

DAA Finance plc

Reports and financial statements

**For the year ended 31 December 2014**

Registered number 326966

# DAA Finance plc

## Reports and Financial Statements

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# DAA Finance plc

## Directors and other information

<b>Directors</b>	Kevin Toland (Chairman) Ray Gray Catherine Gubbins Marion O'Brien
<b>Registered Office</b>	Old CTB Dublin Airport Co. Dublin
<b>Secretary</b>	Marion O'Brien
<b>Solicitor</b>	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2
<b>Auditor</b>	Deloitte & Touche Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2
<b>Principal bankers</b>	Bank of Ireland Group European Investment Bank Ulster Bank Limited

# DAA Finance plc

## Report of the directors

The directors submit their report together with the financial statements of DAA Finance plc ("the Company") for the year ended 31 December 2014.

### Principal Activities

The principal activity of the Company is the provision of funding to undertakings in the Group headed by daa plc ("daa") (formerly known as Dublin Airport Authority plc), which is the Company's parent undertaking.

The Company has listed loan notes on the Irish Stock Exchange and bank loans from the European Investment Bank. These borrowings have been on-lent to daa.

### Business Review and Key Performance Indicators

The Company paid interest and made debt repayments on borrowings by the due dates during the year.

Income to pay interest on borrowings was received from two sources; (1) by charging interest on monies lent to daa and (2) by surrendering tax losses to daa and other companies within the group headed by daa. Income to make debt repayments was received from daa which made repayments on the monies on-lent by the Company.

The directors consider the following to be the main financial key performance indicators of the Company:

- the Company made a loss of €6.8 million (2013: €8.4 million);
- there were no credit events that affected the Company during the current and prior year;
- Interest income from loans to parent undertaking amounted to €31.7 million (2013: €31.2 million);
- Interest expense from notes and borrowings amounted to €41.8 million (2013: €42.3 million);
- the Company's total indebtedness was €865.2 million (2013: €881.2 million);
- there were no new notes issued during the year.

Due to the nature of the Company, the directors consider there to be no significant non-financial key performance indicators.

### Principal Risks, Uncertainties and Future Developments

The key risk and uncertainty facing the Company is a premature obligation to repay its borrowings which could occur if a default event arose due to a breach in the terms and conditions of the borrowing documentation which include non-payment of interest and/or principal. The Company considers the possibility of a breach in the terms and conditions arising to be remote because of the credit quality of daa, the guarantor of the borrowings, and the constant review and monitoring of the borrowing documentation. Further disclosures in relation to other financial risks are given in notes 4 and 18.

The Company is not planning any material changes to its operating activities.

### Results and Dividends

The results for the year are set out on page 9. The directors do not propose the payment of a dividend.

# DAA Finance plc

## Report of the directors (*continued*)

### **Directors, Secretary and their Interests**

In accordance with the Articles of Association, the directors are not required to retire by rotation.

The directors and secretary who held office during the year had no beneficial interests in the shares, debentures or loan stock of the Company, subsidiary or group companies at any time during the year or the preceding financial year or at 31 December 2014 or 1 January 2014.

Mr. Richard Commins resigned from the board on 18 July 2014 and Ms. Catherine Gubbins was appointed to the board on 1 December 2014.

### **Going Concern**

The Company is dependent on ongoing financial support from its shareholder. The financial statements have been prepared on a going concern basis which assumes adequate finance will be available for the foreseeable future.

### **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, through its parent undertaking, 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 Airport, Co. Dublin.

### **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.

### **Subsidiary Undertakings**

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

### **Corporate Governance**

The directors are committed to maintaining appropriate standards of corporate governance. The Company is subject to and complies with Irish Statute comprising the Companies Acts, 1963 to 2013. In addition, daa Group ("the Group") of which the Company is a part, complies with the Code of Practice for the Governance of State Bodies (the "Code of Practice") which sets out the principles of corporate governance which the boards of State bodies are required to observe.

### *Financial Reporting Process*

The Board of Directors ("the Board") are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. The Board is also responsible for the review of the annual financial statements. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

# DAA Finance plc

## Report of the directors (*continued*)

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. 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 Company and determining the appropriate course of action for managing these risks;
- a schedule of items reserved to the Board of the Company and daa for approval;
- a clearly defined organisation structure to perform the activities of the Company with appropriate segregation of duties and delegation of responsibility and authority within which the Company's activities can be planned, executed, controlled and monitored;
- a formalised risk reporting system which forms part of the Group risk reporting process;
- a formal Group code of business ethics;
- a comprehensive system of management and financial reporting, accounting and treasury management;
- clearly defined procedures for financial expenditure relating to interest and principal loan repayments;
- annual budgets and financial plans for the Company;
- monitoring of performance against budgets and financial plans for the Company;
- the daa Internal Audit department periodically reviews key systems and controls for the Company.

