as a financial analyst joining the aircraft leasing company GPA Group plc in 1979. In 1994 he joined Babcock & Brown Limited, an international investment advisory and management firm that specialises in the creation, syndication and management of asset and cash flow-based investments.

Declan Collier
Declan Collier joined the Dublin Airport Authority as Chief Executive in April 2005. Prior to his appointment, Declan worked all his professional career with ExxonMobil, where he held various senior management positions in Ireland and the UK, including from 2000 to 2002 Chairman and lead Country Manager, Esso Ireland Ltd. Declan is a member of the European Board of Airports Council International.

Bill Cullen
Bill Cullen is Chairman of Glencullen Holdings Limited. A successful author, he is also President of the Irish Youth Foundation, where he has been the principal driver of successful fundraising campaigns for youth projects throughout Ireland.

Sir Michael Hodgkinson
Sir Michael Hodgkinson joined the British Airport Authority (BAA) in 1992 as Group Airport Director, having held senior management positions in the motor and food industries in Britain and Europe. During his twelve years at BAA, including from 1999 to 2003 as Chief Executive, he had responsibility for expansion planning at BAA's airports including Heathrow and Stansted. He is a member of the UK's Commission for Integrated Transport, the UK Airports Advisory Council and the Transport for London Committee.

Marion Keating
Marion Keating was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1997 and 1998. She joined the company in 1976 and over the past 31 years has worked in the Human Resources, Corporate Marketing and Retail Marketing Departments. Since 1994 she has managed the company's Employee Assistance Programme, which provides information, advice, counselling and referral service to Dublin Airport staff.

Brian Lynch
Brian Lynch was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1997 and 1998. He has worked at Dublin Airport for the past 21 years and has been manager of the Cleaning Section for the past 11 years. He is a member of SIPTU and has represented the Cleaning Section at Local and Branch level for many years. At present he is the Chairperson of the DAA section of the Professional & Managerial Branch.

Board of Directors
Dublin Airport Authority

Gary McGann, Chairman
Gary McGann held various senior executive positions in companies including LM Ericsson, Gilbeys of Ireland and Grand Metropolitan Finance prior to joining Aer Lingus as Group Chief Executive in 1994. In 1998, he joined the Smurfit Group as Chief Financial Officer and was appointed President and Chief Operations Officer the following year. Elected to the Board of Smurfit Group in 2000, he was appointed Chief Executive Officer in 2002. During 2005 he oversaw the successful merger of the Smurfit and Kappa Groups to create the Smurfit Kappa Group, of which he remains Group Chief Executive. Gary is a former President of IBEC.

Des Cummins
Des Cummins is Chairman of the Cummins Group of Companies and a member of the national executive of IBEC's Small Firms Association. He was appointed to the Company Law Reform Group, the National Sustainable Development Partnership and the Small Business Task Force. He has served on the Board of Repak and is currently a member of the Small Business Forum and the EPA National Committee.

Mary Davis
Mary Davis is CEO, Special Olympics Ireland and Former Chief Executive of the World Special Olympic Games held in Ireland in 2003. Mary was appointed by President McAleese as a Member of the Council of State in 2004. She chairs the Advisory Group of the Taskforce on Active Citizenship, established by the Taoiseach.

Ian McDonnell
Ian McDonnell was appointed to the Board in January 2008 under the Worker Participation (State Enterprises) Acts, 1997 and 1998. Ian joined the company in 1999 where he worked as an electrician in the Maintenance Department until 2007. He has worked in the Human Resources Department since 2007.

Barry Nevin
Barry Nevin was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1997 and 1998. Barry joined the company in 1990 and works in the Airport Police/Fire Service. He is a member of the National Executive of SIPTU, the Irish Congress of Trade Unions Worker Directors Group and Dublin Airport Authority Group of Unions.

Marie O'Connor
Marie O'Connor has been an audit partner with PriceWaterhouseCoopers since 1986. As a partner in the firm's Investment Management Practice, her most recent focus has been on advising international companies developing operations in Dublin's International Financial Services Centre. Marie is currently a member of the Irish Chapter of the Irish US Council for Commerce and Industry.

Anthony Spollen
Anthony Spollen is an international consultant and advisor on internal audit issues and standards and has advised the European Union Economic and Social Committee, amongst others, on financial regulation matters. During his previous career at AIB, a major Irish bank, he was Financial Controller of Allied Irish Investment Bank for 17 years and subsequently Head of Group Internal Audit at AIB itself for five years.

The Group's vision "to deliver a quality airport travel experience to the best international standards," is at the centre of everything we do and of everything we encourage our airport partners to do.

Chairman's Statement
Gary McGann

The Dublin Airport Authority (DAA) made significant progress towards delivering its key policy objectives during 2007.
These objectives are:

1. To deliver the facilities at Dublin Airport required by the principal transport gateway to Ireland's 21st century economy.
2. To transform the passenger experience at each of the Group's airports.
3. To facilitate the separation of Dublin, Shannon and Cork Airports as stipulated by the State Airports Act, 2004.

Delivery of these objectives presents, in some cases, immediate and ongoing challenges particularly in the context of constrained facilities at Dublin Airport. Others can only be achieved over a longer timeframe involving consultation with all the Group's stakeholders and detailed planning and implementation phases.

Critical to their delivery is the Group's ability to remain both cost competitive and profitable in all of its component parts. This supports the generation of additional traffic through the airports and provides the financial platform to sustain appropriate ongoing investment in facilities.

A Very Active Year

Measured by these criteria, 2007 was a very active year during which the DAA made significant progress across a broad range of fronts including those set out below.

During the year, the Group continued to enjoy strong scheduled passenger growth and maintained its focus on making the passenger journey safe and secure and as comfortable as possible at each airport given some of the constraints.

Traffic growth helped underpin a satisfactory increase in profitability and strengthening of the Group's balance sheet in advance of very substantial investment and borrowing requirements over the coming years.

The Group is pleased to report that its credit rating was affirmed at 'A' by Standard & Poor's, after a number of years on negative outlook. The outcome was supported by signals from the Commission for Aviation Regulation (CAR) regarding future pricing levels at Dublin Airport, which will safeguard key DAA financial ratios.

The investment programme to transform Dublin Airport delivered its first significant tranche of new infrastructure, the Pier D boarding gate facility. Meanwhile, critical planning decisions were secured, albeit significantly delayed, for a new passenger terminal (T2) and a new runway, and construction work was commenced on the new terminal.

A radical cost-restructuring programme was implemented at Shannon Airport and a platform established to ensure that airport's future viability.

The Group's 24% shareholding in Birmingham Airport in the UK was sold, significantly strengthening the Group's balance sheet and realising a very impressive return on capital for the DAA and its shareholder, the Irish Government.

Business plans for Dublin, Shannon and Cork Airports were delivered to the Department of Transport pursuant to the provisions of the State Airports Act. These plans can, we believe, support an early decision by the Government on plans to separate Dublin, Shannon and Cork airports as fully commercial, independent entities.

Renewed Focus

With these achievements 2007 was a successful year in many ways but only in relative terms. The DAA remains very conscious that the quality of customer service that it offers at Dublin Airport is not yet at the acceptable standard required by the travelling public.

This is primarily the consequence of the constrained physical terminal facilities at Dublin Airport with an average of some 6,000 additional passengers utilising these inadequately sized facilities every day last year.

Airport users can now clearly see how the DAA is actively striving to address this infrastructure deficit with construction activity set to intensify through the coming year and throughout 2009.

Out of sight to most customers, on the airfield, the scale of our investment is also very significant. New or upgraded lighting systems, environmental protection facilities such as water attenuation works and some 50 acres of additional concrete for aircraft taxiing and parking, will support the planned new runway in permitting the airport to expand efficiently over the years ahead.

The Group is very much aware that it needs to constantly reinvigorate and renew its focus on those areas of customer service which fall fully within its control. We must also deliver an environment that facilitates other service providers at our airports, who deliver key passenger services ranging from check-in and baggage handling to immigration control and taxis, to enhance their standards of service.

The Group's vision "to deliver a quality airport travel experience to the best international standards" is at the centre of everything we do and of everything we encourage our airport partners to do.

Delivering On Our Vision

One of the first significant challenges set for the newly formed DAA, following its formal establishment in late 2004, was the delivery of a new Pier D. The DAA was delighted to deliver on this infrastructural commitment to stakeholders with the delivery on schedule of Pier D last October. The Group was especially pleased to welcome An Taoiseach, Bertie Ahern, TD, along with the Minister for Transport, Mr Noel Dempsey, TD, to Dublin Airport in November to formally open the new pier.

The Board, management and staff of the Group have been encouraged by Mr Ahern's comments that day, and by similar comments from others, about the new facility and by his support of the DAA to press ahead rapidly with T2 and its ancillary facilities.

A second key element of the Government's May 2005 Aviation Action Plan was to have T2 operational before the end of 2009. Planning delays, over which the Group had no control, have made this delivery deadline impossible to achieve in 2009.

Construction of T2 is now fully underway and it will become operational in April 2010. While progress on the new terminal is welcome, the uncertain nature of the planning process still represents a significant potential obstacle to the timely delivery of the overall Transformation Programme at Dublin Airport.

Planning delays generate substantial costs for the Group in terms of uncertainty over pre-construction resource allocation and lost time. More significantly, they postpone delivery of urgently required customer benefits at our airports and undermine stakeholder credibility that delivery timeframes and budgets can be met.

We hope that the recent introduction of the new strategic infrastructure approach to planning will address these worrying delays and that sufficient resources are made available to expedite decisions affecting the delivery of vital economic infrastructure.

Mindful of its responsibility to fulfil Government policy and meet the patent needs of its customers, by the end of 2007 the Board of the DAA had committed to investing the full €1.2 billion required for the first phase of the Transforming Dublin Airport Programme.

This commitment was made despite the legal and financial challenges posed by Ryanair's unnecessary application for judicial review of the planning appeals process. Thankfully, the High Court has since ruled that Ryanair is bound to an agreement it made in 2005 with both the Government and the DAA not to oppose the DAA's development plans for T2 and related facilities.

The way is now clear to deliver this key policy objective and despite the twin challenges of the twenty-four month construction timetable and of the busy airport campus building site, the DAA is again intent on delivering on its promises to its shareholder and customers.

Funding Delivery

The availability of appropriate funding is critical to the timely delivery of Dublin Airport's new facilities and those, such as the new runway, that will be required in the period after 2010.

In this context, the Group welcomes the signals given last year by CAR that it recognises the importance for the DAA of maintaining key minimum financial ratios during this extended investment period.

These indications from CAR gave confidence to the Board of the DAA to approve the range of contracts necessary to deliver T2 and greatly facilitated the affirmation by Standard & Poor's of the Group's 'A' credit rating late last year, after a period on negative outlook.

Reinforced by this affirmation of the Group's credit rating and business model, the DAA is confident it can secure the appropriate proportion of debt finance required to fund its investment programme at Dublin Airport, notwithstanding the current volatile nature of some financial markets.

The DAA's strong financial performance in 2007 was significantly supported by the sale of its shareholding in Birmingham Airport. The success of this investment is evidence of the strategic vision and commercial approach that the Group has shown throughout its commercial operations.

Given the historically high valuations for airport assets prevailing in the UK and the scale of the investment requirement at Dublin Airport, the Board of the DAA is very satisfied with the appropriateness, timing and the outcome of its decision to sell the Birmingham shareholding.

While the sale has provided a welcome once-off boost to the DAA's balance sheet, its disposal comes at the expense of the loss of future income streams from an unregulated profit-generating asset. The DAA continues to hold minority stakes in Düsseldorf Airport in Germany and, through its associate Aer Rianta International Middle East, in Larnaca and Paphos airports in Cyprus.

State Airports Act

The DAA's third principal policy objective is to facilitate the separation of Dublin, Shannon and Cork Airports as provided for in the State Airports Act, 2004.

Progress to date on the implementation of this legislation has been slowed by two principal issues. *These are:*

1. The requirement under company law that a company planning to return assets to its shareholder must have sufficient distributable reserves or accumulated profits to cover the book value of those assets and,
2. The requirement under the State Airports Act 2004 that detailed business plans indicating post separation financial viability be completed for each of the three airports and delivered to the Minister for Transport, before any decision on their separation into three commercial entities, can be taken.

Significant progress has been made under each of these headings.

Following the accumulation of profits over a number of years, including the sale of our shareholding in Birmingham Airport in 2007, the DAA now has sufficient distributable reserves in place to meet the requirements of company law with respect to a possible distribution of Shannon and Cork Airports.

In December 2007, the DAA presented business plans for each of Dublin, Shannon and Cork Airports to the Minister for Transport that can inform a Government decision on the separation of the airports. Business plans for Cork Airport and Shannon Airport were completed by the Cork Airport Authority and the Shannon Airport Authority respectively and, together with a report by the DAA, were submitted to the Minister.

Critical to the completion of the Shannon Airport business plan was the successful implementation of the Airport's cost restructuring programme. This programme, which was supported by close to €40 million in funding from the DAA, was initiated last spring following a very protracted period of negotiation.

I want to congratulate everybody at Shannon Airport for the manner in which the cost-restructuring programme was carried out in the midst of an otherwise challenging business environment and without adversely impacting on customer service standards. The actions taken in 2007 should help secure Shannon Airport's future viability and its status as an economic gateway for the entire region.

In recent weeks the DAA has been engaged in a process, instigated by the Minister for Transport and facilitated by former Irish Congress of Trade Unions General Secretary, Peter Cassells, to help resolve outstanding financial issues pertinent to the possible separation of Cork Airport. The DAA remains of the view that should it be decided to separate Cork Airport from the DAA, the Cork Airport Authority has the capacity to absorb the debt necessary to facilitate separation.

Now that the capital maintenance and business planning requirements of the State Airports Act 2004 have been addressed, the Group looks forward to an early decision by Government on plans for airport separation, and believes that a further period of uncertainty would not be helpful nor in the best interests of the airports, their passengers or users.

Appreciation

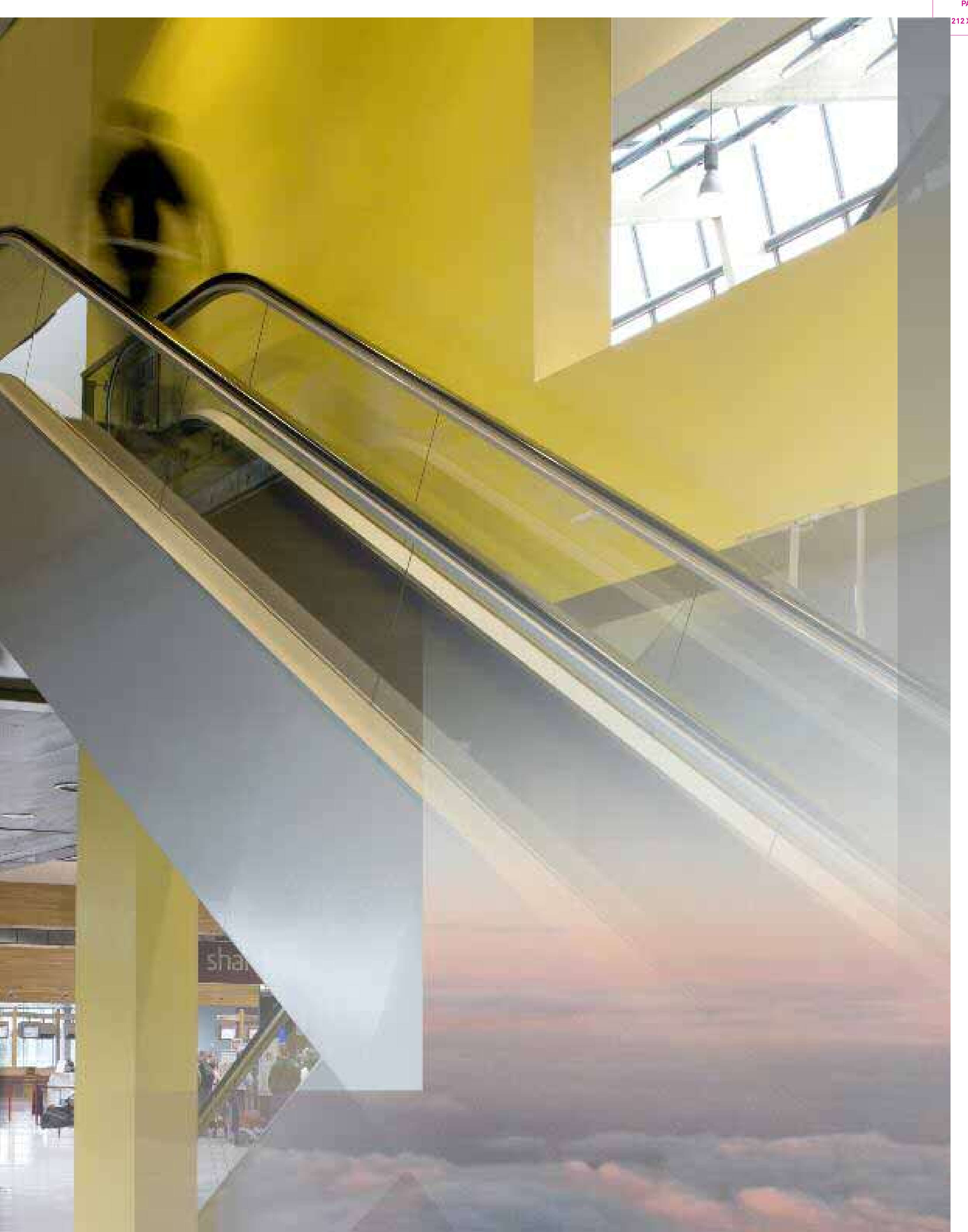
On behalf of the DAA, I would like to thank the Minister for Transport, Noel Dempsey, TD, for his support since assuming his new ministerial portfolio in mid-year. I would also like to express our appreciation to his predecessor as Minister for Transport, Martin Cullen, TD.