The Board also evaluates and discusses significant accounting and reporting issues as the need arises.

### *Risk Assessment*

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and to ensure that these changes are accurately reflected in the Company's financial statements. In respect of the financial reporting process, the Company has in place appropriate practices to ensure that:

- its financial reporting is accurate and complies with the financial reporting frameworks; and
- systems are in place to achieve high standards of compliance with regulatory requirements.

### *Control Activity*

The directors are obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's financial statements.

### *Monitoring*

The Board ensures that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors. In addition the Company is monitored by the Group's Internal Audit Department who reviews key systems and controls for the Company with full access to the Audit Committee of the parent company, daa plc.

# DAA Finance plc

## Report of the directors (*continued*)

### Auditors

In accordance with Section 160(2) of the Companies Act 1963, the auditors, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, will continue in office.

On behalf of the Board

Ray Gray  
Director



Catherine Gubbins  
Director

20 March 2015

# DAA Finance plc

## Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing these financial statements. The directors have elected to prepare these financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in order to give a true and fair view of the state of affairs of the Company, as an individual entity, and of its profit or loss for the year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the statutory financial statements comply with the Companies Acts, 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

Ray Gray  
Director



Catherine Gubbins  
Director

20 March 2015



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAA FINANCE PLC

We have audited the financial statements of DAA Finance plc for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements for the year ended 31 December 2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the affairs of the company as at 31 December 2014 and of the loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAA FINANCE PLC  
(continued)**

**Matters on which we are required to report by the Companies Acts, 1963 to 2013**

- 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 financial statements are 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 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 2014 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.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



Kevin Sheehan  
For and on behalf of Deloitte & Touche  
Chartered Accountants and Statutory Audit Firm  
Dublin

Date: 20/3/15

# DAA Finance plc

## Statement of comprehensive income for the year ended 31 December 2014

	Note	2014 €000	Restated 2013 €000
Interest income	6	31,705	31,208
Interest expense	6	(41,828)	(42,296)
<b>Net interest expense</b>	6	<b>(10,123)</b>	<b>(11,088)</b>
<b>Other operating income</b>	7	<b>21</b>	<b>21</b>
<b>Operating costs</b>	8	<b>(44)</b>	<b>(19)</b>
<b>Loss before income tax</b>		<b>(10,146)</b>	<b>(11,086)</b>
Income tax credit	10	3,303	2,658
<b>Loss for the year and total comprehensive income</b>	21	<b>(6,843)</b>	<b>(8,428)</b>

On behalf of the Board

Ray Gray  
Director

Catherine Gubbins  
Director

20 March 2015



# DAA Finance plc

## Statement of financial position as at 31 December 2014

	Note	31 December 2014 €000	31 December 2013 Restated €000	1 January 2013 Restated €000
<b>Assets</b>				
<b>Non-current assets</b>				
Loans to parent undertaking	11	-	868,890	885,100
<b>Current assets</b>				
Loans to parent undertaking	11	875,546	22,950	15,355
Other receivables	13	38	178	280
Cash and cash equivalents	14	196	15	58
Deferred tax asset	15	866	-	-
<b>Total current assets</b>		<b>876,646</b>	<b>23,143</b>	<b>15,693</b>
<b>Total assets</b>		<b>876,646</b>	<b>892,033</b>	<b>900,793</b>
<b>Equity</b>				
Share capital	19	40	40	40
Capital contribution reserve	20	36,100	28,681	20,710
Retained earnings	21	(25,395)	(18,552)	(10,124)
<b>Total equity attributable to equity holders of the Company</b>		<b>10,745</b>	<b>10,169</b>	<b>10,626</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	17	837,406	861,265	877,054
<b>Current liabilities</b>				
Other payables	16	725	700	700
Borrowings	17	27,770	19,899	12,413
<b>Total current liabilities</b>		<b>28,495</b>	<b>20,599</b>	<b>13,113</b>
<b>Total liabilities</b>		<b>865,901</b>	<b>881,864</b>	<b>890,167</b>
<b>Total equity and liabilities</b>		<b>876,646</b>	<b>892,033</b>	<b>900,793</b>