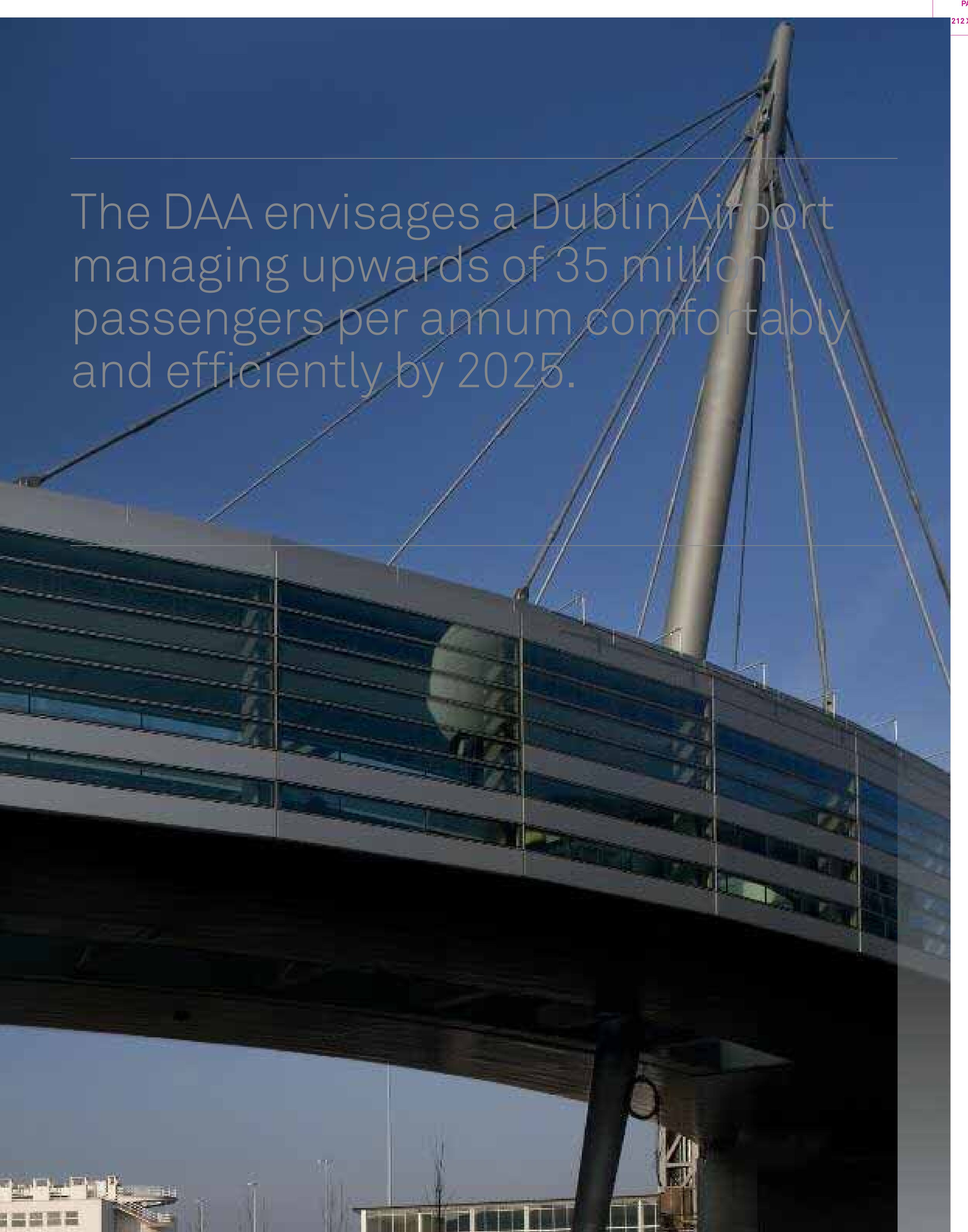
The DAA also appreciates the support provided during the year by Julie O'Neill, Secretary General of the Department of Transport, John Murphy, Assistant Secretary General and of all their colleagues. Our appreciation also goes to the Minister for Finance, Brian Cowen, TD, the Secretary General of the Department of Finance, David Doyle, and to all their colleagues.

I wish to express gratitude to my fellow board members, including in particular, DAA Chief Executive, Declan Collier, for their counsel, professionalism and support. As previously noted, the Board had very challenging decisions to take during 2007, some under threat of litigation, and took those decisions following careful consideration with great clarity, foresight and conviction.

Finally, I wish to record my appreciation of the dedication and commitment of the management and staff of the DAA, who have not only driven the transformation programme at Dublin Airport with energy and skill, but also continued to manage our busy airport activities at home and abroad in a safe and secure fashion.

Gary McGann, *Chairman*
10 March 2008





The DAA envisages a Dublin Airport managing upwards of 35 million passengers per annum comfortably and efficiently by 2025.

Chief Executive's Review
Declan Collier

The DAA continued to strengthen its financial position during 2007 reflecting a further year of significant growth in passenger numbers, another record performance by its overseas business units, continued focus on operational efficiency and the successful sale of its shareholding in Birmingham Airport.

Total passenger numbers through Dublin, Shannon and Cork Airports exceeded the 30 million mark for the first time last year, rising by 8% to 30.1 million. Group turnover increased by 6% over the year to €623 million.

All principal indicators of profitability continued to move in a positive direction including EBITDA (earnings before interest, taxation, depreciation and amortisation), which rose by €25 million to €170 million and profits for the financial year from the Group's normal activities, which were 56% higher at €109 million.

Exceptional gains amounted to €239 million. These comprised principally the net profit on the disposal of the Group's shareholding in Birmingham Airport, and a small net adjustment of €1.5 million in respect of the prior year exceptional items.

When exceptional items are included, Group profit for the financial year more than doubled from €166 million to €348 million.

While this growth in headline profitability and underlying increase in EBITDA is very welcome, the DAA's financial position needs to be assessed in a broader context.

The principal reason for the headline growth was the exceptional gain arising from the sale of the Birmingham shareholding. As noted by the Chairman, the realisation of this investment represented an excellent return on capital for the Group.

The proceeds of the Birmingham disposal left the Group with net funds of €35 million at year end, the first such net funds position since 1987. However, as the Transformation Programme at Dublin Airport gathers scale and momentum, the DAA needs to source substantial debt capital as part of the funding of our €2 billion Capital Investment Programme. In this context, the Group's net borrowing position is expected to rise to approximately €300 million during 2008 and to levels in excess of €1 billion post 2010.

In response, the DAA plans to continue to increase EBITDA to maintain the appropriate financial ratios to underpin this level of borrowing. To achieve this, the Group must maintain focus on its rigorous cost management programme, maximise revenues from its commercial activities, and continue to seek a more appropriate level of airport charges at Dublin Airport.

Funding The Future

The DAA has three ongoing sources of cash from which it funds its broad range of operational services to customers and the capital investment requirements of its three Irish airports, including the €2 billion Transformation Programme at Dublin Airport. *These sources are:*

1. the revenues generated by commercial activities such as retailing, car parking and property rentals
2. airport charges levied on passengers for use of terminal and airfield services
3. borrowings.

In Dublin Airport's case, airport charges are determined and capped by a Regulator, the Commission for Aviation Regulation (CAR). The DAA as a fully commercial semi-state organisation receives no direct subvention from the taxpayer via the Exchequer.

The maximum airport charge permitted by CAR at Dublin Airport is currently the lowest at any major airport in Europe. At the current level of €7.38 per passenger, it is also significantly below current airline charges for basic passenger services such as checked-in luggage.

The DAA was disappointed by CAR's decision last summer not to sanction the modest increase in airport charges sought by the Group and to leave charges unchanged until the next regulatory period, beginning in 2010. The DAA took some comfort from the signals given last year by CAR regarding the requirement to enable the Group to operate in a financially viable manner, in particular recognising the importance for the DAA of maintaining key minimum financial ratios during this extended investment period.

This view from CAR helped in part to secure a welcome affirmation of the DAA's 'A' credit rating from Standard & Poor's in late 2007, following a number of years on negative outlook. The newly affirmed 'A' rating should enable the DAA to optimise its debt financing requirements in terms of both source and cost.

The DAA has outlined consistently that it requires an average increase of approximately €2 per passenger in real terms to fund its ten-year €2 billion Transformation Programme at Dublin Airport appropriately. This would still leave Dublin's charges at approximately two thirds of the average for major European airports.

It is Dublin Airport's passengers who pay airport charges; airlines simply collect the charges and pass them on fully to passengers through the airline ticket price. Passengers surveyed regularly by the DAA have stated they would be prepared to pay the higher charge sought by the Group in return for the significant enhancements in capacity and service quality that are being delivered.

The DAA will continue to engage actively with CAR and other key stakeholders to communicate its vision for Dublin Airport and how that vision needs to be supported by reasonable increases in airport charges.

Another key objective of this engagement process is the achievement of a practical recognition by CAR that existing and future passengers of Dublin Airport have at least an equal voice as airlines in terms of the facilities and services required at Dublin Airport and how they should be funded.

Delivering Our Objectives

The DAA's vision for Dublin Airport is predicated on a number of key business objectives. The primary objective in this context is the fulfilment of Government policy that Dublin Airport continues to develop as the largest and most dynamic 21st century gateway to Ireland and its island economy.

This objective can only be achieved by timely and appropriate investment in the terminal and airfield facilities required of the capital city airport of one of the most open and prosperous trading economies in the EU.

Other interlinked objectives underpinning the DAA's vision for Dublin Airport include the placing of customer service at the heart of everything the Group plans and implements, and the requirement to operate in a fully commercial manner while delivering stakeholder requirements.

The DAA envisages a Dublin Airport managing upwards of 35 million passengers per annum comfortably and efficiently by 2025. The Airport will be linked by direct airline services to each of Ireland's key trading blocks and will serve as a significant intercontinental transfer facility for long-haul transit passengers.

In delivering these passenger services, the Airport will optimise the return on its assets including its property resources and it will ensure the highest possible levels of sustainable development by utilising the most appropriate materials, technologies, processes and transport options.

Last year represented a very significant year in the journey towards achieving this vision for Dublin Airport. During 2007, the DAA continued to deliver the shorter-term measures required to mitigate congestion at Dublin Airport, itself a consequence of years of under investment coupled with above average levels of passenger growth.

These measures included the widening of the entrance lobbies to the Departures Floor and the opening of Area 14, a spacious new check-in facility beneath the Arrivals Floor, currently used by Aer Lingus for UK and European flights.

Critically however, the Group also began to deliver the next generation of long-term infrastructure that will serve Dublin Airport and its customers for many decades to come. In this context, the opening of the new Pier D boarding gate facility in the autumn embodied the high quality, cost effective facility that the DAA is determined to put in place to meet all stakeholder requirements.

This step change in delivery will become even more evident as Dublin Airport's second passenger terminal, T2, takes shape in advance of its opening in the spring of 2010. It is only at that stage that the DAA will be able to provide the levels of comfort, service and space that its customers expect and require across all its facilities.

Planning permissions for T2 and finally, for a new parallel runway, were granted during 2007 following extensive and protracted engagement with the planning process. The construction of each of these vital pieces of national infrastructure will do much to provide both immediate operational benefits and the platform for Dublin Airport's future growth and development.

A detailed description of the design and operational characteristics of the new terminal and other key elements of the Dublin Airport Transformation Programme is provided elsewhere in this Annual Report. It is worth noting here though that over the coming two years, up to 4,000 construction workers will help deliver a transformed airport for all our stakeholders and that radical incremental changes to Dublin Airport's skyline and internal road network will mark our progress month by month.

Many operational and structural challenges lie ahead, not least the demands of an extensive and time-constrained construction programme and those of two further years of projected traffic growth before T2 comes on stream.

The DAA has invested heavily in providing sufficient numbers of passenger security and customer care employees to help ensure the Airport's own critical passenger processes are managed efficiently. The fruits of this investment and the professional work of the Group's employees were clearly evident during 2007. Despite the pressures caused by increased passenger numbers in 2007 travelling through the same constrained facilities, key passenger processing points at Dublin Airport operated to a high level of efficiency throughout.

Current projections indicate that over one million additional passengers will use Dublin Airport through each of 2008 and 2009. The DAA will need the continued understanding and patience of its passengers as it manages this increased traffic in a constrained physical environment, where security requirements remain onerous and a major construction programme is underway.

Transforming Dublin Airport

The provision of a safe and secure environment for our customers, employees and construction workers will remain a priority for the DAA as the Transforming Dublin Airport Programme creates additional challenges for a busy operational airport. The construction safety targets of the Group and its contractors were set well ahead of national targets last year and the overall safety performance during 2007 exceeded these targets.

Most regrettably, a fatal accident occurred during construction works on the airfield in the first quarter of 2008. Our sympathies go out to the family, friends and colleagues of the deceased. The DAA is co-operating fully with the various investigations into the accident and is redoubling its efforts to ensure an even greater focus on safety forthwith.

For passengers and other visitors to Dublin Airport, there will be some disruption and inconvenience arising from the likes of changing roads and pathways and the noise and dust generated on large construction sites. The DAA is determined through good planning and effective communication to minimise this impact to the greatest extent possible.

Significant progress will be made in the construction of T2 and its linked boarding gate facility, Pier E, during 2008 and building work will be complete by the end of 2009. The terminal will open for operations in April 2010 following an intensive operational readiness and staff training programme.

Operating T2

The operating model for T2 will be decided during 2008. The Government's Aviation Action Plan of May 2005, that directed the DAA to build T2, also stipulated that operations in the new terminal would be determined by an open tender process.

It was clearly impractical to carry out such a tender process until the full planning appeals process for T2 was complete and potential applicants had a comprehensive view of the scale, design and functionality of the new building. That clarity is now in place, crystallised further by the High Court judgement directing Ryanair to cease all objections to the T2 development programme.

While decisions about the tender process will be taken by the Government, the DAA expects the process to begin sometime in the latter half of 2008 and the successful bidder to be selected by mid-2009. This would enable plans to be activated in time for the operational readiness and training schedules that will be required before the terminal opens in the spring of 2010.

The DAA for its part intends to participate in the tender for T2. The Group is intent on mounting a compelling and competitive bid based on its successful experience of operating busy airports and the expertise of its employees.

Airports by their nature are labour-intensive operations and, according to a report carried out for CAR, Dublin Airport is one of the more efficient large airports in Europe measured across a range of different metrics. Nonetheless, the DAA and its employees will need to assess every means by which the Group can continue to streamline its cost base so as to optimise the Group's submission to operate T2.

Group Operating Costs

Total Group operating costs (excluding cost of sales, depreciation and amortisation) decreased by €6 million or 2% to €291 million in 2007. This reduction and the decrease in payroll costs of 2% or €4 million to €178 million principally reflects the disposal of the Group's hotel operations during 2006.

Payroll costs from continuing operations increased by €14 million or 8% to €178 million driven principally by the impact of the latest national pay round and by the hiring of new staff especially for passenger security operations. These new employees have been taken on to ensure the passenger journey through Dublin Airport remains as comfortable, secure and safe as possible.

The total number of FTEs across the Group decreased by 14% over the year to 3,163, primarily due to the impact of the sale of the hotels and the voluntary departure of close to 200 employees from Shannon Airport.

Material and services operating costs from continuing operations rose by €11 million or 11% to €113 million primarily reflecting higher outlay on maintenance, rates and regulatory costs.

Dublin Airport

Last year represented the sixteenth consecutive year of growth in passenger numbers at Dublin Airport. The 10% rise in passenger throughput to 23.3 million following the previous year's 15% increase in volumes, has maintained Dublin's position as one of Europe's fastest-growing airports.

Overall, 19 new routes were launched at Dublin Airport and 23 new services added on existing routes. At year end, a total of 89 airlines operated to 200 destinations from Dublin, providing passengers with a new record range and choice of direct services.

During the year, Ryanair's third successive year of traffic growth saw it surpass Aer Lingus as Dublin Airport's largest airline customer. At year-end, Ryanair passengers represented just over 40% of total passenger throughput compared to Aer Lingus with 33%.

In line with recent trends, European routes again delivered the highest rate of growth during 2007. European traffic rose by 18% to almost 12 million passengers reflecting particularly strong growth on Spanish, French, Italian, German and Polish services.

Transatlantic passenger numbers also rose strongly, by 13% to a record 1.5 million. The launch of Aer Lingus' new routes to Washington, Orlando and San Francisco, combined with the provision of extra capacity by Delta Air Lines, US Airways and American Airlines, underpinned this strong performance as did factors such as the growing popularity of Irish shopping trips to New York.

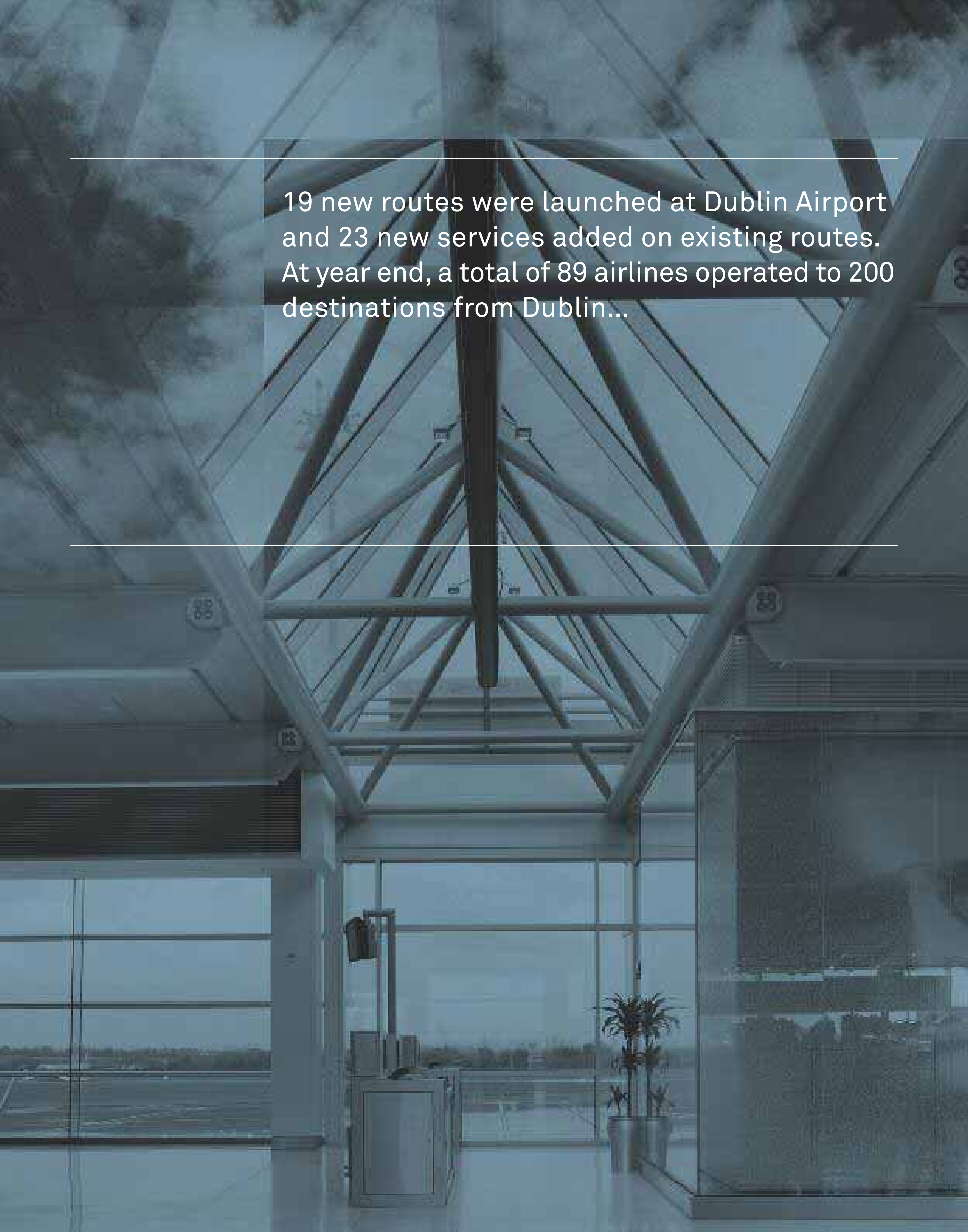
Traffic to the Gulf Region continued to grow, boosted by the launch of Etihad's new service to Abu Dhabi. This service gathered momentum quickly from an initial frequency of three times a week to six-times weekly by year-end and a daily service early in 2008. The Abu Dhabi hub allows passengers connect efficiently with services to the Far East, Australia and Africa. Overall passenger numbers between Dublin and the Middle East rose by 17% to 230,000 last year.