On behalf of the Board

Ray Gray  
Director

Catherine Gubbins  
Director

20 March 2015

# DAA Finance plc

## Cash flow statement

for the year ended 31 December 2014

	Note	2014 €000	Restated 2013 €000
<b>Cash flows from operating activities</b>			
Loss for the year	21	(6,843)	(8,428)
Adjustment for:			
Income tax credit	10	(3,303)	(2,658)
		<hr/>	<hr/>
<b>Loss before income tax</b>		<b>(10,146)</b>	<b>(11,086)</b>
Net interest expense	6	10,123	11,088
Changes in working capital			
Other payables		23	1
		<hr/>	<hr/>
		-	3
Interest paid (net of amortised finance costs)		(41,607)	(42,461)
Interest income received		31,705	31,208
Receipt for tax losses transferred to other members of the group		2,664	3,236
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>(7,238)</b>	<b>(8,014)</b>
<b>Investing activities</b>			
Loan repayment from parent undertaking		16,210	8,138
Capital contribution from parent undertaking	20	7,419	7,971
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		<b>23,629</b>	<b>16,109</b>
<b>Financing activities</b>			
Repayment of bank loans		(16,210)	(8,138)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(16,210)</b>	<b>(8,138)</b>
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>181</b>	<b>(43)</b>
Cash and cash equivalents at beginning of year		15	58
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	14	<b>196</b>	<b>15</b>
		<hr/>	<hr/>

# DAA Finance plc

## Statement of changes in equity for the year ended 31 December 2014

	Note	Share capital €000	Capital contribution reserve €000	Retained earnings €000	Total equity €000
Balance at 1 January 2013		40	9,000	1,586	10,626
<b>Total comprehensive income for the year</b>					
Prior year adjustment	3	-	11,710	(11,710)	-
<hr/>					
Restated opening balance at 1 January 2013		40	20,710	(10,124)	10,626
Movement for the year (restated) 20,21		-	7,971	(8,428)	(457)
<hr/>					
<b>Restated Balance at 31 December 2013</b>		<b>40</b>	<b>28,681</b>	<b>(18,552)</b>	<b>10,169</b>
<hr/>					
Balance at 1 January 2014		40	28,681	(18,552)	10,169
<b>Total comprehensive income for the year</b>					
Movement for the year	20,21	-	7,419	(6,843)	576
<hr/>					
<b>Balance at 31 December 2014</b>		<b>40</b>	<b>36,100</b>	<b>(25,395)</b>	<b>10,745</b>
<hr/>					

The capital contribution reserve represents monies received from the Company's parent undertaking.

# DAA Finance plc

## Notes to the financial statements

*for the year ended 31 December 2014*

### 1 Basis of preparation

#### **Statement of compliance**

These financial statements of DAA Finance plc (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") (and their interpretations issued by the International Accounting Standards Board ("IASB")) as adopted by the EU.

#### **Basis of measurement**

The financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro is rounded to the nearest thousand. The financial statements have been prepared under the historical cost convention. Due to the nature of the Company's activities, no modifications to the historical cost convention are necessary. The Company had no material transactions in foreign currencies in the current year or preceding financial year.

### 2 Summary of significant accounting policies

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2014 are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include:

- **impairment of loans and receivables**

Management exercise judgement when assessing if the loans and receivables are impaired. The loans receivable are to the parent undertaking, daa, hence the test is dependent on management's assessment of the credit quality of daa.

- **fair value estimation**

Further information regarding fair value estimation is detailed in section (f).

- (a) **Details of the entity**

DAA Finance plc is a company domiciled in Ireland. The address of the Company's registered office is Old CTB, Dublin Airport, Co Dublin. The Company is primarily involved in the provision of funding to undertakings in the Group headed by daa plc (formerly known as Dublin Airport Authority plc), which is the Company's parent undertaking.

- (b) **Financial Instruments**

The Company did not use any derivative financial instruments during the current year or preceding financial year.

Non-derivative financial instruments comprise of loans and receivables, cash and cash equivalents, borrowings and trade and other payables.

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides funding directly to undertakings in the Group headed by daa with no intention of trading the receivable.

Subsequent to initial measurement at fair value, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest calculated using the effective interest method is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Loans receivable are to the parent undertaking, daa, and are repayable on demand.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of loans and receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and short term deposits with an original maturity of three months or less.

### *Borrowings*

Borrowings are initially measured at fair value and subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### *Other payables*

Trade and other payables are stated at amortised cost.

## **(c) Interest income and interest expense**

Interest income represents the return receivable on the loans to the parent undertaking and is recognised in profit or loss as it accrues, using the effective interest method.

Interest expense on borrowings is recognised in profit or loss using the effective interest rate method.



# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### **(d) Revenue recognition**

Revenue recognised as other operating income comprises the fair value of services delivered to external customers in the accounting period, net of value added tax. Where the provision of a service is delivered over a time period, income is recognised proportionately to the time elapsed.

### **(e) Income tax**

Current tax represents the expected tax payable or recoverable on the taxable result for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. It also includes payments for the tax value of tax losses being surrendered to companies in the Group headed by daa.

Deferred tax is recognised using the balance sheet method, providing for any temporary differences between the carrying amounts of financial assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

### **(f) Fair value estimation**

A key area of estimation for this Company would be in the determination of fair values for financial assets and financial liabilities for which there is no observable market price. Loans and receivables and borrowings are initially measured at fair value. In doing so, this requires management to apply judgement to ensure that they are initially correctly stated at fair value. After initial measurement, the fair values of loans and receivables and borrowings are disclosed. This also requires management to apply judgement to ensure that fair values are correctly disclosed.

IFRS 13 "Fair Value Measurement" establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), including inputs from markets that are not considered to be active; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instruments.

Fair values of the Company have been determined based on the following methods:

- the fair value of the loan notes is based on exit prices obtained from third party financial institutions at the balance sheet date;
- fair values for bank loans are based on discounted expected future principal and interest cash flows, assuming no prepayments. The interest rates used are observable and market based and include appropriate credit margins, externally sourced, which take account of the credit quality of the Company; and
- the fair value of the loans to the parent undertaking is calculated by reference to the fair values of the loan notes and bank loans. The loans to the parent undertaking represent the amounts of the Company's external borrowings which have been guaranteed and on-lent to daa. In this context, the external borrowings of the Company have been raised on behalf of daa.

The fair values for each class of financial asset and liability fall into Level 2 of the hierarchy. The valuation methods use inputs that are market observable and externally sourced and management do not make significant judgements or estimations in the calculations of fair values. Therefore, estimation uncertainty is considered to be low.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### **(g) New standards and interpretations not yet effective**

No new standards or interpretations have been applied in the current year.

A number of new standards, amendments to standards and interpretations in issue are not yet effective for accounting periods beginning on or before 1 January 2014, and the Company has not early adopted them. None of these will have any effect on the financial statements of the Company apart from IFRS 9 "Financial Instruments".

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into three classifications - amortised cost, fair value and fair value through other comprehensive income. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset would be measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If an asset meets both of these conditions it is required to be measured at fair value through other comprehensive

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

income unless, on initial recognition, it is designated at fair value through profit or loss to address an accounting mismatch. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

IFRS 9 doesn't change the basic accounting model for financial liabilities under IAS 39. Two measurement categories continue to exist: fair value through profit and loss and amortised cost. Financial liabilities held for trading are measured at fair value through profit and loss, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.

The requirements under IFRS 9 for impairment, hedge accounting and equity instruments are not likely to affect the Company.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted once the standard is endorsed by the European Union. The Company does not plan to adopt this standard early.

### 3 Change in accounting policy

In line with changes in interpretations of the accounting for corporation tax group relief and to better reflect the substance of the transaction, the financial statements for the year ended 2014 have treated payments for corporation tax group relief from companies within daa Group that are in excess of the value of the tax value surrendered, as a capital contribution. They are no longer recognised in the statement of comprehensive income under interest and other income. This change in accounting policy has been reflected in the financial statements for the year to 31 December 2014 and the comparative figures for 31 December 2013 and 31 December 2012 which have been restated.

The effect on the 2013 financial statements is as follows:

	<b>Previously reported</b>	<b>Adjustment</b>	<b>Currently reported</b>
Interest and other income	40,482	(9,274)	31,208
Income tax credit	1,355	1,303	2,658
Capital contribution	20,710	7,971	28,681

The effect on the 2012 financial statements is as follows:

	<b>Previously reported</b>	<b>Adjustment</b>	<b>Currently reported</b>
Retained earnings	1,586	(11,710)	(10,124)
Capital contribution	9,000	11,710	20,710

### 4 Financial risk management

#### Financial risk factors

The Company can use derivative instruments (principally interest rate swaps) to hedge certain risk exposures which may arise from financing activities but did not use any derivative instruments during the current year or preceding financial year. The Company does not trade in financial instruments nor does it enter into any leveraged derivative transactions.