Passenger volumes to and from the UK rose by less than 1% in 2007 to 8.7 million reflecting the relative maturity of this market. Domestic passenger numbers rose solidly by 9% to 900,000, with the increase particularly noticeable on the Cork route where Ryanair and Aer Arann offer services.

Cork Airport

The first full year of operations at Cork Airport's new terminal building was marked by another year of record traffic volumes. Passenger numbers rose by 6% to 3.2 million in 2007, which also represented the Airport's fifteenth consecutive year of growth.

During the year, five new routes and services were launched from Cork Airport, including new links to Munich and Bratislava. At year end, eleven airlines served 42 scheduled services and 25 charter services operated to and from the Airport.



19 new routes were launched at Dublin Airport and 23 new services added on existing routes. At year end, a total of 89 airlines operated to 200 destinations from Dublin...

The DAA's retail operations, including catering concessions, offer an increasingly sophisticated and well-travelled passenger base, a high quality and very price competitive service.

The principal driver of growth was an impressive increase in passengers on European scheduled routes, where Aer Lingus remains the dominant carrier. Numbers on these routes rose by 30% to 875,000. The number of passengers on services to Europe has almost doubled since 2003 supported in particular by continued growth on Central and Eastern European services. In this context, Cork Airport is now linked directly to five Polish cities and the number of passengers on Polish routes alone last year amounted to 206,000.

Traffic on services to London declined by 14% last year to 893,000 passengers. This downturn was the consequence of previously unsustainable levels of competing services on this route and reflected the annualised impact of EasyJet's cessation of services in late 2006 and Ryanair's subsequent reduction in capacity on its services.

The impact of the reduced volumes to London on Cork Airport's overall passenger numbers also served to mask somewhat the strong performances in other sectors. Nonetheless, London remains a key market for Cork Airport and represented 28% of total traffic last year. Services to other UK destinations were boosted by the welcome launch of new Ryanair services to Glasgow and East Midlands towards the end of the year.

The domestic market, at just under half a million passengers, delivered a 20% increase in traffic last year. The Cork-Dublin route, served by Ryanair and Aer Arann, represented 96% of this traffic.

All passengers will benefit from the construction of new covered walkways at the Airport, which are scheduled for completion in the first quarter of 2008.

Shannon Airport

Shannon Airport recorded its highest ever number of terminal passengers in 2007, i.e. those passengers who either began or ended their journey at the Airport. During the year the Airport catered for 3.2 million international terminal passengers, an increase of 6%.

Overall passenger numbers through the Airport at just over 3.6 million were in line with the previous year. This outcome, combined with the solid rise in terminal passengers, represented a very creditable performance for Shannon in the context of a challenging business environment. These challenges included the beginning of the transition period to full Open Skies on North Atlantic services between Ireland and the US; the implementation of a radical cost-restructuring programme at the Airport; and the impact of a weakening US dollar.

Continued expansion of international terminal traffic, both short-haul to the UK and Europe and long-haul to North America, is critical to Shannon's commercial success. In this context, the launch of eight new European services to destinations such as Birmingham, Leeds Bradford, Kaunas and Riga, represented a welcome addition to the range of choice available to those living and working in Shannon's catchment area and a further fillip to the economy of the region.

Ryanair, which by the end the year operated over 30 services at Shannon, was by far the principal driver of additional growth on short-haul services and carried 1.7 million passengers to and from the Airport during 2007.

The unexpected decision by Aer Lingus last summer to terminate its Heathrow service from January 2008, was an extremely disappointing development for Shannon. As soon as this decision was announced, the DAA acted to enhance Shannon's route support incentive schemes and with Shannon management entered detailed discussions with a number of airlines to restore the Shannon region's connectivity through a global hub airport. The decision by Air France/CityJet to launch daily services to Charles de Gaulle Airport in Paris from February 2008, was particularly welcome in this respect.

The EU and the US concluded a new Open Skies Agreement for airline services in March 2007. Under this agreement, passenger airlines flying between Ireland and the US are no longer required to use Shannon Airport as a dual gateway from March 2008.

Despite this significant challenge, the volume of transatlantic traffic from Shannon declined by just 4% during 2007 and the Airport welcomed the decisions of Aer Lingus, Delta Air Lines and Continental Airlines to retain year-round services from Shannon to New York.

Shannon Airport is determined to optimise the range of North Atlantic services on offer and to facilitate this has introduced a range of route support incentives to enhance the Airport's attractiveness to airlines on a year-round basis. The planned delivery of a dedicated US Customs and Border Protection facility at the Airport and the effective leveraging of the Shannon region's marketing support initiatives, should provide significant support in meeting this objective.

Military transit traffic through Shannon Airport declined by 7% last year but still contributed significantly to the Airport's revenues. This business, while welcome, is transient and unpredictable. The Airport's cost restructuring programme is designed to ensure Shannon is not dependent for its commercial viability on military transit traffic in the future.

Retailing Growth

Airport retailing is one of the DAA's core business activities both in Ireland and overseas. Retail and other commercial operations contribute a significant proportion of the revenues that support the funding of the DAA's capital and operational investment and expenditure.

The DAA's retail operations, including catering concessions, offer an increasingly sophisticated and well-travelled passenger base a high quality and very price competitive service. This is reflected by the very strong performance enjoyed by DAA retail during 2007.

Last year total retail sales, including concessionaires, at Dublin, Shannon and Cork Airports totalled €293 million, an increase of 16%. This outcome was achieved despite the ongoing difficulties posed by the aviation security regulations concerning the carrying of liquid products, introduced at all EU airports in late 2006.

Retail operations at Dublin Airport face a more localised constraint, namely the lack of sufficient space to offer the range of product and choice requested by the Airport's growing numbers of passengers.

Nonetheless, a number of new facilities were opened on Dublin's retail "Street" last year. These included an electrical goods store and an additional Butler's Chocolate Café, incorporating a new Butler's Ice Cream bar. A new book store, café and bar were also opened in Pier D.

The range and quality of the landside catering offers at Dublin Airport were also significantly enhanced and refreshed with the arrival of the Real Food Company, the Eating Place and the Airport's first Starbuck's outlet. The programme to refresh and renew the landside catering offer continued with close to 50% of outlets being updated during 2007.

ARI

Aer Rianta International (ARI) enjoyed another highly successful year in 2007 and contributed profits, excluding exceptional items, of €29.1 million, an increase of 73%.

The company, a wholly-owned subsidiary of the DAA, manages airport retail operations overseas and holds minority shareholdings in a small number of overseas airports. Another strong performance by its international retail operations, particularly in the CIS, and a higher contribution from the Düsseldorf Airport investment were the principal reasons for the 73% rise in ARI's profit contribution.

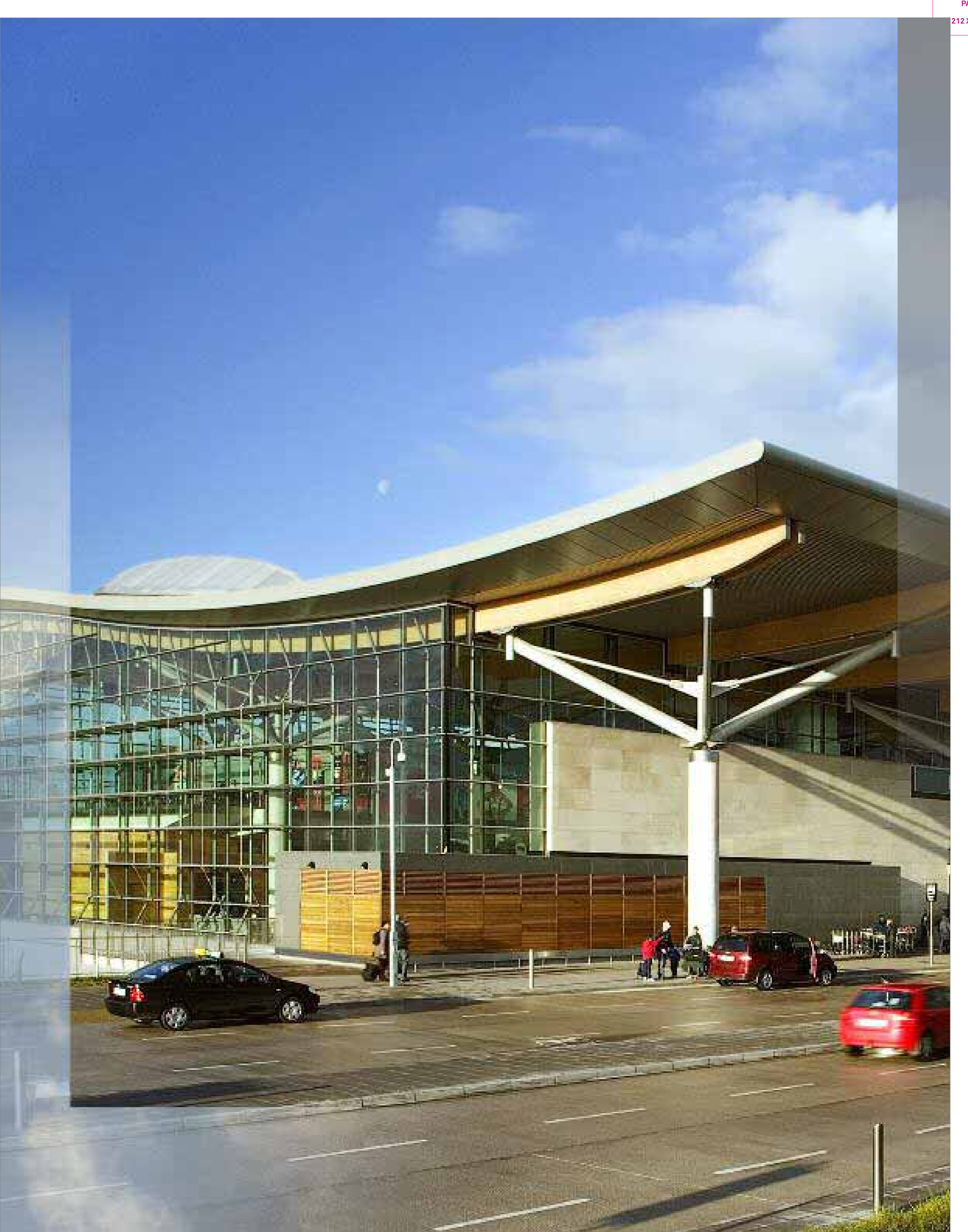
One highlight of the period under review was ARI's securing of the contract to operate duty-free and duty-paid concessions at the new Terminal 3 of Moscow's Sheremetyevo Airport. The contract, one of the largest ever awarded to ARI, is expected to generate gross sales well in excess of €1 billion over its 7 year term. Terminal 3 is scheduled to commence operations in the first half of 2009.

My Thanks

Finally, I wish to convey my strong appreciation of the support and commitment offered by my colleagues on the board of the DAA over the past year and to thank our Chairman Gary McGann, for his continued guidance and advice.

I also want to express my gratitude to the management of the Group and to all my colleagues throughout the DAA for the professional manner in which they have delivered to date on our customer service and infrastructure pledges to stakeholders.

Declan Collier, *Chief Executive*
10 March 2008



Gate

Transforming Dublin Airport in 2007

The year under review saw significant progress achieved in the delivery of the €2 billion Transforming Dublin Airport Programme.

During 2007, the DAA invested over €250 million to improve, expand and modernise Dublin Airport for all its customers. Passengers have already begun to experience the benefits of the investment programme as several new facilities were opened during the past 12 months.

At the beginning of 2007, the new boarding gate facility, Pier D was merely a steel and concrete shell, T2 and the new runway were still in planning and we had yet to open our new lower ground floor check-in facility, Area 14. But within the following 12 months Pier D had been completed and opened, Aer Lingus was operating from Area 14 and we had received planning permission for both T2 and the new parallel runway.

Area 14 Opened

Transformation is at the heart of our plans for Dublin Airport and the creation of Area 14 represents one such metamorphosis. What had been a dark basement storage area was transformed into a bright new passenger facility with 24 check-in desks and new baggage handling equipment.

Area 14 was completed in early 2007 and Aer Lingus began operating from the new facility in early May. The €15 million investment in Area 14 created a new check-in zone capable of handling up to four million passengers per year and helped alleviate some of the pressure on the existing departures floor.

Pier D Delivered

The highlight of the year was the delivery of Pier D in October. The new boarding gate facility represents a radical improvement in passenger comfort levels at Dublin Airport. Glass is used throughout the upper level of the new pier and this provides wonderful views out across the airfield to the Dublin Mountains and the north Dublin countryside. The glass exterior walls allow light to flood into the building, adding to the feeling of space and creating a calm relaxing environment for passengers waiting to board their flights.

Pier D has 12 new boarding gates, six of which were delivered during 2007 as part of the planned phased delivery of the new facility. The remaining gates will open shortly following the re-grading of the apron on the southern side of the new pier.

The interior of Pier D has also been used to showcase Ireland's literary heritage as it features 12 large glass murals of famous Irish writers including three Nobel Prize winners – George Bernard Shaw, Samuel Beckett and WB Yeats.

Pier D was formally opened last November by An Taoiseach, Bertie Ahern TD, who described it as "an ultra modern and quite stunning facility".

To coincide with the advent of Pier D, the DAA delivered a new €7 million Garda National Immigration Bureau facility for passengers arriving through Pier A and Pier D. The new immigration hall offers double the number of passenger processing points and also provides a much more pleasant and efficient travel experience for customers.

Other Development

Last year was also a very busy one for our construction teams working to improve transport infrastructure facilities for passengers and on upgrading the airfield at Dublin Airport.

A new dedicated coach park was opened to the rear of the multi-storey car park early in the year providing set-down and parking facilities for coach services linking the Airport directly to over 70 towns across Ireland.

Last Autumn, in collaboration with the car hire companies at the Airport, the DAA delivered a major new car hire facility close to the ALSAA sports and leisure complex, providing amongst others, enhanced washing, maintenance and refuelling services.

Environmental Management

On the airfield we are currently investing more than €85 million in building new aircraft parking stands and new taxiways to make access to and from the runway more efficient.

Laying such a significant area of new concrete affects water flows and the DAA is committed to managing the water runoff for all the new apron and taxiways to the highest environmental standards. To this end, a giant underground water tank, capable of holding up to three million litres of rainwater, was constructed last year under a section of the apron. This rainwater will be filtered and cleaned and released in a controlled manner into one of the local streams.

The Transforming Dublin Airport Programme also incorporates a range of other significant environmental initiatives.

The gas fired combined heat and power process that will power T2 significantly reduces carbon dioxide emissions and is being designed so that excess power can be sold into the national electricity grid.

The concrete used to build T2 will be produced using reclaimed blast furnace slag. This form of cement production leads to significant reductions in C02 emissions. In addition, the blast furnace slag itself is a recycled waste by-product from the power generation process. About 80% of the steel that will be used in T2 will also come from reclaimed sources.

The Planning Process

While our construction teams were working on a range of sites during the year, we were also busy offsite helping to steer key projects through the planning process. The DAA successfully upheld the case for the planning permission for T2 at a three-week oral hearing in April and final permission was granted for the first phase of the development by An Bord Pleanála at the end of August.

The permission for T2 was granted alongside planning permission for a new parallel runway at Dublin Airport. The new runway, scheduled for completion within the next four years, will be located 1.7km to the north of the existing main runway at Dublin Airport. The addition of the new runway will expand the potential airfield capacity at Dublin Airport to over 50 million passengers per year. However growing the airport to that size will require the construction of a third terminal.

Terminal 2

Monday, October 1 2007 was an auspicious day at Dublin Airport as it marked the commencement of construction work on T2. The initial work included safely securing the site, diverting existing services and site clearance. A special delivery road for the site also had to be built as part of the DAA's plan to keep construction activity separate from passengers.

The early stages of the project required the removal of a number of existing buildings at the T2 site including the formerly listed Corballis House.

Prior to the controlled demolition of Corballis House, the DAA made a detailed record of the property and its history. All items of architectural merit from the house were also carefully salvaged prior to its demolition.

The DAA plans in time to re-use all the salvaged material, including doors, window frames, shutters and floor tiles in the renovation of Cloghran Stud Farm, which is located close to Dublin Airport. It is also possible that some of the decorative plasterwork, salvaged from Corballis House, will be incorporated within T2.

Post year-end, bulk excavation commenced at the T2 site as we began to dig the foundations for the new terminal and the T2 energy centre.

Another major milestone on the project was passed when the first concrete foundation for T2 was poured on February 1, 2008. Construction work on the new terminal will finish in the fourth quarter of 2009 and T2 will open to the public in April 2010.

The new terminal is a cost-effective, comfortable, contemporary building that has been designed to meet specific customer needs.

The public areas within T2 will be large and bright and maximise the use of natural light. Passenger wayfinding through T2 will be simple, logical and involve a minimal amount of changes in levels, particularly on arrivals. The colour palette that we are using for the internal design of the terminal will reflect natural shades that have been inspired by colours from the Irish landscape.

Post year-end, planning permission was finally granted for a €55 million extension to Terminal One and construction work has now started on this project. The extension, which is being built at the north-western corner of the terminal, will add more circulation, check-in and retail space. The new space will radically improve the customer journey from departures to the boarding gates for passengers using Pier A and Pier D.

While more than €250 million was invested on the Transforming Dublin Airport Programme during 2007, the current year will see an intensification of the construction programme and the DAA investing up to €450 million in delivering the quality airport facilities our customers expect and require.

...the current year will see an intensification of the construction programme and the DAA investing up to €450 million in delivering the quality airport facilities our customers expect and require.

2007 Financial Review

Group Financial Highlights	2007	2006	2005
Passengers			
Total ('000)	30,088	27,846	24,483
Growth (%)	8%	14%	12%
Profitability (€'m)			
Turnover	623	591	525
Growth (%)	6%	13%	13%
Group EBITDA[1]	170	145	111
Growth (%)	17%	31%	23%
Group profit after tax excluding exceptionals	109	70	50
Group profit after tax for the year	348	166	50
Cash Flow (€'m)			
Cash flow from operating activities	170	148	121
Cash flow before financing/liquid resources	171	244	3
Balance Sheet (€'m)			
Gross assets[2]	1,705	1,398	1,144
Shareholders' funds	977	631	478
Gross debt	481	511	473
Cash	516	375	93
Net (funds)/borrowings	(35)	136	380
Capital Expenditure (€'m)			
Capital expenditure additions	272	148	110
Key Ratios			
Group EBITDA : Net interest charge[3]	21.4x	8.0x	5.6x
Net borrowings : Group EBITDA	n/a	0.9x	3.4x
Group EBITDA : Turnover	27%	25%	21%
Return on average equity pre exceptionals[4]	13%	13%	11%

1 Group EBITDA comprises group earnings before interest, tax, depreciation, amortisation and exceptional items from group activities, excluding contributions from associated and joint venture undertakings.
2 Gross assets comprise fixed and current assets.
3 Net interest charge comprises Group net interest, excluding associated and joint venture undertakings.
4 Return on average equity is based on Group profit excluding exceptional items (post-tax) as a percentage of average shareholders' funds.

Profitability

Group profit for the financial year was €348 million (post-tax), compared with €166 million in 2006. Excluding net exceptional items of €239 million, the after tax profit for the Group was €109 million in 2007 (2006: €70 million). Group EBITDA for the year increased by €25 million (+17%) to €170 million.

Passenger volume and growth

Passenger numbers at the three airports were 30.1 million, an increase of 8.1%. Dublin Airport increased passenger throughput by nearly 2.1 million passengers (+9.9%) to 23.3 million. Shannon growth declined marginally by 0.5% to 3.6 million passengers although terminal passengers (excluding transits) grew by 5.7%. Cork experienced growth and passenger numbers grew by 5.6% overall to 3.2 million.

Turnover

Group turnover was €623 million, an increase of €32 million (+6%) on the previous year. Turnover from continuing operations increased by €68 million or 12%. Some €419 million turnover came from commercial activities both overseas and at the three airports, an increase of €36m (+9%) while turnover from aeronautical activities increased by €32 million (+19%).

Operating costs

Total Group operating costs (excluding cost of sales, depreciation and amortisation) decreased by €6 million (2%) to €291 million. This decrease reflects the disposal of the Group's hotel activities in 2006. Group payroll costs decreased by €4 million (2%) while payroll from continuing operations increased by €14 million (8%). Group non-payroll costs decreased by €2 million (2%) while non-payroll costs from continuing operations rose by €11 million (11%).

Exceptional items

As set out in Note 5, the Group has disposed of its investment in Birmingham Airport recording an exceptional profit of €238 million. Total net exceptional items (after attributable tax) amounted to €239 million.

Depreciation and amortisation

Depreciation and amortisation decreased by €1.9 million to €58.3 million. Depreciation from continuing operations increased by €1.7 million.

Associates and joint ventures

The Group's total share of operating profits (before interest and taxation) from associates and joint ventures increased by €7.1 million to €38.5 million. 2007 saw strong growth in international retailing activities, particularly in the CIS.

Interest

Group net interest charge (excluding associates/joint ventures) decreased by €10.3 million (56%) to €7.9 million primarily due to a reduction in net debt following disposals of assets. The Group's share of net interest cost of associates and joint ventures decreased by €0.6 million to €10.2 million.

Taxation

Taxation charge decreased by €13.2 million to €24.7 million. Excluding tax on exceptional items, the taxation charge increased by €5.6 million reflecting the increase in taxable profits. The effective tax rate in 2007 was 7%. Excluding exceptional items the effective tax rate was 18% (2006: 21%) reflecting, in particular, higher tax rates applicable to the Group's international operations.

Cash flow and funding

Net cash inflow from operating activities was €170 million (2006: €148 million). At the end of 2007 the Group had net funds of €35 million compared to net debt of €136 million in 2006. Cash was €516 million at year-end (2006: €375 million). Net proceeds from the sale of the investment in Birmingham Airport amounted to €304 million.

Group interest cover was 21.4 times (2006: 8.0 times) based on Group EBITDA divided by the Group net interest charge.

Balance Sheet

Shareholders' funds increased to €977 million (2006: €631 million).

Gross assets were €1.7 billion (2006: €1.4 billion). Fixed and financial assets were €1.1 billion (2006: €0.95 billion).

Company accumulated profit and loss account, the basis for determining company distributable reserves, increased by €347 million to €640 million at 31 December 2007.

Treasury

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

On occasion, the Group utilises derivatives to eliminate or reduce foreign exchange and interest rate risks arising from the Group's operations and its sources of finance.

Liquidity risk

The Group's policy is to ensure continuity of funding by (a) maintaining committed facilities covering the minimum of twelve months capital expenditure or eighteen months net financing needs and (b) ensuring a substantial portion of borrowings mature in more than five years. Some 35% of the Group's borrowings at the end of 2007 were due to mature in more than five years. Undrawn committed facilities were €300 million at the year-end. At the year end the Group had capital commitments (both contracted and uncontracted) of €794 million (Company: €779 million). Liquidity at the same date was €816 million, comprising cash of €516 million and undrawn committed borrowing facilities of €300 million.

Interest rate risk

The Group's policy is to protect the profit and loss account from material adverse movements in interest rates by undertaking controlled management of its interest rate exposure. At the end of 2007 all of the Group's debt was denominated as long-term fixed interest debt, thus minimising exposure to interest rate fluctuations. This includes a €250 million Eurobond (2011) and long-term loans from the European Investment Bank. At the end of 2007, the average interest rate applicable to the Group's borrowings was 5.4%. The Group's policy is to maintain a minimum fixed ratio of 70% on existing debt and forecast net debt associated with committed capital expenditure for the following three years.

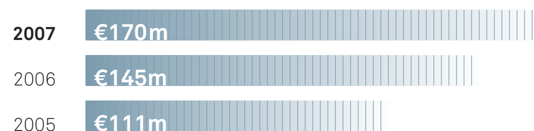
Foreign exchange risk management

The Group's Irish businesses are primarily euro denominated. The Group has a number of overseas subsidiary and associated undertakings from which dividends and management charges are denominated in foreign currencies. Where they do arise, the Group's policy is to minimise currency transaction risk, by seeking to hedge foreign exchange transaction exposures that might impact on reported profit. Currency exposures are disclosed in Note 27. The Group does not carry foreign currency exposures other than in the normal course of business.

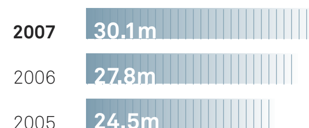
Credit risk

The Group's credit risk consists principally of cash deposits, short-term investments and trade debtors. Cash surpluses are only deposited with banks and institutions with an appropriate credit standing. The Group has formalised procedures for the setting of credit limits and the monitoring of trade debtors.

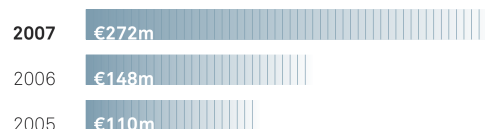
Group EBTIDA



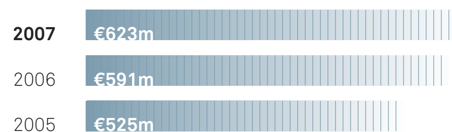
Total passenger numbers



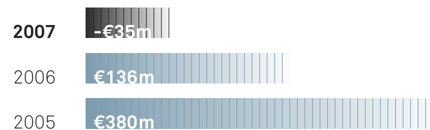
Fixed asset additions



Group turnover



Group net (funds)/debt



Cashflow from operating activities

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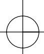

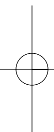

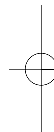

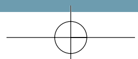

Report of the directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2007.

Principal Activities

The Group's principal activities are airport development, operation and management, Irish and international airport retail management and international airport investment.

Review of the Business and Future Developments

Detailed commentaries on performance for the year ended 31 December 2007, including information on recent events, likely future developments, principal risks and uncertainties facing the business and key performance indicators, required in accordance with Statutory Instrument 116 of 2005: European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005, are contained in the Chairman's Statement, the Chief Executive's Review and Financial Review.

As set out below the financial results of the Group for the year show a profit for the financial year amounting to €347.5 million compared with €166.0 million for 2006.

	2007	2006
	€ million	€ million
Group operating profit	**111.6**	85.0
Share of operating profit of associates and joint venture	**38.5**	31.4
Group profit before interest and exceptional items	**150.1**	116.4
Group exceptional items	**239.3**	115.6
Group profit before interest	**389.4**	232.0
Interest (net)[a] – Group, associates and joint venture	**(17.1)**	(28.2)
Group profit before taxation	**372.3**	203.8
Tax – Group, associates and joint venture	**(24.7)**	(37.9)
Group profit after taxation	**347.6**	165.9
Minority interest	**(0.1)**	0.1
Group profit for the financial year	**347.5**	166.0

a. Includes income from other financial assets

No dividends have been paid or proposed in respect of 2007.

Details of the results for the year are set out in the Group profit and loss account and related notes.

In 2007, the Group recorded a net exceptional gain of €237.5 million comprising the profit on the disposal of its 24.125% stake in Birmingham Airport and a net adjustment of €1.5 million (€1.8 million pre tax) in respect of the prior year exceptional items (Note 5). In 2006, the Group recorded net exceptional gains of €96.5 million (pre-tax) (Note 5), primarily attributable to a gain on disposal of its former hotel business net of a charge in respect of a restructuring programme in Shannon Airport.

State Airports Act 2004 and Separation of Cork and Shannon Airports

The State Airports Act 2004 ("the 2004 Act") provides the necessary legislative basis for the restructuring of the Company, whereby Cork and Shannon airports are to be established as fully independent and autonomous authorities under separate State ownership. Pursuant to the 2004 Act, the State established two wholly owned entities, Cork Airport Authority plc and Shannon Airport Authority plc, for this purpose.

On dates yet to be determined (Appointed Days - transfer of assets dates), each of Cork and Shannon Airport Authority will have the relevant airport assets vested in them and they will assume full responsibility for the management, operation and development of their respective airports. The Minister for Transport, with the consent of the Minister for Finance, may set by order the Appointed Days in respect of each of Cork and Shannon Airport Authority.

Before the making of an Appointed Day Order for Cork and Shannon, i.e. the day on which assets transfer, the two Ministers shall be satisfied as to the state of operational and financial readiness, including business planning of each airport and of Dublin Airport Authority plc.

This matter is referred to further in the Chairman's Statement.

Corporate Governance

The directors are committed to maintaining high standards of corporate governance. Set out below are details of how the relevant principles of good governance contained in the Combined Code on Corporate Governance (the "2006 Combined Code") are applied in Dublin Airport Authority plc. The directors believe that the application of these principles assist the Group to comply with the ethical and other considerations implicit in the Code of Practice for the Governance of State Bodies published by the Department of Finance.

The following paragraphs deal with the Group's compliance with the 2006 Combined Code.

The Board and Committees

The Group is headed by a Board, which comprises eight non-executive directors, four employee representative directors and one executive director (the Chief Executive). The role of the Chairman is separate from that of the Chief Executive. The Minister for Transport, with the consent of the Minister for Finance, appoints the Chairman and the non-executive directors to the Board. Non-executive directors are appointed for terms not exceeding five years. The Chief Executive is appointed by the Board of Directors of the Company and is an ex officio member of the Board. The employee representative directors are appointed for a term of

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up to four years following a nomination and election process under the Worker Participation (State Enterprises) Acts, 1977 and 1988.

The Board considers that all non-executive directors, which for this purpose comprise directors other than the Chief Executive and employee representative directors, are independent and has specific procedures to deal with potential conflicts of interest that may arise. The Board considers that all non-executive directors are independent in character and judgement, notwithstanding that they have been appointed to the Board with the consent of the Minister for Finance, the principal shareholder. In line with the 2006 Combined Code, it is Board policy that the Chairman hold meetings with the non-executive directors, without the other directors being present, at least once a year.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of non-executive directors and constructive relations between the executive director and non-executive directors, ensures that directors receive accurate, timely and clear information and manages effective communication with shareholders.

A scheduled meeting of the Board is usually held each month, except January and August. Additional meetings are convened as required. The Board is responsible for the proper management of the Group and takes all significant strategic decisions and retains full and effective control while allowing management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

On 28 August 2007 Mr. Pat Fitzgerald resigned as a director. Mr. Ian McDonnell was appointed to the Board effective from 1 January 2008. There were no other changes in Board composition during the year.

The total number of meetings held by the Board during the year was eleven and were attended as follows:

Director	Attendance
Mr. Gary McGann	9/11
Mr. Declan Collier	11/11
Mr. Colm Barrington	8/11
Mr. Bill Cullen	9/11
Mr. Des Cummins	10/11
Ms. Mary Davis	9/11
Mr. Pat Fitzgerald	6/6

Director	Attendance
Sir Michael Hodgkinson	8/11
Ms. Marion Keating	10/11
Mr. Brian Lynch	11/11
Mr. Barry Nevin	11/11
Ms. Marie O'Connor	11/11
Mr. Anthony Spollen	10/11

The Board has reserved certain items for its review including, inter alia, the approval of the annual financial statements, annual budget, corporate plan, significant acquisitions, disposals and investments in joint ventures, significant contracts, property transactions, major investments and capital expenditures and senior management appointments and remuneration. The Group has a comprehensive process for reporting management information to the Board. The Board is provided with monthly information, which includes key performance indicators for all aspects of the business. Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

All directors, including the non-executive directors, receive monthly management accounts and regular management reports and information which enables them to scrutinise the Group's and management's performance against agreed objectives.

All directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The Company's professional advisers are available for consultation by the Board as required. Individual directors may take independent professional advice, if necessary, at the Company's expense.

On appointment, all directors are provided with briefing documents on the Group and its operations as well as relevant training.

Ms. Marie O'Connor is the Senior Independent Non-Executive Director.

Performance Evaluation

The Board has formally evaluated Board and Committee performance in line with the requirements of the 2006 Combined Code.

Board Committees

The Board has activated an effective committee structure to assist in the discharge of its responsibilities.

Details in relation to both the Audit and the Remuneration & Appointments Committees, including their current Board membership, are set out below.

Audit Committee

Mr. Anthony Spollen (Chairman), Mr. Des Cummins and Ms. Mary Davis. This committee normally meets at least four times a year and operates under formal terms of reference and an audit charter. The Committee may review any matters relating to the financial affairs and internal control arrangements of the Group. The Committee is responsible to the Board for the review of internal controls, the review of draft financial statements and the scope and performance of the Group Internal Audit function.

It also reviews the scope and results of the external audit and the nature and extent of the services provided by the external auditor. The Board maintains an objective and professional relationship with the Group's auditor. Where the external auditor provides non-audit services, review procedures are in place to safeguard auditor objectivity and independence. The Chairman of the Audit Committee reports to the Board on all significant issues considered by the Committee.

The Company has established procedures to ensure that appropriate arrangements are in place for employees to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action.

Remuneration and Appointments Committee

Mr. Gary McGann (Chairman), Mr. Colm Barrington and Ms. Marie O'Connor. This committee advises the Board on new Board and senior management appointments and determines and approves remuneration and bonus arrangements for the Chief Executive and other senior management.

There were five meetings of the Company's Audit Committee and four meetings of the Remuneration & Appointments Committee in the year. Details of attendance by individual directors at these meetings are as follows:

Audit Committee

Director	Attendance
Mr. Anthony Spollen	5/5
Mr. Des Cummins	3/5
Ms. Mary Davis	5/5

Remuneration and Appointments Committee

Director	Attendance
Mr. Gary McGann	4/4
Mr. Colm Barrington	4/4
Ms. Marie O'Connor	4/4

In addition to the Audit and Remuneration & Appointments Committees, the Board has a number of other committees to assist in the discharge of its responsibilities. These include the Airport Development Committee, the Customer Standards & Market Development Committee, the Health, Safety & Aviation Security Committee and the Sealing Committee.

Directors' and Secretary's Interests

The directors and secretary had no beneficial interest in the shares of the Company or in those of its subsidiaries at any time during the year or the preceding financial year.

There was no significant contract between any of the directors and Dublin Airport Authority plc (or any of its subsidiary, associated or joint venture undertakings) during the year. The Board is satisfied that its non-executive directors are free from any business or other relationship that could materially affect, or could appear to affect, the exercise of their independent judgement.

Members of the Board may hold directorships of third party companies, some of which (or their affiliates) may, in the normal course of business, undertake transactions on an arm's length basis with the Group. Disclosure is provided as required of related party transactions and where the director holds a material interest in the relevant entity. It is the practice, in accordance with the provisions of section 34 of the Air Navigation and Transport (Amendment) Act, 1998 and the Code of Practice for the Governance of State Bodies, that all directors disclose any required interest and absent themselves from Board discussions where they have a direct or indirect interest. In accordance with company law, details of directorships held by members of the Board are filed in the Companies Office.

Directors' Remuneration

Fees for directors are determined by the Minister for Transport, with the consent of the Minister for Finance. The remuneration of the Chief Executive is determined in accordance with the arrangements issued by the Department of Transport for determining the remuneration of Group Chief Executives of Commercial State Bodies under its aegis and is subject to the approval of the Remuneration & Appointments Committee and the Minister for Transport. A proportion of the Chief Executive's remuneration is performance-related and, in this way, is linked to Group objectives and strategies.

Details of directors' fees and emoluments are set out in Note 7 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2006.

Accountability and Audit

The directors acknowledge their overall responsibility for establishing and maintaining the system of internal control throughout the Group.

The system of internal control comprises those ongoing processes for identifying, evaluating and managing the significant risks faced by the Group in pursuing its business objectives. Such a system is designed to manage rather than eliminate risk of failure and can therefore only provide reasonable and not absolute assurance that the Group will achieve those objectives or that the Group will not suffer material misstatement or loss.

The organisation structure of the Group under the day-to-day direction of the Chief Executive is clear. Defined lines of responsibility and delegation of authority have been established.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. As part of this identification process, management have identified the significant risks which could materially adversely affect the Group's business, financial condition or results of operations. These risks are assessed on a continual basis and management report to the Board significant changes in the business and external environment, which affect the significant risks identified.

The directors have established a number of key procedures designed to provide an effective system of internal control, which includes an annual review of the effectiveness of the system of internal control. The key procedures, which are supported by detailed controls and processes, are as follows:

- active Board involvement in assessing key business risks faced by the Group and determining the appropriate course of action for managing these risks;
- a schedule of items reserved to the Board for review;
- a clearly defined organisation structure with appropriate segregation of duties and delegation of responsibility and authority within which the Group's activities can be planned, executed, controlled and monitored to achieve the strategic objectives which the Board has adopted for the Group;
- a formal code of business ethics;
- a formalised risk reporting system;
- a comprehensive system of management and financial reporting, accounting, treasury management and project appraisal;
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;
- annual budgets and financial plans for the Group and business units;
- representation at board level in the Group's principal associates and joint ventures by senior Group executives;
- monitoring of performance against budgets for the Group and its principal associates and joint ventures and reporting thereon to the Board on a monthly basis;
- an Internal Audit department which reviews key systems and controls;
- an Audit Committee, comprised of three non-executive directors, which reviews audit plans and deals with significant control issues raised by the internal or external auditors and meets periodically with the internal auditors and the external auditors;
- full and unrestricted access to the Audit Committee for internal and external audit;
- an active Board sub-committee structure;
- Aviation Security, Safety and Standards management functions which monitor and report on aviation safety and security standards and operational procedures at the airports;
- a Health, Safety & Aviation Security Committee of the Board that monitors and reviews matters in relation to aviation safety and security, and health and safety at the airports.