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

(i) **Credit risk**

The principal financial assets of the Company are the loans to the parent undertaking, daa, which are repayable on demand. Due to the nature of the counterparty, the concentration of credit risk is not considered likely to lead to a significant risk of financial loss.

(ii) **Liquidity risk**

The Company has minimal liquidity risk due to the fact that the repayments of loans due from the parent undertaking, daa, are repayable on demand and daa has sufficient liquidity to ensure that it will meet its financial commitments to the Company when they fall due.

(iii) **Interest rate risk**

The Company's policy is to protect the profit and loss account and cash flows from material adverse movements in interest rates by undertaking controlled management of the interest rate structure on the Company's borrowings and investments. At the end of 2014, 71% of the Company's debt was denominated as fixed interest debt, thus minimising exposure to interest rate fluctuations. All outstanding loans and borrowings in the current and preceding year are at fixed interest rates except for the European Investment Bank loan (€260 million) which is at a floating rate (see Note 17), which is based on six monthly EURIBOR settings.

(iv) **Foreign currency risk**

All of the Company's financial instruments are denominated in Euro and therefore no foreign currency risks arise.

Further disclosures in accordance with IFRS 7 "Financial Instruments: Disclosures" are given in Note 18.

## 5 Operating segments

IFRS 8 "Operating Segments", adopts a strict management approach to segment reporting and requires that operating segments be identified on the same basis as financial information is reported internally for the purpose of allocating resources between segments and assessing their performance. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision maker and for which financial information is available. The Company's Chief Operating Decision maker is the Board.

The Company has one reportable segment - Financing - as described below, which is the Company's strategic business unit. For this strategic business unit, the senior finance management of the Company's parent undertaking review internal management reports on a regular basis. Financing includes the provision of funding to undertakings in the Group headed by daa, including the surrender of Group tax relief. There are no other significant operations in the Company. The Company's revenue is solely generated from the return receivable on the loans to the parent undertaking (daa plc).

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 6 Interest income and interest expense

	2014 €000	Restated 2013 €000
<b>Interest income</b>		
Interest on loans to parent undertaking	31,705	31,208
	<hr/>	<hr/>
<b>Interest expense</b>		
Interest expense on financial liabilities measured at amortised cost:		
On loan notes	36,659	36,627
On bank borrowings	5,169	5,669
	<hr/>	<hr/>
	41,828	42,296
	<hr/>	<hr/>
<b>Net interest expense</b>	(10,123)	(11,088)
	<hr/>	<hr/>

Interest on loans to the parent undertaking represents the return receivable on the loans to the parent undertaking calculated under the effective interest method in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

### 7 Other operating income

	2014 €000	Restated 2013 €000
Management fee income	21	21
	<hr/>	<hr/>

### 8 Operating costs

	2014 €000	Restated 2013 €000
Materials and services	44	19
	<hr/>	<hr/>

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 9 Statutory and other information

Loss before income tax has been arrived at after charging the following amounts:

	<b>2014</b>	Restated
	<b>€000</b>	2013
		€000
Auditor's remuneration		
– audit of individual accounts	<b>14</b>	14
– other assurance services	<b>1</b>	1
– tax advisory services	-	-
– other non-audit services	-	-
	<hr/> <b>15</b> <hr/>	<hr/> 15 <hr/>
Directors' remuneration	<hr/> - <hr/>	<hr/> - <hr/>

The Company had no employees or direct key management personnel during the current financial year or preceding financial year.

### 10 Income tax

#### (i) Income tax recognised in the income statement

	<b>2014</b>	Restated
	<b>€000</b>	2013
		€000
<b>Current tax:</b>		
Corporation tax group relief credit	<b>2,437</b>	2,658
	<hr/> <b>2,437</b> <hr/>	<hr/> 2,658 <hr/>
<b>Deferred tax:</b>		
<i>Origination/reversal of temporary differences:</i>		
Deferred tax credit for the year	<b>866</b>	-
	<hr/> <b>866</b> <hr/>	<hr/> - <hr/>
Tax on profit on ordinary activities	<hr/> <b>3,303</b> <hr/>	<hr/> 2,658 <hr/>

The corporation tax group relief credit in the year arises due to the surrender of tax losses to undertakings in the Group headed by daa. The deferred tax relates to timing differences arising on interest payable.