The directors confirm that the Group's ongoing process for identifying, evaluating and managing the significant risks facing it, is in accordance with the guidance in *Internal Control: Guidance for Directors on the Combined Code* (Turnbull). In particular, the Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. Investment in associated and joint venture companies are considered as part of the Group's on-going risk review process.

Communication with Shareholder

Through regular contact with relevant Government Departments, the Board and management maintain an ongoing dialogue with the Company's shareholder on strategic issues including the proposed restructuring of the Group provided for in the State Airports Act, 2004.

The Board has established procedures to ensure that Board members have an understanding of the views of the shareholder.

Compliance Statement

The Group has been in compliance with the Code of Best Practice provisions of the 2006 Combined Code relevant to it throughout the financial year under review and up to the date of this report other than as follows:

- The Minister for Transport, with the consent of the Minister for Finance, appoints the Chairman and the non-executive directors to the Board. The employee representative directors are appointed to the Board for a term of up to four years by the Minister following a nomination and election process under the Worker Participation (State Enterprises) Acts 1977 and 1988 which were last held in 2005. The Chief Executive is appointed by the Board of Directors of the Company and is an ex officio member of the Board. As a result, the Board is satisfied that the provisions in relation to a Nomination Committee and director re-election do not apply.

- Full disclosure is made in these financial statements relating to directors' emoluments and pension contributions in accordance with the requirements of the Irish Companies Acts, 1963 to 2006 and the Department of Finance. However, these disclosures do not extend to those contained in the 2006 Combined Code.

Going Concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accounting Records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at the Company's premises at Dublin, Shannon and Cork airports.

Health and Safety

The well being of the Group's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and all relevant companies within the Group take the necessary action to ensure compliance with the Act.

Subsidiary, Associated and Joint Venture Undertakings

The information required by Section 158 of the Companies Act, 1963 in relation to subsidiary, associated and joint venture undertakings is set out in Note 12.

Prompt Payments Act

Dublin Airport Authority plc's policy is to comply with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2002 and the Prompt Payment of Accounts Act 1997. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and the regular review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations. As in previous years, substantially all payments by number and value were made within the appropriate credit period as required.

Electoral Act, 1997

The Group did not make any political donations during the year.

Post Balance Sheet Events

There have been no significant post balance sheet events which require adjustment to the financial statements or the inclusion of a note thereto.

Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditors, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board
Gary McGann, *Chairman*
Anthony Spollen, *Director*

10 March 2008

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Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law, the directors have elected to prepare the Group and parent company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2006. The directors have also elected to prepare a report on Corporate Governance which is included in the Directors' Report.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board
Gary McGann, *Chairman*
Anthony Spollen, *Director*

10 March 2008

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Independent auditor's report to the members of Dublin Airport Authority plc

We have audited the Group and Company financial statements (the "financial statements") of Dublin Airport Authority plc for the year ended 31 December 2007 on pages 42 to 72. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 40.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006. We also report to you whether, in our opinion: proper books of account have been kept by the company; at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review, at the request of the directors, whether the voluntary statement on page 38 reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for auditor review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Board of Directors section, Chairman's Statement, Chief Executive's Review, Transforming Dublin Airport in 2007 section, 2007 Financial Review, Five Year Summaries, DAA Group section, General Business, and Aeronautical Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Company's affairs as at 31 December 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

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

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants, Registered Auditor
1 Stokes Place, St. Stephen's Green, Dublin 2

10 March 2008

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Statement of accounting policies

for the year ended 31 December 2007

The financial statements have been prepared in accordance with the following accounting policies which have been applied consistently in dealing with items which are considered material in relation to the financial statements and with the prior year.

Basis of Preparation

The financial statements are prepared in accordance with Generally Accepted Accounting Practice in Ireland under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by The Institute of Chartered Accountants in Ireland.

The State Airports Act, 2004 provides the necessary legislative basis for the restructuring of the Company, in particular, the establishment of Cork and Shannon airports as fully independent and autonomous authorities under separate State ownership as and from their respective Appointed Days. Prior to the making of an Appointed Day Order for either Cork or Shannon Airport, the Ministers for Transport and Finance must be satisfied as to the financial and operational readiness of each airport and of Dublin Airport Authority plc. Pending this, all assets and liabilities remain with the Group. Ultimate responsibility for the management, operation and development of Dublin, Cork and Shannon airports remains with the Company and these financial statements continue to be prepared on this basis. It is not possible for the directors to determine at this juncture the impact of the completion of the proposed restructuring on the financial position of the Group and no account of any proposed new arrangements has been taken in these financial statements.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings (“subsidiaries”) made up to 31 December 2007.

Joint venture undertakings (“joint ventures”) are those undertakings over which the Group exercises control jointly with one or more other parties. Associated undertakings (“associates”) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

The Group includes its share of associates’ and joint ventures’ profits and losses and separately discloses its share of its joint ventures’ turnover in the consolidated profit and loss account. For associates, the Group includes its share of net assets in the consolidated balance sheet. For joint ventures, the Group includes its share of gross assets and gross liabilities in the consolidated balance sheet.

The results of subsidiaries, associates and joint ventures acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Financial Assets

Investments in subsidiaries, joint ventures and associates are shown in the Company balance sheet as financial fixed assets and are valued at cost less provisions for impairment in value. Other financial fixed assets are also carried in both the Company and the Group balance sheet on the same basis, with income from such assets being recognised on a receivable basis in the profit and loss account.

Turnover

Turnover represents the fair value of goods and services, net of discounts, delivered to external customers in the accounting period excluding intra-Group sales and 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 and loss account for the year.

Where applicable, the Group’s net investment in overseas subsidiaries, associates and joint ventures is translated at the rate ruling at the balance sheet date. The results of overseas subsidiaries, associates and joint ventures are, where applicable, included at the average rate of exchange. The resulting translation differences are taken to reserves and reflected in the statement of total recognised gains and losses.

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write off the cost (or deemed cost on the transitional provisions of Financial Reporting Standard 15 (FRS 15) “Tangible Fixed Assets”) 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 Group estimates the recoverable amount of its airport assets based on the higher of their net realisable values or the present values of

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future cash flows expected to result from their use. For the purposes of this review, Dublin, Shannon and Cork Airports combined are considered to form one income-generating unit. Where the recoverable amount is less than the carrying amount of the assets the Group 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.

Intangible Assets and Goodwill

Purchased goodwill arising on an acquisition (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) is capitalised and is amortised on a straight line basis over its estimated useful life, the period during which benefits are expected to accrue.

Purchased goodwill is being amortised over a twenty year period or, where shorter, the period of the concession agreement entered into in the acquired entity.

Where events or circumstances are present which indicate that the carrying amount of goodwill may not be recoverable, the Group estimates the recoverable amount based on the present value of future cashflows expected to result from the use of the asset and its eventual disposition. Where this amount is less than the carrying amount of the asset, the Group will recognise an impairment loss.

Other intangible assets are recorded at acquisition cost, being fair values at date of acquisition, less the amounts amortised to the profit and loss account. These intangible assets are amortised over their economic lives, being the terms of various concessions which currently range from three to eight years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on invoice price on either an average basis or on a first in first out basis depending on the stock category. Net realisable value is calculated as estimated selling price less estimated selling costs.

Taxation

Corporation tax in respect of the Company and its subsidiary undertakings is provided at current rates and is calculated on the basis of their results for the year adjusted for taxation purposes. The taxation charge in the profit and loss account includes taxation on the Group's share of profits of associated and joint venture undertakings.

Full provision without discounting is made for all timing differences, other than those arising from unremitted earnings of overseas subsidiaries and associates, 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. No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries and associates as no tax is expected to be payable on them. 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.

Pension and Other Post-Retirement Obligations

The Group operates or participates in contributory pension schemes, covering the majority of its employees. The schemes are administered by Trustees and are independent of the Group.

For schemes accounted for as defined contribution, contributions are accrued and recognised in operating profit in the period in which the related service is provided 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.

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

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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 Group 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/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.

Group profit and loss account

for the year ended 31 December 2007

	Note	2007 €000	2007 €000	2006 €000	2006 €000
Turnover					
Group and share of joint venture			**623,940**		591,162
Less: share of joint venture turnover			**(576)**		(576)
Group turnover					
Continuing operations	*1*	**623,364**		555,250	
Discontinued operations	*1*	**–**		35,336	
			623,364		590,586
Operating costs					
Cost of goods for resale			**(162,867)**		(148,759)
Payroll and related costs	*3*		**(177,707)**		(181,600)
Materials and services			**(112,873)**		(114,999)
Depreciation and amortisation			**(58,309)**		(60,225)
			(511,756)		(505,583)
Group operating profit/(loss)					
Continuing operations	*2*	**111,608**		89,353	
Discontinued operations	*2*	**–**		(4,350)	
			111,608		85,003
Share of operating profits					
Joint venture undertaking			**458**		485
Associated undertakings	*4*		**38,013**		30,865
Group profit before interest and exceptional items			**150,079**		116,353
Exceptional items					
Profit on disposal of investment in associate	*5*		**237,518**		–
Profit on sale of discontinued operations	*5*		**3,453**		148,929
Profit on disposal of financial asset	*5*		**–**		2,709
Costs of fundamental restructuring – continuing operations	*5*		**(1,651)**		(36,000)
Group profit before interest			**389,399**		231,991
Income from other financial assets			**1,000**		825
Interest receivable					
Group			**16,015**		6,036
Joint venture undertaking			**3**		4
Associated undertakings			**934**		1,423
Interest payable and similar charges					
Group	*6*		**(23,954)**		(24,257)
Joint venture undertaking	*6*		**(825)**		(663)
Associated undertakings	*6*		**(10,278)**		(11,524)
Group profit on ordinary activities before taxation	*7*		**372,294**		203,835
Tax on profit on ordinary activities	*8*		**(24,735)**		(37,978)
Group profit on ordinary activities after taxation			**347,559**		165,857
Minority interest	*30*		**(33)**		105
Group profit for the financial year	*22*		**347,526**		165,962

There is no material difference between results as reported and those prepared on a historical cost basis.

On behalf of the Board
Gary McGann, *Chairman*
Anthony Spollen, *Director*

10 March 2008

Statement of total recognised gains and losses

for the year ended 31 December 2007

	Note	2007 €000	2006 €000
Group profit for the financial year		**347,526**	165,962
Exchange differences on translation of overseas investments (arising on net assets)			
Subsidiary undertakings		**122**	(1,407)
Associated undertakings		**(1,711)**	(955)
Actuarial (loss)/gain recognised in the pension schemes			
Group	*21*	**(89)**	2,550
Associated undertakings		**174**	2,683
Deferred tax credit/(charge) thereon			
Group		**11**	(319)
Associated undertakings		**(52)**	(805)
Total recognised gains and losses for the year		**345,981**	167,709

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2007

	2007 €000	2006 €000
At 1 January	**631,365**	477,712
Total recognised gains and losses for the year	**345,981**	167,709
Transfer of negative goodwill previously credited directly to reserves on acquisition (which is included in total recognised gains and losses)	**–**	(14,056)
At 31 December	**977,346**	631,365

Group balance sheet

at 31 December 2007

	Note	2007 €000	2007 €000	2006 €000	2006 €000
Fixed assets					
Tangible assets	10		**1,006,126**		793,447
Intangible assets	11		**3,327**		4,100
			1,009,453		797,547
Financial assets					
Investments in joint venture undertaking					
Share of gross assets		**19,907**		19,926	
Share of gross liabilities		**(21,780)**		(21,435)	
Loans to joint venture undertaking		**4,882**		4,882	
Total investment in joint venture undertaking			**3,009**		3,373
Investment in associated undertakings			**91,166**		148,194
Total financial assets	12		**94,175**		151,567
Total fixed assets			**1,103,628**		949,114
Current assets					
Stocks	13	**30,424**		23,802	
Debtors	14	**55,779**		50,045	
Cash at bank and in hand	26	**515,587**		374,961	
		601,790		448,808	
Creditors: Amounts falling due within one year	15	**(215,570)**		(209,863)	
Net current assets			**386,220**		238,945
Total assets less current liabilities			**1,489,848**		1,188,059
Creditors: Amounts falling due after more than one year	16		**(479,710)**		(498,731)
Capital grants	18		**(18,024)**		(19,380)
Provisions for liabilities	19		**(13,916)**		(37,677)
Net assets excluding net pension liability			**978,198**		632,271
Net pension liability	21		**(2,280)**		(2,331)
Net assets			**975,918**		629,940
Capital and reserves					
Called up share capital	20		**186,337**		186,337
Profit and loss account	22		**792,279**		442,235
Other reserves	22		**(1,270)**		2,793
Shareholders' funds			**977,346**		631,365
Minority interest	30		**(1,428)**		(1,425)
			975,918		629,940

On behalf of the Board

Gary McGann, *Chairman*

Anthony Spollen, *Director*

10 March 2008

Company balance sheet

at 31 December 2007

	Note	2007 €000	2006 €000
Fixed assets			
Tangible assets	*10*	**993,061**	779,927
Financial assets	*12*	**29,549**	127,946
		1,022,610	907,873
Current assets			
Stocks	*13*	**12,674**	13,627
Debtors	*14*	**50,295**	44,132
Cash at bank and in hand		**492,255**	330,513
		555,224	388,272
Creditors: Amounts falling due within one year	*15*	**(234,270)**	(255,662)
Net current assets		**320,954**	132,610
Total assets less current liabilities		**1,343,564**	1,040,483
Creditors: Amounts falling due after more than one year	*16*	**(484,180)**	(502,879)
Capital grants	*18*	**(18,024)**	(19,380)
Provisions for liabilities	*19*	**(13,185)**	(36,901)
Net assets excluding net pension liability		**828,175**	481,323
Net pension liability	*21*	**(2,280)**	(2,331)
Net assets		**825,895**	478,992
Capital and reserves			
Called up share capital	*20*	**186,337**	186,337
Profit and loss account	*22*	**639,558**	292,655
Shareholders' funds		**825,895**	478,992

On behalf of the Board

Gary McGann, *Chairman*

Anthony Spollen, *Director*

10 March 2008

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Group cash flow statement

for the year ended 31 December 2007

	Note	2007 €000	2006 €000
Cash inflow from operating activities	*23*	**170,001**	148,183
Dividends received from associated undertakings	*12*	**9,628**	8,648
Returns on investments and servicing of finance	*24*	**(12,875)**	(22,514)
Payments in respect of restructuring programme	*19*	**(27,017)**	–
Taxation paid		**(23,520)**	(21,505)
		116,217	112,812
Capital expenditure and financial investment	*24*	**(248,485)**	(133,722)
Acquisitions and disposals	*24*	**303,677**	264,595
Cash inflow before management of liquid resources and financing		**171,409**	243,685
Management of liquid resources			
Net cash transferred to liquid resources	*26*	**(162,267)**	(237,209)
Financing	*24*	**(29,758)**	37,997
(Decrease)/increase in cash in year	*26*	**(20,616)**	44,473

Notes on and forming part of the financial statements

for the year ended 31 December 2007

1. Turnover

	2007			2006		
	Continuing Operations €000	**Discontinued Operations €000**	**Total €000**	Continuing Operations €000	Discontinued Operations €000	Total €000
Ireland						
Aeronautical revenue	**204,088**	**–**	**204,088**	171,815	–	171,815
Commercial activities	**302,887**	**–**	**302,887**	293,998	–	293,998
Hotels	**–**	**–**	**–**	–	35,336	35,336
Total Ireland	**506,975**	**–**	**506,975**	465,813	35,336	501,149
Overseas – commercial activities	**116,389**	**–**	**116,389**	89,437	–	89,437
	623,364	**–**	**623,364**	555,250	35,336	590,586

A segmental analysis of results and net assets is not provided, as disclosure of such information would, in the directors' opinion be seriously prejudicial to the interests of the Group.

2. Components of group operating profit

	2007			2006		
	Continuing Operations €000	**Discontinued Operations €000**	**Total €000**	Continuing Operations €000	Discontinued Operations €000	Total €000
Turnover	**623,364**	**–**	**623,364**	555,250	35,336	590,586
Cost of sales	**(162,867)**	**–**	**(162,867)**	(143,652)	(5,107)	(148,759)
Payroll and related costs	**(177,707)**	**–**	**(177,707)**	(163,799)	(17,801)	(181,600)
Materials and services	**(112,873)**	**–**	**(112,873)**	(101,845)	(13,154)	(114,999)
Depreciation	**(58,309)**	**–**	**(58,309)**	(56,601)	(3,624)	(60,225)
Group operating profit/(loss)	**111,608**	**–**	**111,608**	89,353	(4,350)	85,003

3. Payroll and related costs

		Group
	2007 €000	2006 €000
Wages and salaries	**156,606**	158,873
Social welfare costs	**13,841**	15,061
Pension costs (Note 21)	**7,417**	7,369
Other staff costs	**2,000**	2,002
	179,864	183,305
Staff costs capitalised into fixed assets	**(2,157)**	(1,705)
Net staff costs charged to the profit and loss account	**177,707**	181,600

	2007	2006
Average employee figures (full time equivalents) were as follows		
Airports	**2,668**	2,667
Hotels	**–**	511
International activities	**495**	479
	3,163	3,657

4. Share of operating profits of associated undertakings

This relates to the Group's share of profits before interest and taxation for the year in its associated undertakings as defined in the Statement of Accounting Policies. Management fees and other direct income from these undertakings are included in turnover of the Group.

5. Exceptional items

a. Profit on disposal of investment in associate

The Group disposed of its entire holding in its associated undertaking, Birmingham Airport Holdings Limited ("BAHL"), during the year. The carrying value of the Group's share of net assets of this associated undertaking at the date of disposal was €66.2 million. The Group received net sales proceeds of €303.7 million and a profit of €237.5 million arose on the disposal. This disposal qualified for substantial shareholding relief (participation exemption under S626(B) of the Taxes Consolidation Act, 1997) so that no capital gains tax liability arose.

On disposal, in addition to the profit of €237.5 million shown above, a previously unrealised profit of €2.3 million on acquisition of certain shares in BAHL in 2001 was realised and has been transferred to the profit and loss account reserve together with a translation reserve of €0.2 million (Note 22).

The group profit and loss account in 2007 includes the following amounts in respect of BAHL:

	€000
Share of operating profit	8,782
Share of net interest	(1,432)
Share of tax	(2,146)
	5,204

b. Profit on sale of discontinued operations

In 2007, €3.5 million was released to the profit and loss account arising from the revision of cost estimates relating to the disposal of the Group's hotel business during 2006. The impact on taxation was to increase the charge by €0.5 million in 2007.