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 10 Income tax *(continued)*

#### (ii) Reconciliation of effective tax rate

The following table relates the applicable Ireland statutory tax rate to the effective tax rate of the Company:

	2014 €000	Restated 2013 €000
Loss before income tax	<b>(10,146)</b>	(11,086)
Income tax at standard Irish corporation tax rate 12.5% (2013: 12.5%)	<b>1,268</b>	1,386
Non-deductible expenses	<b>(56)</b>	(53)
Non-taxable payment received for group relief	<b>1,225</b>	1,325
Temporary differences (accrued interest)	<b>866</b>	-
Income tax credit	<b>3,303</b>	2,658

Non-taxable payment received for group relief reflects the tax value of losses being surrendered to companies in the Group headed by daa.

### 11 Loans to parent undertaking

	2014 €000	Restated 2013 €000
Loans to parent undertaking		
Non-current	-	868,890
Current	<b>875,546</b>	22,950
	<b>875,546</b>	891,840

Loans to parent undertaking represent the external borrowings that have been on-lent to the Company's parent undertaking and are governed by a loan agreement which allows for interest to be charged at rates marginally above the rates applicable to the external borrowings (see Note 17). In the current year, the loans to parent undertaking have been reclassified as current as they are payable on demand. The Company considers the risk of default to be remote due to the credit quality of daa.

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 12 Investment in shares in subsidiary undertaking

	Shares at cost €
At 31 December 2014 and 31 December 2013	2

Details of the subsidiary undertaking are as follows:

Company	Ordinary share holding	Business	Net assets €000	Country of incorporation and operation
DAA Operations Limited	100%	Property holding company	155	Ireland

The registered office of DAA Operations Limited is Old CTB, Dublin Airport, Co. Dublin.

### 13 Other receivables

	2014 €000	Restated 2013 €000
Due from fellow subsidiary of parent undertaking	35	175
Other	3	3
	<u>38</u>	<u>178</u>

The above receivables all fall due for payment within one year.

### 14 Cash and cash equivalents

	2014 €000	Restated 2013 €000
Cash at bank	196	15

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### 15 Deferred tax asset

	2014 €000	Restated 2013 €000
Deferred tax asset to be recovered within 12 months	866	-

The deferred tax asset relates to temporary differences on interest accrued.



# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 16 Other payables

	<b>2014</b>	Restated
	<b>€000</b>	2013
		<b>€000</b>
Due to parent undertaking	<b>700</b>	700
Due to subsidiary undertaking	<b>25</b>	-
	<hr/>	<hr/>
	<b>725</b>	700
	<hr/>	<hr/>

### 17 Borrowings

This note provides information about the contractual terms of the Company's interest bearing borrowings which are measured at amortised cost. For more information about the Company's exposure to interest rate and liquidity risks, see Note 18.

	<b>2014</b>	Restated
	<b>€000</b>	2013
		<b>€000</b>
Non-current:		
Loan notes	<b>547,823</b>	547,375
Bank loans	<b>289,583</b>	313,890
	<hr/>	<hr/>
	<b>837,406</b>	861,265
	<hr/>	<hr/>
Current:		
Loan notes	<b>1,587</b>	1,583
Bank loans	<b>26,183</b>	18,316
	<hr/>	<hr/>
	<b>27,770</b>	19,899
	<hr/>	<hr/>
Total borrowings	<b>865,176</b>	881,164
	<hr/>	<hr/>

# DAA Finance plc

## Notes to the financial statements for the year ended 31 December 2014

### 17 Borrowings (continued)

Terms and conditions of outstanding loans and borrowings were as follows:

	Currency	Nominal interest rate	Year of maturity	2014		Restated 2013
				Face value €000	Carrying value €000	Face value €000
Loan notes 2018	Euro	6.5872%	2018	549,650	549,410	548,958
Bank loan (2002)	Euro	5.12%	2015 – 2020	61,538	62,693	71,416
Bank loan (2011)	Euro	0.659%	2015 – 2031	252,353	253,073	260,790
				313,891	315,766	332,206
Total interest - bearing liabilities				863,541	865,176	881,164

Loan notes 2018 represent €549,650,000 (2013: €549,650,000) 6.5872% fixed rate Eurobonds repayable 9 July 2018, net of unamortised issue costs, which are guaranteed by the parent undertaking, daa, and are listed on the Irish Stock Exchange.

The bank loan (2002) is an 18 year amortising loan from the European Investment Bank disbursed on 19 August 2002 at a fixed rate of 5.12%, payable semi-annually. The bank loan (2011) is a 20 year amortising loan from the European Investment Bank disbursed on 26 January 2011 at a variable rate (based on 6 month EURIBOR plus a fixed 0.35% margin). The loan principal on the bank loan (2011) is repayable in instalments semi-annually. Both bank loans are guaranteed by the parent undertaking, daa.