In 2006, a profit of €148.9 million arose on the sale of this hotel business, formerly known as Great Southern Hotels. The impact of the disposal on the tax charge in 2006 was €23.7 million of which €10.1 million was classified as capital gains tax (Note 8).

c. Profit on disposal of financial asset

In 2006, a profit of €2.7 million arose on disposal of the Group's interest in Hamburg Airport. The capital gains tax arising on this disposal was €0.03 million (Note 8).

d. Costs of fundamental restructuring – continuing operations

In 2006, €36 million (before tax) was charged to the profit and loss account in respect of the fundamental restructuring at Shannon Airport. The impact on taxation was to reduce the tax charge for 2006 by €4.5 million.

During 2007, following a revised assessment of the related costs a further €1.65 million was provided in respect of the fundamental restructuring at Shannon Airport. The impact on taxation was to reduce tax charges by €0.2 million.

6. Interest payable

	Group 2007 €000	Group 2006 €000
Group		
Interest payable on loans wholly repayable by instalments:		
Within five years	**1,022**	1,876
After five years	**10,448**	9,870
Interest on loan notes	**15,375**	15,375
Amortisation of issue costs	**156**	147
Other interest payable	**–**	2
Finance lease	**5**	5
Other finance costs	**29**	–
	27,035	27,275
Interest capitalised	**(3,081)**	(3,018)
Total interest payable – Group	**23,954**	24,257
Joint venture undertaking:		
Interest on loans repayable by instalments within five years	**825**	663
Associated undertakings:		
Interest payable on loans repayable by instalments within five years	**2,578**	2,098
Interest payable on loans repayable by instalments after five years	**7,808**	9,623
Finance lease interest	**–**	3
Interest capitalised	**(108)**	(200)
Total interest payable – associated undertakings	**10,278**	11,524

7. Statutory and other information

Group profit on ordinary activities before tax is stated after charging/(crediting):

	2007 €000	2006 €000
Auditors' remuneration (including expenses):		
For audit services	**387**	399
For other services	**581**	638
	968	1,037
Operating lease rentals:		
Equipment	**817**	982
Buildings	**6,948**	7,626
Depreciation	**57,294**	63,934
Impairment, write-offs and loss/profit on disposal of tangible fixed assets (excluding hotel assets)	**1,363**	344
Amortisation of capital grants	**(1,356)**	(5,178)
Amortisation of intangible assets and goodwill:		
Group (Note 11)	**821**	895
Associated undertakings	**187**	230
	1,008	1,125
Directors' remuneration:		
Fees	**219**	227
Other emoluments (including pension contribution)	**681**	671
Compensation or other payments on retirement or loss of office	**126**	–
	1,026	898

Pursuant to a severance agreement with a former employee representative director, the Company agreed to pay €126,009 on his ceasing to be an employee and director.

In the case of employee directors elected pursuant to the Worker Participation (State Enterprises) Acts 1977 and 1988, remuneration and compensation or other payments on retirement or loss of office payable in respect of services as director is included above. Other remuneration and compensation or other payments on retirement or loss of office, relating to their normal contracts of employment, is not regarded as directors' emoluments and consequently is not included above.

The remuneration of the Chief Executive, disclosed in accordance with the applicable government department guidelines relating to the remuneration arrangements for chief executives of commercial state bodies, is provided below.

	2007 €000	2006 €000
Fees	**17**	17
Basic salary	**333**	315
Performance related remuneration paid in year	**167**	178
Pension contributions and other taxable benefits	**181**	178
	698	688

8. Tax on profit on ordinary activities

	2007 €000	2006 €000
Current tax:		
Corporation tax – Ireland	**11,645**	21,945
Overseas corporation tax of subsidiary undertakings	**3,429**	2,893
Capital gains tax – Ireland	**188**	10,134
Overseas capital gains tax of subsidiary undertaking	**–**	26
(Over)/under provision in respect of prior periods	**(268)**	88
Tax attributable to Group	**14,994**	35,086
Share of overseas tax of associated undertakings	**8,881**	6,354
Share of Irish tax of associated undertakings	**222**	158
Tax attributable to associated undertakings	**9,103**	6,512
Current tax charge	**24,097**	41,598
Deferred tax:		
Origination/reversal of timing differences		
Attributable to Group (Note 19)	**1,231**	(2,641)
Attributable to Group share of associated undertakings	**(985)**	–
Adjustment in respect of prior years (Note 19)	**374**	(811)
Timing differences relating to FRS 17 pension liabilities	**18**	(168)
Deferred tax charge/(credit)	**638**	(3,620)
Tax on profit on ordinary activities	**24,735**	37,978

The Group's Irish operations are subject to differing rates of corporation taxation, according to, inter alia, the nature of activities. During 2007 and 2006, these rates varied from 12.5% to 25% while the standard rate of corporation taxation was 12.5%.

The current tax charge for the period is lower than that based on the standard rate of tax in the Republic of Ireland. The differences are set out in the tax reconciliation below:

	2007 €000	2006 €000
Profit on ordinary activities before taxation	**372,294**	203,835
Profit on ordinary activities at standard corporation tax rate in Republic of Ireland of 12.5% (2006: 12.5%)	**46,537**	25,479
Effects of:		
Non taxable gain on disposal of associate (Note 5)	**(29,690)**	–
Differences between capital allowances for period and depreciation	**(947)**	6,096
Expenses (deductible)/not deductible for tax purposes (timing differences)	**(413)**	1,637
Expenses not deductible for tax purposes (permanent differences)	**691**	1,267
Profits of foreign undertakings taxable at higher rates	**7,077**	5,078
Irish profits taxable at higher rates	**1,173**	3,126
Losses utilised	**(40)**	(826)
(Over)/under provision in respect of prior periods	**(268)**	88
Other	**(23)**	(347)
Current tax charge for the year	**24,097**	41,598

9. Profit for the financial year

A separate Company profit and loss account is not presented, as provided for under the Companies Act 1963, Section 148(8). A profit for the financial year of €347.0 million (2006: €150.6 million) has been dealt with in the financial statements of the Company.

10. Tangible fixed assets

Group	Terminal complexes €000	Lands and airfields €000	Plant and equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2007	385,308	196,786	284,338	190,244	123,952	1,180,628
Additions	707	99	12,970	1,487	256,392	271,655
Transfer to completed assets	9,631	2,875	14,862	9,666	(37,034)	–
Disposals	–	(123)	(1,527)	–	–	(1,650)
Write-offs	(4,133)	(717)	(15,909)	(1,722)	–	(22,481)
Translation reserve	–	–	(112)	–	–	(112)
At 31 December 2007	**391,513**	**198,920**	**294,622**	**199,675**	**343,310**	**1,428,040**
Depreciation						
At 1 January 2007	106,816	66,063	143,305	70,997	–	387,181
Charge for the year	19,724	6,438	24,199	6,933	–	57,294
Reclassifications to intangible assets	–	–	(144)	–	–	(144)
Disposals	–	–	(1,466)	–	–	(1,466)
Write-offs	(3,361)	(507)	(15,143)	(1,467)	–	(20,478)
Reversal of impairment	–	–	(434)	–	–	(434)
Translation reserve	–	–	(39)	–	–	(39)
At 31 December 2007	**123,179**	**71,994**	**150,278**	**76,463**	**–**	**421,914**
Net book value						
2007	**268,334**	**126,926**	**144,344**	**123,212**	**343,310**	**1,006,126**
2006	278,492	130,723	141,033	119,247	123,952	793,447

Company	Terminal complexes €000	Lands & airfields €000	Plant & equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2007	385,308	189,900	272,143	184,218	123,952	1,155,521
Additions	707	99	11,939	1,487	256,392	270,624
Transfer to completed assets	9,631	2,875	14,862	9,666	(37,034)	–
Disposals	–	(123)	(1,527)	–	–	(1,650)
Write-offs	(4,133)	(717)	(15,503)	(1,722)	–	(22,075)
At 31 December 2007	**391,513**	**192,034**	**281,914**	**193,649**	**343,310**	**1,402,420**
Depreciation						
At 1 January 2007	106,816	66,063	135,743	66,972	–	375,594
Charge for the year	19,724	6,438	22,274	6,881	–	55,317
Disposals	–	–	(1,466)	–	–	(1,466)
Write-offs	(3,361)	(507)	(14,751)	(1,467)	–	(20,086)
At 31 December 2007	**123,179**	**71,994**	**141,800**	**72,386**	**–**	**409,359**
Net book value						
2007	**268,334**	**120,040**	**140,114**	**121,263**	**343,310**	**993,061**
2006	278,492	123,837	136,400	117,246	123,952	779,927

Lands and airfields include airport land at a cost of €19.2 million (2006: €19.3 million). Fixed asset additions include internal architectural and engineering costs of €2.2 million (2006: €1.7 million). Fixed assets include cumulative interest capitalised of €15.0 million (2006: €11.9 million). Interest of €3.1 million (2006: €3.0 million) was capitalised at an average rate of 5.4% (2006: 5.3%) per annum.

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11. Intangible fixed assets

Group	Concession rights	Goodwill [a]	2007 Total	2006 Total
	€000	€000	€000	€000
Cost				
At 1 January	16,061	526	**16,587**	19,105
Foreign exchange movement	947	–	**947**	(2,518)
At 31 December	**17,008**	**526**	**17,534**	16,587
Amortisation				
At 1 January	12,239	248	**12,487**	13,629
Reclassification	144	–	**144**	–
Charge for the year	768	53	**821**	895
Foreign exchange movement	755	–	**755**	(2,037)
At 31 December	**13,906**	**301**	**14,207**	12,487
Net book value	**3,102**	**225**	**3,327**	4,100

a. Goodwill arose on the acquisition of shares in Kievrianta LLC in 2002.

12. Fixed assets – financial

Group	1 January 2007 €000	Additions and other increases during the year €000	Disposals and other movements during the year €000	31 December 2007 €000
Joint venture undertaking				
Share of gross assets	19,926	–	(19)	**19,907**
Share of gross liabilities	(21,435)	–	(345)	**(21,780)**
Loans to joint venture undertaking	4,882	–	–	**4,882**
	3,373	–	(364)[a]	**3,009**
Associated undertakings				
Equity interest at cost	90,986	–	(34,847)[b]	**56,139**
Goodwill	2,138	–	(1,594)[b]	**544**
Loans to associated undertakings	563	–	–	**563**
Share of post acquisition profits	108,398	20,673	(29,725)[b]	**99,346**
Dividends paid	(56,426)	–	(9,628)	**(66,054)**
Translation reserve	2,535	–	(1,907)[b]	**628**
	148,194	20,673	(77,701)	**91,166**
Total financial assets	**151,567**	**20,673**	**(78,065)**	**94,175**
Company				
Ordinary shares in subsidiary undertakings at cost	24,567	–	(463)[c]	**24,104**
Other loans to subsidiary undertakings	97,934	–	(97,934)[d]	**–**
Loan to associated undertakings	563	–	–	**563**
Loan to joint venture undertaking	4,882	–	–	**4,882**
	127,946	**–**	**(98,397)**	**29,549**

a. Included in joint venture undertaking is the share of losses for the year of €0.4 million.
b. During the year, the Group disposed of its investment in Birmingham International Airport (Note 5).
c. An amortisation charge of €0.5 million (Company) was applied to the investment in DAA Finance plc.
d. During the year a subsidiary undertaking repaid a loan of €97.9 million to the Company.

In the opinion of the directors, the net realisable value of the investments is not less than the book amounts shown above. The basis on which financial assets are stated is set out in the Statement of Accounting Policies.

12. Fixed assets – financial *continued*

The principal operating subsidiary, associated and joint venture undertakings of the Group, all of which are included in the Group financial statements, are as set out below:

Undertaking	Registered office	Nature of business	% holding of ordinary shares
Subsidiary undertakings			
DAA Finance plc	Dublin, Ireland	Financing company	100
Aer Rianta International cpt	Shannon, Ireland	International management services and airport investor	100
Aer Rianta International (North America) Inc.	Montreal, Canada	Duty-free shopping and related activities	100
Kievrianta LLC	Kiev, Ukraine	Duty-free shopping and related activities	99
Aer Rianta International Sardana (JFK) Inc.	Delaware, USA	Airport shopping and related activities	70
Aer Rianta International Kosovo LLC	Pristina, Kosovo	Duty-free shopping and related activities	100
Associated undertakings			
Airport Partners GmbH[a]	Düsseldorf, Germany	Airport investor	40
Aer Rianta International (Middle East) W.L.L.	Manama, Bahrain	Duty-free shopping and related activities	50
Lenrianta JSC	St. Petersburg, Russia	Duty-free shopping and related activities	48.3
Aerofirst JSC	Moscow, Russia	Duty-free shopping and related activities	33.3
Brooklyn Properties Limited	Cork, Ireland	Cork Airport Business Park development	37.5
Rex Trading JSC	Moscow, Russia	Duty-free shopping and related activities	19.9
Caribbean ARI Inc	Bridgetown, Barbados	Duty-free shopping and related activities	50
Media Port LLC	Moscow, Russia	Advertising	40
Joint venture undertaking			
Turckton Developments Limited	Dublin, Ireland	Business Park development	50

a. The Group has a beneficial interest of 20% in the share capital of Flughafen Düsseldorf GmbH (Düsseldorf Airport) through its investment in Airport Partners GmbH.

All financial statements of subsidiary, associated and joint venture undertakings are coterminous with the year-end of the Group other than in respect of DAA Finance plc whose financial statements are prepared to a 28 February year-end. Management accounts have been prepared to 31 December 2007 for the purposes of including the results of this company in the Group financial statements.

Transactions between the Group and its associated and joint venture undertakings are detailed in Note 29.

13. Stocks

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Goods for resale	**28,391**	21,899	**10,641**	11,724
Maintenance	**2,033**	1,903	**2,033**	1,903
	30,424	23,802	**12,674**	13,627

The replacement value of stocks is not materially different from the carrying amounts.

14. Debtors

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Trade debtors	**37,478**	31,196	**26,048**	21,418
Due from subsidiary undertakings	**–**	–	**8,800**	8,785
Due from associated undertakings	**2,474**	2,659	**–**	–
VAT	**3,893**	4,144	**3,514**	3,885
Corporation tax	**–**	1,934	**–**	1,934
Other debtors	**11,934**	10,112	**11,933**	8,110
	55,779	50,045	**50,295**	44,132

Debtors of €4.1 million (2006: €5.8 million) in the Group and debtors of €12.6 million (2006: €13.1 million) in the Company, fall due after more than one year.

15. Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Bank loans (Note 17)	**9,757**	19,909	**3,432**	13,909
Trade creditors	**23,823**	20,359	**10,648**	10,701
Due to subsidiary undertakings	**–**	–	**70,701**	109,648
Due to associated undertakings	**997**	341	**–**	–
Other creditors	**14,810**	27,403	**14,110**	10,462
Accruals and deferred income	**166,183**	141,851	**135,379**	110,942
	215,570	209,863	**234,270**	255,662
Tax included in other creditors:				
Corporation tax	**3,855**	14,081	**3,505**	–
Capital gains tax	**188**	1,719	**188**	–
PAYE	**3,381**	4,308	**3,227**	3,360
PRSI	**2,185**	2,177	**2,108**	2,103
Other taxes	**851**	120	**812**	544

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16. Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Bank loans	**220,171**	239,777	**113,208**	126,490
Loan notes (Note 17)	**249,446**	249,290	**–**	–
Loan from minority interest to subsidiary undertakings	**1,409**	1,562	**–**	–
Other creditors	**8,684**	8,102	**8,684**	8,101
Due to subsidiary undertakings	**–**	–	**362,288**	368,288
	479,710	498,731	**484,180**	502,879

Other creditors of €5.7 million (2006: €5.5 million), Group and Company, fall due after more than five years.

17. Financial liabilities

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Repayable by instalments:				
Repayable within one year	**9,757**	19,909	**3,432**	13,909
Repayable within one to two years	**11,597**	19,608	**4,946**	13,283
Repayable within two to five years	**43,187**	40,451	**19,703**	17,899
Repayable after five years	**166,796**	181,280	**88,559**	95,308
	231,337	261,248	**116,640**	140,399
Repayable other than by instalments:				
Repayable within two to five years	**249,446**	249,290	**–**	–
	480,783	510,538	**116,640**	140,399
Included in creditors falling due within one year	**9,757**	19,909	**3,432**	13,909
Included in creditors falling due after more than one year	**471,026**	490,629	**113,208**	126,490

The Group, through its subsidiary DAA Finance plc, has in issue €250 million of loan notes repayable in 2011 on which a fixed interest rate of 6.15% is payable annually. This amount is included in financial liabilities repayable other than by instalments above, net of issue costs. These loan notes are listed on the Official Lists of the Irish and London Stock Exchanges. All amounts payable to noteholders are guaranteed by Dublin Airport Authority plc.

Borrowing facilities

The Group has various undrawn committed borrowing facilities. At 31 December 2007, the undrawn committed facilities available in respect of which all conditions precedent had been met were as follows:

	2007
	€000
Expiring in more than two years but not more than five years	**300,000**

18. Capital grants

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
At 1 January	**19,380**	24,558	**19,380**	24,480
Amortised to profit and loss account	**(1,356)**	(5,178)	**(1,356)**	(5,100)
At 31 December	**18,024**	19,380	**18,024**	19,380

19. Provisions for liabilities

	Deferred tax €000	Restructuring (Note 5) €000	Total €000
Group			
At 1 January 2007	1,677	36,000	**37,677**
Charge for the year	1,231	1,651	**2,882**
Utilised for the year	–	(27,017)	**(27,017)**
Adjustment in respect of prior years	374	–	**374**
At 31 December 2007	3,282	10,634	**13,916**
Company			
At 1 January 2007	901	36,000	**36,901**
Charge for the year	1,270	1,651	**2,921**
Utilised for the year	–	(27,017)	**(27,017)**
Adjustment in respect of prior years	380	–	**380**
At 31 December 2007	2,551	10,634	**13,185**

The balance of the restructuring provision of €10.6 million at 31 December 2007 is expected to be utilised in 2008.

Deferred tax	Group		Company	
	2007 €000	2006 €000	**2007 €000**	2006 €000
Comprising				
Timing differences on capital allowances	**5,721**	3,653	**4,990**	3,647
Amounts not deductible for corporation tax in the current year	**(2,439)**	(1,976)	**(2,439)**	(2,746)
	3,282	1,677	**2,551**	901

20. Called up share capital

	Group and Company	
	2007 €000	2006 €000
Authorised:		
317,500,000 ordinary shares of €1 each	**317,500**	317,500
Allotted, called up and fully paid:		
186,336,813 ordinary shares of €1 each	**186,337**	186,337

All the ordinary shares are beneficially held by the Minister for Finance.

21. Pensions

The Group operates, or participates in, pension schemes in respect of the parent company and its principal subsidiary undertakings covering the majority of its employees. The pension scheme assets are held in separate, Revenue approved, trustee administered funds.

The Group accounts for pensions in accordance with Financial Reporting Standard 17 (FRS 17) "Retirement Benefits".

Dublin Airport Authority plc

i. The majority of the Group's employees are those of the parent company, Dublin Airport Authority plc, whose permanent employees over the age of twenty are members of the Irish Airlines (General Employees) Superannuation Scheme ("the IAS Scheme"). The IAS Scheme is accounted for as a defined contribution scheme under FRS 17.

   The IAS Scheme is operated in conjunction with a number of other employers. The Company's current and past employees comprise approximately one quarter of the membership of this multi-employer scheme as at the last valuation date.

   Benefits payable are determined by reference to final salary and the IAS Scheme is registered as a defined benefit scheme with the Pensions Board. However, under the trust deed governing the scheme, normal contributions are specified for both the employer and employees at the rate of 6.375% of pensionable salary. Employer contributions cannot be varied without the consent of all of the participating employers, and employee contributions also cannot be changed without employee consent.

   The Trustees may, on the advice of the Actuary, pay discretionary increases to pensions in payment due to inflation out of disposable surpluses. Historically, increases have been granted by the Trustees in line with changes in the Consumer Price Index, with increases capped in periods of high inflation.

   The most recent actuarial valuation of the IAS Scheme was carried out at 31 March 2005 by independent actuaries. This showed that on an ongoing basis the actuarial value of the assets of the IAS Scheme were sufficient to cover 120% of the accrued liabilities allowing for assumed future increases in pensionable salaries, but ignoring future pension increases, and 94% of the accrued liabilities allowing for assumed future increases in pensionable salaries and pension increases in line with increases in inflation. Current rates of contribution from employee and employer, combined with the accumulated fund, were adequate to finance the benefits ignoring future pension increases. The Actuary has noted that indefinite continuation of the existing practice of inflationary pension increases is not supportable without increased contributions.

   The IAS Scheme satisfied the statutory minimum funding standard with a margin of 11% above the wind-up liabilities, making no allowance for further discretionary pension increases.

   The principal assumptions for the IAS Scheme valuation were that the investment return would exceed general salary inflation by 2% per annum and would exceed discretionary pension increases where appropriate by 4%.

   It is the intention of the Company, subject to Ministerial approval, to set up its own pension scheme, the terms of which would be no less favourable than the IAS Scheme, under which eligible members of the IAS Scheme could transfer.

   Whilst liabilities of the IAS Scheme attributable to Company members and pensioners can be actuarially determined, the Company is unable to identify its share of the underlying assets in the IAS Scheme and the consequential deficit or surplus that would pertain.

   The IAS Scheme has been accounted for as a defined contribution scheme under FRS 17 in these financial statements with the annual charge to the profit and loss account being the actual contributions paid by the Company to the Scheme during the year.

ii. The parent company also operates certain other pension schemes, the most significant of which is the Aer Rianta Supplemental Superannuation Scheme ("the Supplemental Scheme"), a defined benefit scheme for certain categories of employees to provide retirement pension benefits supplementary to those payable under the IAS Scheme. The Supplemental Scheme is accounted for as a defined benefit scheme under FRS 17.

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21. Pensions *continued*

Derryquin Hotels Limited (formerly Great Southern Hotels Group)

As detailed in Note 5, the Group disposed of its hotel business, the former Great Southern Hotels Group in 2006. Following the disposal of the hotel business, the company resolved to commence the winding-up of its defined benefit pension scheme ("the GSH Scheme") and terminated its liability to contribute to the scheme. At 31 December 2007, the Trustees of the scheme were in the process of winding up the scheme.

Aer Rianta International cpt

Aer Rianta International cpt ("ARI") operates defined contribution pension schemes or makes the required statutory contribution in respect of ARI and its principal subsidiary undertakings, covering the majority of its employees. Aer Rianta International (North America) Inc., a subsidiary of ARI, operates a defined benefit scheme which is not material in the context of the Group. Full details of the scheme are set out in the financial statements of that company.

The actuarial valuations of the IAS Scheme, the Supplemental Scheme and the GSH Scheme are available for inspection by members of the schemes and their dependants but not by the general public.

FRS 17 "Retirement Benefits" disclosures

The pension cost to the Group charged against operating profit under FRS 17 for the financial year amounted to €7.4 million (2006: €7.4 million).

	2007	2006
	€000	€000
Defined benefit schemes	**1,212**	1,570
Defined contribution schemes	**6,205**	5,799
	7,417	7,369

21. Pensions *continued*

The combined net pensions liabilities of schemes, accounted for as defined benefit schemes under FRS 17, consisting primarily of the Supplemental Scheme and the GSH Scheme were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Net pensions liability	**2,280**	2,331	**2,280**	2,331

These schemes are actuarially valued every three years by independent professionally qualified actuaries. In accordance with FRS17 at each reporting date the most recent valuations of the schemes are updated by the actuaries to reflect financial assumptions that are current at the balance sheet date.

The main financial assumptions, given on a combined basis, used by the actuaries of these schemes were:

	As at 31/12/2007	As at 31/12/2006	As at 31/12/2005
Valuation method	**Projected Unit**	Projected Unit	Projected Unit
Rate of increase in salaries	**4.0%**	4.0%	4.0%
Rate of increase in pension payment	**0%–4.0%**	0%–2.0%	0%–2.0%
Discount rate	**5.5%**	4.7%	4.3%
Inflation assumption	**2.25%**	2.25%	2.0%

Based on these assumptions, the following table sets out the market value of the assets of the schemes (combined) together with details of the expected long term rates of return used to generate the amounts shown in the profit and loss account. It also shows the most recent valuation of the scheme liabilities updated for movements in the financial assumptions.

	31/12/2007		31/12/2006		31/12/2005	
	Return	**Value**	Return	Value	Return	Value
		€000		€000		€000
Equities	**7.7%**	**3,894**	7.5%	3,175	6.8%	11,874
Bonds	**4.3%**	**611**	3.9%	5,355	3.3%	1,867
Property	**6.7%**	**276**	6.5%	260	4.8%	952
Cash	**4.0%**	**13,703**	3.0%	8,766	2.0–2.5%	428
Total market value of pension schemes' assets		**18,484**		17,556		15,121
Present value of pension schemes' liabilities		**(21,090)**		(20,220)		(19,826)
Net deficit in schemes		**(2,606)**		(2,664)		(4,705)
Related deferred tax asset		**326**		333		589
Net pension liability		**(2,280)**		(2,331)		(4,116)

In the above table the term "Return" refers to the applicable expected long-term rate of return.

At 31 December 2007, the net pensions liability in the Company was €2.28 million (2006: €2.331 million) being assets of €5.428 million (2006: €4.315 million) and present value of accrued scheme liabilities of €8.034 million (2006: €6.979 million) net of related deferred tax asset of €0.326 million (2006: €0.333 million).

21. Pensions *continued*

The movement in the deficits on the schemes (combined) is shown below.

	Group		Company	
	2007	2006	**2007**	2006
	€000	€000	**€000**	€000
Deficit in schemes at 1 January	**(2,664)**	(4,705)	**(2,664)**	(2,325)
Current service cost	**(986)**	(1,643)	**(986)**	(1,078)
Past service cost	**(226)**	–	**(226)**	–
Settlements/curtailments	**–**	73	**–**	–
Contributions	**1,388**	996	**1,388**	634
Net finance (costs)/income	**(29)**	65	**(29)**	(52)
Actuarial (loss)/gain	**(89)**	2,550	**(89)**	157
Deficit in schemes at 31 December	**(2,606)**	(2,664)	**(2,606)**	(2,664)
Deferred tax asset	**326**	333	**326**	333
Net pension liability	**(2,280)**	(2,331)	**(2,280)**	(2,331)

Group

Analysis of amount charged to operating profit

	2007	2006
	€000	€000
Current service cost	**(986)**	(1,643)
Past service cost	**(226)**	–
Settlements/curtailments	**–**	73
	(1,212)	(1,570)

Analysis of other finance costs/income (included in interest payable/(receivable) of Group undertakings)

	2007	2006
	€000	€000
Expected return on pension schemes' assets	**323**	953
Interest on pension schemes' liabilities	**(352)**	(888)
	(29)	65

Analysis of amount recognised in the consolidated statement of total recognised gains and losses

	2007	2006
	€000	€000
Actuarial return less expected return on pension schemes' assets	**(678)**	434
Experience gains and losses on schemes' liabilities	**(987)**	1,195
Changes in assumptions underlying the present value of schemes' liabilities	**1,576**	921
Actuarial (loss)/gain recognised in year	**(89)**	2,550

History of experience gains and losses

Year ended 31 December	**2007**	2006	2005	2004	2003
	€000	€000	€000	€000	€000
Difference between expected and actual return on assets	**(678)**	434	1,420	(193)	582
Expressed as a percentage of scheme assets	**3.7%**	2.5%	9.4%	1.6%	6.6%
Experience gains and losses on scheme liabilities	**(987)**	1,195	(338)	472	473
Expressed as a percentage of scheme liabilities	**4.7%**	5.9%	1.7%	3.1%	4.0%
Total actuarial gains and losses	**(89)**	2,550	(1,217)	760	568
Expressed as a percentage of scheme liabilities	**0.4%**	12.6%	6.1%	5.0%	4.8%

22. Reserves

	Profit & loss account €000	Translation reserve €000	Other reserves €000	2007 Total reserves €000	2006 Total reserves €000
Group					
At 1 January	**442,235**	**270**	**2,523**	**445,028**	291,375
Profit for the financial year	**347,526**	**–**	**–**	**347,526**	165,962
Currency translation adjustments	**–**	**(1,589)**	**–**	**(1,589)**	(2,362)
Actuarial gain in pension schemes	**85**	**–**	**–**	**85**	5,233
Deferred tax thereon	**(41)**	**–**	**–**	**(41)**	(1,124)
Transfer of negative goodwill previously credited to reserves	**–**	**–**	**–**	**–**	(14,056)
Disposal of associate	**197**	**(197)**	**–**	**–**	–
Transfer from other reserve	**2,277**	**–**	**(2,277)**	–	–
At 31 December	**792,279**	**(1,516)**	**246**	**791,009**	445,028
As follows:					
Dublin Airport Authority plc	**639,558**	**–**	**–**	**639,558**	292,655
Subsidiary undertakings	**124,123**	**(2,143)**	**–**	**121,980**	102,147
Joint venture undertaking	**1,458**	**–**	**–**	**1,458**	1,822
Associated undertakings	**31,612**	**627**	**246**	**32,485**	52,876
Consolidation adjustment	**(4,472)**	**–**	**–**	**(4,472)**	(4,472)
	792,279	**(1,516)**	**246**	**791,009**	445,028

The unrealised foreign exchange gain/loss on an associate investment has been transferred to the profit and loss reserve account as a result of the disposal of that investment (Note 5(a)).

	2007 €000	2006 €000
Company		
Profit & loss account		
At 1 January	**292,655**	141,887
Profit for the financial year	**346,981**	150,631
Actuarial (loss)/gain in the pension scheme	**(89)**	157
Deferred tax credit/(charge) thereon	**11**	(20)
At 31 December	**639,558**	292,655

23. Reconciliation of operating profit to cash inflow from operating activities

	Group	
	2007	2006
	€000	€000
Operating profit	**111,608**	85,003
Depreciation charge	**57,294**	63,934
Amortisation of intangible assets	**768**	895
Amortisation of goodwill in associated undertaking	**187**	230
Write-off and impairment of tangible fixed assets	**1,569**	540
Amortisation of capital grants	**(1,356)**	(5,178)
Profit on disposal of tangible fixed assets (excluding hotel assets)	**(206)**	(196)
(Increase)/decrease in stocks	**(6,622)**	292
Increase in debtors	**(3,050)**	(2,904)
Increase in creditors	**9,742**	4,993
Increase in net pension liability	**67**	574
Cash inflow from operating activities	**170,001**	148,183

24. Analysis of headings grouped in cash flow statement

	Group	
	2007	2006
	€000	€000
Returns on investments and servicing of finance		
Interest received	**13,007**	3,446
Interest paid	**(26,882)**	(26,785)
Income from other financial assets	**1,000**	825
	(12,875)	(22,514)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(248,875)**	(134,406)
Sale of tangible fixed assets (excluding hotel assets)	**390**	684
	(248,485)	(133,722)
Acquisitions and disposals		
Net proceeds from disposal of hotel business (Note 5)	**–**	234,906
Sale of financial asset	**–**	29,772
Net proceeds from disposal of associated undertaking (Note 5)	**303,677**	–
Loan to associated undertakings	**–**	(83)
	303,677	264,595
Financing		
New bank loans	**–**	65,000
Repayments of bank loans	**(29,758)**	(27,003)
	(29,758)	37,997

25. Reconciliation of net cash flow to movement in net (debt)/funds

	Group 2007 €000
Decrease in cash in the year	**(20,616)**
Increase in liquid resources	**162,267**
Decrease in debt	**29,758**
Change in net debt resulting from cash flows	**171,409**
Amortisation of issue costs	**(156)**
Foreign exchange movement	**(872)**
Movement in net debt in the year	**170,381**
Net debt at 1 January	**(135,577)**
Net funds at 31 December	**34,804**

26. Analysis of net funds/(debt)

	At 1 January 2007 €000	Cash flow €000	Non-cash movement €000	Foreign exchange movement €000	At 31 December 2007 €000
Cash	56,191	(20,616)	–	(1,025)	**34,550**
Liquid resources	318,770	162,267	–	–	**481,037**
	374,961	141,651	–	(1,025)	**515,587**
Debt due within one year	(19,909)	19,909	(9,757)	–	**(9,757)**
Debt due after one year	(490,629)	9,849	9,601	153	**(471,026)**
	(510,538)	29,758	(156)	153	**(480,783)**
Total	**(135,577)**	**171,409**	**(156)**	**(872)**	**34,804**

27. Financial Instruments

Narrative disclosures concerning the Group's treasury policy and management are set out in the Financial Review. The required disclosures in respect of relevant financial assets and liabilities (as defined) in accordance with Financial Reporting Standard 13 (FRS 13) "Derivatives and Other Financial Instruments" are provided below. Relevant financial assets/liabilities exclude short-term debtors and creditors and investments in subsidiaries, associated undertakings and joint ventures.

i. Interest rate risk profile of financial liabilities and assets

After taking into account, where relevant, the various interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's relevant financial liabilities and interest bearing relevant financial assets at 31 December 2007 was:

			2007			2006
	Total €000	**Floating rate €000**	**Fixed rate €000**	Total €000	Floating rate €000	Fixed rate €000
Financial liabilities						
Euro	**479,374**	**–**	**479,374**	508,976	21,707	487,269
US dollar	**1,409**	**–**	**1,409**	1,562	–	1,562
	480,783	**–**	**480,783**	510,538	21,707	488,831
Financial assets						
Euro	**505,269**	**505,269**	**–**	364,749	364,749	–
Sterling	**5,642**	**5,642**	**–**	1,763	1,763	–
US dollar	**2,793**	**2,793**	**–**	4,996	4,996	–
Canadian dollar	**1,191**	**1,191**	**–**	1,572	1,572	–
Ukraine hryvnia	**674**	**674**	**–**	1,872	1,872	–
Other currencies	**18**	**18**	**–**	9	9	–
	515,587	**515,587**	**–**	374,961	374,961	–

The weighted average interest rate for fixed rate Euro currency financial liabilities was 5.4% (2006: 5.4%) and the weighted average period for which the rate is fixed was 8.4 years (2006: 9 years). There were no financial liabilities on which no interest is paid. The floating rate financial liabilities were comprised of bank borrowings that bore interest at rates based on up to twelve-month EURIBOR. The floating rate financial assets were comprised of term and call bank deposits of less than one year that bore interest based on market rates. No interest is received on loans to associated and joint venture undertakings of €4.9 million (2006: €4.9 million).

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27. Financial Instruments *continued*

ii. Currency exposures

The table below shows the Group's currency exposure, being those assets and liabilities (or non-structural exposures) that give rise to the net monetary gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the unit involved. These exposures were as follows:

	Net foreign currency monetary assets €000				
	Euro	**Sterling**	**US dollar**	**Canadian dollar**	**Ukraine hryvnia**
As at 31 December 2007					
Functional currency of Group operations					
Euro	–	5,883	6,840	52	–
Canadian dollar	–	–	36	–	–
US dollar	1,258	53	–	15	648
	1,258	**5,936**	**6,876**	**67**	**648**
As at 31 December 2006					
Functional currency of Group operations					
Euro	–	1,639	8,868	14	–
Canadian dollar	–	–	98	–	–
US dollar	191	–	–	–	1,872
	191	**1,639**	**8,966**	**14**	**1,872**

The amounts shown in the table above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

iii. Fair values of financial liabilities and assets

Set out below is a comparison by category of book values and fair values of the Group's relevant financial liabilities as at 31 December 2007.

	2007		2006	
	Book value €000	**Fair value €000**	Book value €000	Fair value €000
Primary financial instruments held or issued to finance the Group's operations				
Short-term financial liabilities and current portion of long-term borrowings (Note 17)	**9,757**	**9,516**	19,909	20,857
Long-term borrowings (Note 17)	**471,026**	**474,789**	490,629	509,715
	480,783	**484,305**	510,538	530,572
Derivative financial instruments held or issued to hedge currency exposure on expected future sales				
Forward foreign exchange contracts	**–**	**186**	–	54

Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

At the balance sheet date the fair values of the relevant financial assets and other creditors falling due after more than one year were not materially different from their carrying value.

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27. Financial Instruments *continued*

iv. Hedges

As set out in the Financial Review, the Group enters into forward foreign currency contracts to eliminate the currency exposure that arises on cash flows denominated in foreign currencies. It also may use interest rate swaps and forward rate agreements to manage its interest rate profile. As set out in the Statement of Accounting Policies, changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains €000	Losses €000	Total net gains/(losses) €000
Unrecognised gains and losses on hedges on 1 January 2007	54	–	54
Gains and losses arising in previous years recognised in 2007	(54)	–	(54)
Gains and losses arising before 1 January 2007 not recognised in 2007	–	–	–
Gains and losses arising in 2007 not recognised in 2007	186	–	186
Unrecognised gains and losses on hedges at 31 December 2007	186	–	186
Of which:			
Gains and losses expected to be recognised in 2008	186	–	186
Gains and losses expected to be recognised in 2009 or later	–	–	–
	186	–	186

28. Commitments

	Group		Company	
	2007 €000	2006 €000	**2007 €000**	2006 €000
i. Capital commitments				
Contracted	**262,930**	116,973	**262,930**	116,973
Authorised by the directors but not contracted for	**531,398**	114,741	**515,603**	112,907
	794,328	231,714	**778,533**	229,880
ii. Operating leases				
Leasing commitments payable during the next twelve months were made up as follows:				
Plant and equipment				
Payable on leases which expire within:				
One year	**–**	121	**–**	121
Two to five years	**983**	–	**983**	–
	983	121	**983**	121
Buildings				
Payable on leases which expire within:				
Two to five years	**5,768**	6,093	**–**	–
Greater than five years	**431**	377	**–**	–
	6,199	6,470	**–**	–

29. Related party disclosures

The related parties of the Group, as defined by Financial Reporting Standard 8 (FRS 8) "Related Party Disclosures", the nature of the relationship and the extent of transactions with them (excluding subsidiary undertakings), are summarised below.