The loan notes and bank loans have been borrowed on an unsecured, equal ranking basis.

The loans to the parent undertaking (Note 11) are repayable on demand.

# DAA Finance plc

## Notes to the financial statements

for the year ended 31 December 2014

### 17 Borrowings (continued)

#### **Undrawn committed borrowing facilities**

At 31 December 2014, the Company shared with its parent undertaking, daa, joint undrawn committed borrowing facilities of €150 million in respect of which all conditions precedent have been met. This facility expires in more than one year but not more than two years.

### 18 Financial instruments

#### **Foreign currency risk**

All financial instruments are denominated in Euro and hence no foreign currency risk exists.

#### **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit risk exposure, which at the reporting date was:

	Carrying value	
	2014	Restated
	€000	2013
		€000
Loans to parent undertaking	875,546	891,840
Other receivables	38	178
Cash and cash equivalents	196	15
	<hr/>	<hr/>
	875,780	892,033
	<hr/>	<hr/>

The directors believe that there are no foreseeable issues in relation to the credit quality of financial assets due to the financial profile of the undertakings and therefore no impairment allowance is necessary in respect of these assets. The credit rating of the counter party (daa plc) is BBB+. There are no amounts past due.

# DAA Finance plc

## Notes to the financial statements for the year ended 31 December 2014

### 18 Financial instruments (continued)

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying amount €000	Contractual cash flows €000	6 months or less €000	6 – 12 months €000	1 – 2 years €000	2 – 5 years €000	More than 5 years €000
<b>31 December 2014</b>							
Loan notes	549,410	(678,705)	-	(36,207)	(36,207)	(606,291)	-
Bank loans	315,766	(338,202)	(14,497)	(14,469)	(28,858)	(85,932)	(194,446)
Due to parent undertaking	700	(700)	(700)	-	-	-	-
	<b>865,876</b>	<b>(1,017,607)</b>	<b>(15,197)</b>	<b>(50,676)</b>	<b>(65,065)</b>	<b>(692,223)</b>	<b>(194,446)</b>
<b>31 December 2013 (restated)</b>							
Loan notes	548,958	(714,911)	-	(36,207)	(36,207)	(642,497)	-
Bank loans	332,206	(361,332)	(6,942)	(14,593)	(29,107)	(86,643)	(224,047)
Due to parent undertaking	700	(700)	(700)	-	-	-	-
	<b>881,864</b>	<b>(1,076,943)</b>	<b>(7,642)</b>	<b>(50,800)</b>	<b>(65,314)</b>	<b>(729,140)</b>	<b>(224,047)</b>

The Company's principal financial assets, being the loans due from the parent undertaking (see Note 11) are repayable on demand (see Note 17), being the loan notes and bank loans.

# DAA Finance plc

## Notes to the financial statements for the year ended 31 December 2014

### 18 Financial instruments (continued)

#### Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2014	Restated 2013
	€000	€000
<i>Fixed rate instruments</i>		
Financial assets	622,277	631,035
Financial liabilities	(612,103)	(620,374)
	<hr/>	<hr/>
	10,174	10,661
	<hr/>	<hr/>
<i>Variable rate instruments</i>		
Financial assets	253,269	260,805
Financial liabilities	(253,073)	(260,790)
	<hr/>	<hr/>
	196	15
	<hr/>	<hr/>

#### Interest rate sensitivity analysis

The Company has not used any hedging instruments in the current year or preceding financial year. The Company's variable rate financial liabilities are matched by variable rate financial assets with matching repayment terms. As such, the Company has no net exposure to interest rate risk.

The Company's sensitivity to an increase and decrease in interest rates is set out below. The rates used in the sensitivity analysis are as follows:

	2014	2013
	1%	1%
EUR		
	As at 31 December 2014	As at 31 December 2013
EUR interest payable on bank loan	+/- €2,444,085	+/- €2,602,974

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 18 Financial instruments *(continued)*

#### **Fair values**

The fair values of financial instruments together with the carrying amounts shown in the statement of financial position are as follows:

	2014		Restated 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	€000	€000	€000	€000
Cash and cash equivalents	196	196	15	15
Loans to parent undertaking	875,546	984,317	891,840	984,909
Other receivables	38	38	178	178
Loan notes	(549,410)	(659,315)	(548,958)	(642,732)
Bank loans	(315,766)	(325,002)	(332,206)	(342,177)
Other payables	(725)	(725)	(700)	(700)

#### *Basis for determining fair values*

##### **Loans to parent undertaking**

The loans to parent undertaking represent the amounts of the Company's external borrowings which have been guaranteed and on-lent to daa. In this context, the external borrowings of the Company have been raised on behalf of daa. The discount rate equals the appropriate observable market rate at the time of valuation plus an appropriate credit margin. The fair values are within Level 2 of the fair value hierarchy.