	2007	2006
	€000	€000
Management charges to associated undertakings	**7,882**	7,531
Charges to associated undertakings in respect of services provided by the Group	**182**	17
Sales at cost to associated undertakings	**9,461**	5,283
Dividends received from associated undertakings	**9,628**	8,648
Loans to associated undertakings	**563**	563
Due from associated undertakings at year-end	**2,474**	2,659
Due to associated undertakings at year-end	**997**	341
Loans to joint venture undertaking at year-end	**4,882**	4,882

In common with many other Government and state bodies, the Group deals in the normal course of business with a range of other Government and state bodies, such as An Post, ESB, Irish Aviation Authority and the Department of Transport. In addition, pursuant to the State Airports Act 2004, the Company has entered into interim arrangements with the Cork and Shannon Airport Authorities for the performance on its behalf of certain functions covering Cork and Shannon airports respectively.

Details of the Group's principal associated and joint venture undertakings are set out in Note 12.

30. Minority interest

This relates to the minority parties in Aer Rianta International (East Asia) Limited (35%); Kievrianta LLC (1%) and Aer Rianta International Sardana (JFK) Inc. (30%).

	2007
	€000
At 1 January	**(1,425)**
Share of profit for the year	**33**
Exchange differences	**(36)**
At 31 December	**(1,428)**

31. Associates and joint ventures

In accordance with the requirements of Financial Reporting Standard 9 (FRS 9) "Associates and Joint Ventures", the following additional information is given about associated and joint venture undertakings which play a significant part in the operations of the Group, where applicable.

The Group's share of turnover, fixed assets, current assets, liabilities due within one year and liabilities due after more than one year of all associated undertakings is as follows:

	2007	2006
	€000	€000
Turnover	**174,362**	174,282
Fixed assets	**195,310**	298,089
Current assets	**44,464**	75,045
Liabilities due within one year	**(16,331)**	(26,599)
Liabilities due after more than one year	**(164,849)**	(259,064)

The Group's share of capital commitments of all associated undertakings amounted to €73.4 million.

The Group's share of the results, assets and liabilities of Flughafen Düsseldorf GmbH in which the Group holds a 20% stake (via its 40% stake in Airport Partners GmbH) (associated undertaking which exceeds certain size criteria set down in FRS 9) is as follows:

Flughafen Düsseldorf GmbH (20%)

	2007	2006
	€000	€000
Group share:		
Turnover	**80,357**	75,422
Profit before tax	**11,487**	6,197
Taxation	**(4,020)**	(2,726)
Profit after tax	**7,467**	3,471
Fixed assets	**184,404**	192,711
Current assets	**14,972**	16,969
Liabilities due within one year	**(6,018)**	(6,547)
Liabilities due after more than one year	**(155,759)**	(183,304)

32. Approval of financial statements

The financial statements were approved by the Board on 10 March 2008.

Five year summary of financial results

	2007	2006	2005	2004	2003
	€000	€000	€000	€000	€000
Operating results					
Turnover	**623,364**	590,586	524,982	465,688	436,868
Group EBITDA	**169,917**	145,228	110,992	89,893	72,625
Group operating profit	**111,608**	85,003	64,070	46,090	29,580
Share of profits of associates and joint venture	**38,471**	31,350	30,000	23,653	19,061
Net interest payable – Group, joint venture and associates	**(17,105)**	(28,156)	(30,120)	(31,314)	(34,493)
Group exceptional items	**239,320**	115,638	–	2,381	7,318
Profit before taxation	**372,294**	203,835	63,950	40,810	21,466
Taxation	**(24,735)**	(37,978)	(14,213)	(10,555)	(1,453)
Minority interest	**(33)**	105	349	515	233
Profit for the financial year	**347,526**	165,962	50,086	30,770	20,246
Profit excluding exceptional items (after tax)	**108,500**	69,523	50,086	28,867	13,356
Capital employed					
Tangible fixed assets	**1,006,126**	793,447	809,082	745,415	706,880
Intangible fixed assets	**3,327**	4,100	5,476	5,422	6,257
Financial fixed assets	**94,175**	151,567	171,544	165,604	175,981
Net current assets/(liabilities)	**386,220**	238,945	(18,420)	2,032	(3,597)
Total assets less current liabilities	**1,489,848**	1,188,059	967,682	918,473	885,521
Creditors over one year	**(479,710)**	(498,731)	(457,354)	(460,536)	(448,333)
Capital grants	**(18,024)**	(19,380)	(24,558)	(26,257)	(27,686)
Provisions for liabilities	**(13,916)**	(37,677)	(5,129)	(5,735)	(6,890)
Net pension liability	**(2,280)**	(2,331)	(4,116)	(2,759)	–
Net assets	**975,918**	629,940	476,525	423,186	402,612
Summary Cash Flow					
Cash flow from operating activities	**170,001**	148,183	121,044	98,296	80,139
Payments in respect of exceptional restructuring programme	**(27,017)**	–	–	(3,498)	(4,305)
Dividends from associated undertakings	**9,628**	8,648	8,449	7,995	4,454
	152,612	156,831	129,493	102,793	80,288
Net interest paid/investment income	**(12,875)**	(22,514)	(22,693)	(22,951)	(23,052)
Taxation paid	**(23,520)**	(21,505)	(4,437)	(723)	(1,503)
	116,217	112,812	102,363	79,119	55,733
Investment in tangible fixed assets	**(248,875)**	(134,406)	(100,322)	(84,018)	(59,758)
Investment in/loans to associated and joint venture undertakings and financial assets	**–**	(83)	(918)	2,102	1,974
Purchase of subsidiary undertakings including the related financial assets	**–**	–	–	–	(2,099)
Sale of discontinued operations	**–**	234,906	–	–	–
Net proceeds from disposal of associated undertaking	**303,677**	–	–	–	–
Sale of tangible and financial assets	**390**	30,456	2,352	2,666	11,380
	55,192	130,873	(98,888)	(79,250)	(48,503)
	171,409	243,685	3,475	(131)	7,230
Dividends paid	**–**	–	–	(6,074)	(7,245)
Cash inflow/(outflow) before management of liquid resources and financing	**171,409**	243,685	3,475	(6,205)	(15)
Net debt					
Group net (funds)/debt at year end	**(34,804)**	135,577	379,736	384,056	377,420

2004 figures are as restated in the 2005 annual report, 2003 figures are as previously reported.

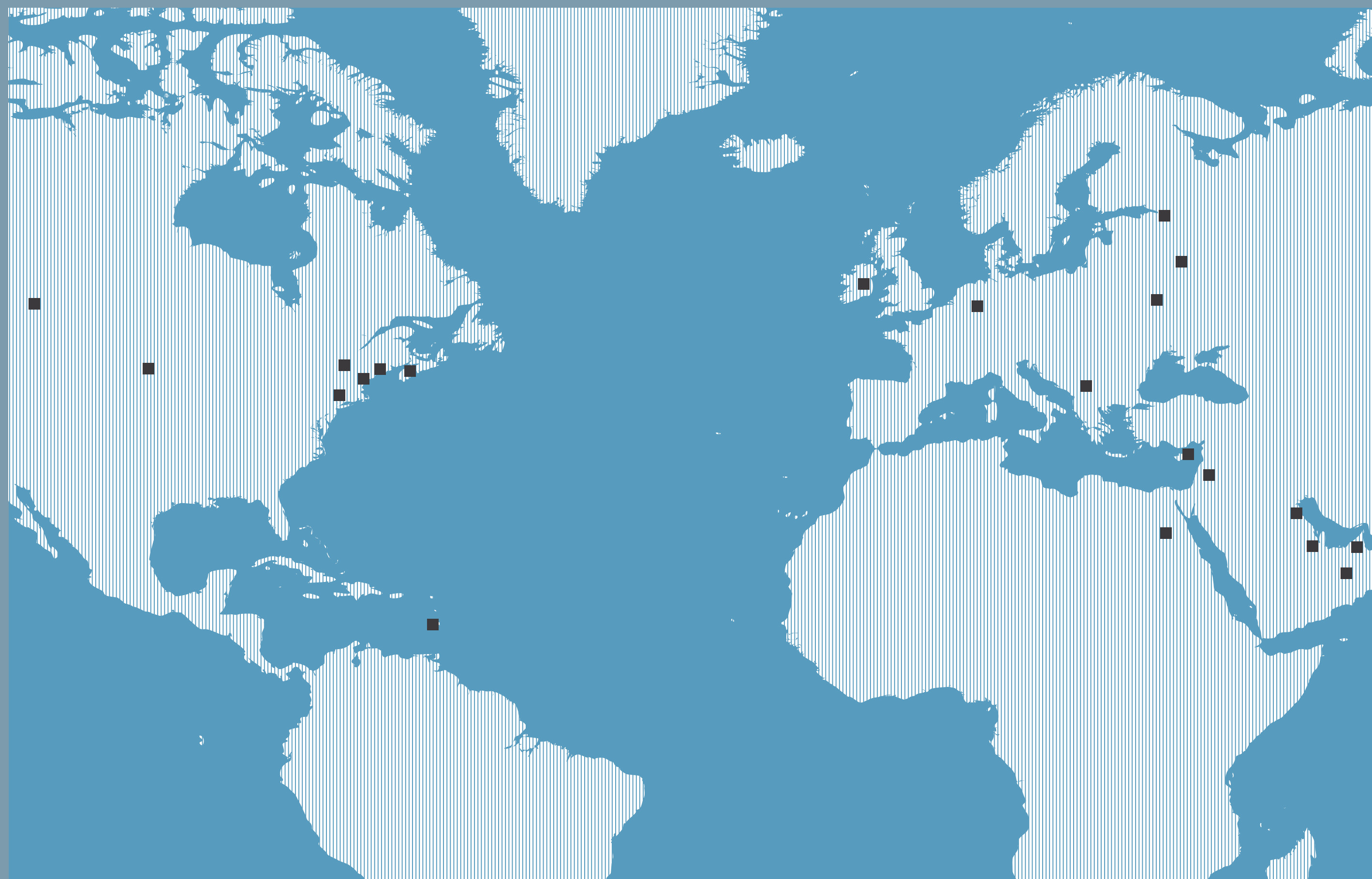
Five year summary of passenger statistics

Passengers	**2007**	2006	2005	2004	2003
Overall					
Transatlantic	**2,279,592**	2,138,117	1,974,263	1,799,402	1,697,388
Great Britain	**11,349,040**	11,449,517	10,994,132	10,315,793	9,870,928
Continental Europe	**14,213,849**	11,939,090	9,630,418	7,988,211	7,217,482
Other International	**240,796**	213,371	101,068	87,588	80,971
Domestic	**1,470,508**	1,326,945	986,134	1,046,590	1,072,045
Transit	**534,535**	778,963	796,754	550,156	500,104
	30,088,320	27,846,003	24,482,769	21,787,740	20,438,918
Percentage growth year-on-year	**+8.1%**	+13.7%	+12.4%	+6.6%	+5.8%
Dublin					
Transatlantic	**1,532,799**	1,356,974	1,260,504	1,106,021	1,011,861
Great Britain	**8,670,935**	8,626,342	8,261,174	8,352,602	7,948,276
Continental Europe	**11,901,747**	10,092,559	8,087,153	6,840,672	6,072,527
Other International	**232,960**	198,434	88,178	72,716	62,851
Domestic	**885,233**	813,177	652,733	690,205	675,662
Transit	**63,764**	108,896	100,697	76,157	84,907
	23,287,438	21,196,382	18,450,439	17,138,373	15,856,084
Percentage growth year-on-year	**+9.9%**	+14.9%	+7.7%	+8.1%	+5.1%
Shannon					
Transatlantic	**746,551**	780,917	713,556	693,102	685,312
Great Britain	**1,253,570**	1,286,317	1,162,942	697,391	713,658
Continental Europe	**1,066,630**	816,676	655,831	442,909	464,964
Other International	**507**	320	16	33	1,795
Domestic	**89,034**	100,484	95,238	106,822	135,740
Transit	**464,331**	654,332	674,841	454,859	399,208
	3,620,623	3,639,046	3,302,424	2,395,116	2,400,677
Percentage growth year-on-year	**-0.5%**	+10.2%	+37.9%	-0.2%	+2.0%
Cork					
Transatlantic	**242**	226	203	279	215
Great Britain	**1,424,535**	1,536,858	1,570,016	1,265,800	1,208,994
Continental Europe	**1,245,472**	1,029,855	887,434	704,630	679,991
Other International	**7,329**	14,617	12,874	14,839	16,325
Domestic	**496,241**	413,284	238,163	249,563	260,643
Transit	**6,440**	15,735	21,216	19,140	15,989
	3,180,259	3,010,575	2,729,906	2,254,251	2,182,157
Percentage growth year-on-year	**+5.6%**	+10.3%	+21.1%	+3.3%	+16.4%

Five year summary of aircraft movements

	2007	2006	2005	2004	2003
Overall					
Commercial					
Scheduled	**228,681**	211,894	199,490	186,770	186,028
Non Scheduled	**30,197**	29,645	31,756	27,472	26,292
Cargo	**9,913**	10,278	11,134	11,308	12,730
Commercial Air Transport Movements	**268,791**	251,817	242,380	225,550	225,050
Percentage growth year-on-year	**+6.7%**	+3.9%	+7.5%	+0.2%	+3.8%
Others	**62,088**	56,521	52,425	45,587	44,639
Total Aircraft Movements	**330,879**	308,338	294,805	271,137	269,689
Dublin					
Commercial					
Scheduled	**176,564**	161,375	151,108	148,739	143,250
Non Scheduled	**14,218**	14,110	15,477	14,453	12,288
Cargo	**5,271**	5,720	6,525	6,773	7,395
Commercial Air Transport Movements	**196,053**	181,205	173,110	169,965	162,933
Percentage growth year-on-year	**+8.2%**	+4.7%	+1.9%	+4.3%	-1.9%
Others	**15,751**	15,436	13,728	12,210	14,848
Total Aircraft Movements	**211,804**	196,641	186,838	182,175	177,781
Shannon					
Commercial					
Scheduled	**22,230**	22,525	20,046	14,534	15,709
Non Scheduled	**10,297**	9,997	11,097	8,420	7,586
Cargo	**3,101**	3,067	3,096	2,988	3,842
Commercial Air Transport Movements	**35,628**	35,589	34,239	25,942	27,137
Percentage growth year-on-year	**0.0%**	+3.9%	+32.0%	-4.4%	+3.5%
Others	**12,486**	11,126	10,854	9,876	10,504
Total Aircraft Movements	**48,114**	46,715	45,093	35,818	37,641
Cork					
Commercial					
Scheduled	**29,887**	27,994	28,336	23,497	27,069
Non Scheduled	**5,682**	5,538	5,182	4,599	6,418
Cargo	**1,541**	1,491	1,513	1,547	1,493
Commercial Air Transport Movements	**37,110**	35,023	35,031	29,643	34,980
Percentage growth year-on-year	**+6.0%**	0.0%	+18.2%	-15.3%	+42.3%
Others	**33,851**	29,959	27,843	23,501	19,287
Total Aircraft Movements	**70,961**	64,982	62,874	53,144	54,267

DAA Group Structure and Management



Structure

Dublin Airport Authority plc
Dublin, Shannon, Cork

Aer Rianta International
Düsseldorf

Airport Retailing

CIS and Europe
Moscow, St. Petersburg, Kiev, Priština

Middle East
Bahrain, Beirut, Cyprus, Egypt, Kuwait
Oman, Qatar

North America
Barbados, Boston, Edmonton, Halifax,
Montreal, New York, Ottawa, Winnipeg

Management Team

Declan Collier
Chief Executive

Oliver Cussen
Director, Corporate Affairs
& Company Secretary

Eamon Foley
Director General, Aer Rianta
International

Mark Foley
Director, Capital Programmes

Ray Gray
Director, Finance

Tom Haughey
Director, Industry Affairs

Robert Hilliard
Director, Dublin Airport

Damian Lenagh
Director, Human Resources

Jack MacGowan
Director, Commercial

Martin Moroney
Director, Shannon Airport

Frank O'Connell
Director, Retail

Pat Keohane
Director, Cork Airport

Vincent Wall
Director, Communications

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Aeronautical Information

Dublin Airport

Location	Lat.532517N, Long.0061612W (midpoint Runway 10/28)
Elevation	242 ft. AMSL
Runway Data	10/28 Length 2637 metres – Width 45 metres plus 7.5m shoulders each side Surface concrete, Category IIIA (Runway 28), Category II (Runway10) 16/34 Length 2072 metres – Width 61 metres Surface asphalt, Category I (Runway 16) Non inst (Runway 34) 11/29 Length 1339 metres – Width 61 metres Surface asphalt/concrete Non Inst
Refueling	Full refueling facilities available – AVGAS 100 LL, JET A1
Operational	24 hrs
Postal Address	Dublin Airport, Co. Dublin, Ireland
Fax Number	(01) 814 1034 (09:00 – 17: 00) (01) 814 5479 (24hrs)
Telephone Number	National (01) 814 1111 International 353 1 814 1111
Web	www.dublinairport.com
Sita	DUBRB7X (Airport Administration) DUBYREI (Operations)

Cork Airport

Location	Lat.515029N, Long. 082928W
Elevation	502 ft. AMSL
Runway Data	17/35 Length 2133 metres – Width 45 metres plus 7.5m shoulders each side Surface asphalt/concrete, Category 2 07/25 Length 1310 metres – Width 45 metres Surface concrete Non Inst.
Refueling	Full refueling facilities available
Operational	24 hrs
Postal Address	Cork Airport, Co. Cork, Ireland
Fax Number	(021) 431 3442
Telephone Number	National (021) 431 3131 International 353 21 431 3131
Web	www.corkairport.com
Sita	ORKARXH

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Shannon Airport

Location	Lat. 524207N, Long. 085529W
Elevation	46ft. AMSL
Runway Data	06/24 Length 3199 metres - Width 45 metres plus 8m shoulders each side Surface asphalt, Category 2 (Runway 24) 13/31 Length 1720 metres – Width 45 metres Surface asphalt/concrete Non Inst. This runway is at present Notamed out of service
Refueling	Hydrant and mobile refueling available – Jet A1 and Avgas available
Operational	24 hrs
Postal Address	Shannon Airport, Co. Clare, Ireland
Fax Number	(061) 712282 (Airport Operations Dept) (061) 471719 (Shannon Aviation Fuels)
Telephone Number	National (061) 712000 (24 hr) International 353 61 712000 (24 hr)
Web	www.shannonairport.com
Sita	SNN RRCR

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Principal Bankers
Bank of Ireland
Barclays Bank
BNP Paribas
European Investment Bank
Ulster Bank

Notes

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Notes