##### **Other receivables/Other payables**

As these amounts fall due within one year, the actual amount receivable/payable is deemed to reflect the fair value.

##### **Loan notes**

The fair value is based on exit prices obtained from third party financial institutions. The fair values fall within Level 2 of the fair value hierarchy.

##### **Bank loans**

Fair value is calculated based on discounted expected future principal and interest cash flows, assuming no prepayments. The average observable market interest rate used for determining fair value at 31 December 2014 was 1.0% (2013: 2.0%) and included an appropriate credit margin, externally sourced, taking into account the credit quality of the Company. The interest rate of 1% is substantially lower than the fixed rates payable on the bank loans due to the current and projected low interest rate environment. The fair values fall within Level 2 of the fair value hierarchy.

# DAA Finance plc

## Notes to the financial statements *(continued)* for the year ended 31 December 2014

### 19 Share capital

	2014 €000	Restated 2013 €000
<b>Authorised</b>		
1,000,000 ordinary shares of €1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
40,000 ordinary shares of €1 each	40	40

### 20 Capital contribution reserve

	2014 €000	Restated 2013 €000
At beginning and end of year	28,681	20,710
Capital contribution for the year	7,419	7,971
At end of year	36,100	28,681

The financial statements for the year ended 31 December 2014 have treated payments for corporation tax group relief from companies within daa Group that are in excess of the value of the tax saving surrendered as a capital contribution. They are no longer recognised in the statement of comprehensive income under interest and other income. This treatment is in line with changes in interpretations and better reflects the substance of the transaction. The opening 2013 capital contribution balance includes an adjustment of €11.7 million in respect of 2012.

### 21 Retained earnings

	2014 €000	Restated 2013 €000
At beginning of year	(18,552)	(10,124)
Loss for the year	(6,843)	(8,428)
At end of year	(25,395)	(18,552)

# DAA Finance plc

## Notes to the financial statements *(continued)*

for the year ended 31 December 2014

### **22 Related parties**

The principal related party relationships requiring disclosure in the financial statements under IAS 24 Related Party Disclosures relate to the existence of the parent undertaking, daa, and transactions with this entity and its subsidiaries entered into by the Company.

During the year, the Company recognised an income tax credit for the surrender of tax losses to the parent undertaking, to the Company's subsidiary and to a fellow subsidiary of the parent undertaking. The total group relief surrendered to the parent undertaking amounted to €2.4 million (2013 restated: €2.6 million). The total group relief surrendered to the Company's subsidiary amounted to €8,226 (2013: €8,217). The total group relief surrendered to a fellow subsidiary of the parent undertaking amounted to €34,694 (2013: €43,750).

During the year, the Company recognised interest income of €31.7 million (2013 restated: €31.2 million) on loans advanced to the parent undertaking and management fee income of €20,651 (2013: €20,539).

At the year end, loans to the parent undertaking were €875.5 million (2013: €891.8 million) (Note 11), other receivables due from a fellow subsidiary of the parent undertaking were €34,694 (2013: €0.2 million) (Note 13), other payables due to the parent undertaking were €0.7 million (2013: €0.7 million) (Note 16) and other payables due to the subsidiary undertaking were €24,651 (2013: Nil) (Note 16). These balances will be settled in cash.

The Company also received a capital contribution from daa plc during the year of €7.4 million (2013 restated: €8.0 million) details of which are set out in Note 3.

The parent undertaking has guaranteed the loans and borrowings of the Company (Note 17).

The Company is a wholly owned subsidiary of daa plc, a company incorporated and operating in Ireland. The financial statements of DAA Finance plc are reflected in the consolidated financial statements prepared for daa plc. The consolidated financial statements of daa plc are available from the Secretary at Head Office, Old CTB, Dublin Airport, Co Dublin and on [www.daa.ie](http://www.daa.ie).

### **23 Management of capital**

The capital of the Company comprises the share capital, capital contribution reserve and retained earnings. The Company operates within the larger group headed by daa plc who have provided sufficient capital to fund loss-making activities.

### **24 Approval of financial statements**

The financial statements were approved by the directors on 20 March 2015.