

The Irish Aviation Authority
Regulated Entity Financial Statement
Year Ended 31 December 2020

The Irish Aviation Authority – Regulated Entity

Financial statement

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The Irish Aviation Authority – Regulated Entity

Directors and Other Information

Directors	Ms. Rose Hynes (<i>Chairman</i>) Mr. Cian Blackwell Ms. Marie Bradley Mr. Ernie Donnelly Mr. Peter Kearney (<i>Chief Executive</i>) Mr. Gerry Lumsden Ms. Joan McGrath Mr. Diarmuid Ó Conghaile Ms. Eimer O'Rourke
Secretary	Ms. Aideen Gahan
Registered office	The Times Building 11-12 D'Olier Street Dublin 2 T: 353 1 671 8655 F: 353 1 679 2934 www.iaa.ie
Auditor	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm Deloitte and Touche House 29 Earlsfort Terrace Dublin 2
Bankers	Allied Irish Banks, p.l.c. 40/41 Westmoreland Street Dublin 2
Registered number	211082

The Irish Aviation Authority – Regulated Entity

Statement of directors’ responsibilities in respect of the financial review and the regulated entity financial statement

The Commission for Aviation Regulation (“CAR”) is the statutory body established to regulate, inter alia, certain aspects of the aviation sector in Ireland. From 1 January 2020, CAR has been designated as a National Supervisory Authority (NSA) for economic regulation of air navigation service providers under the performance and charging schemes of the single European sky.

Regulation (EC) No 550/2004 on the provision of air navigation services in the single European sky provides that air navigation service providers shall draw up, submit to audit and publish their financial accounts. In order for CAR to fulfil its obligations under the EU performance and charging scheme regulations – Commission Implementing Regulation (EU) 2019/317 laying down a performance and charging scheme in the single European sky – CAR has requested that the Irish Aviation Authority (“IAA”) prepare a financial statement showing its regulated activities (Regulated Entity financial statement) separate from its other activities, made up to a year-end date of 31 December 2020, the same date to which the statutory accounts of the Company are made up. Extracts from the Regulated Entity financial statement may be published. The directors of the IAA are responsible for preparing the Regulated Entity financial statement.

The Regulated Entity financial statement of profit and loss account, accounting policies and associated notes represents an extract from the statutory financial statements of the Irish Aviation Authority for the year ending 31 December 2020. The financial statement has been prepared solely to present for the Regulated Entity, based on the statutory financial statements as already reported for the year ending 31 December 2020, results for that year. It has been prepared in accordance with the statement of accounting policies on pages 12 to 16 to present fairly the profit and loss account attributable to the Regulated Entity. The content and format of the financial statement was agreed with CAR in April 2021.

In preparing the regulated entity financial statement, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statement; and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the IAA Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company, of which the Regulated Entity forms part, and which enable them to ensure that the financial statements of the Company, from which the Regulated Entity financial statement is derived, comply with the Companies Act 2014. They have general responsibility 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.

The Irish Aviation Authority – Regulated Entity

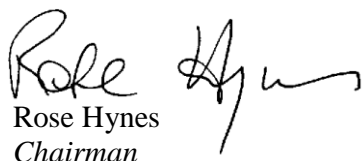
Statement of directors’ responsibilities *(continued)*

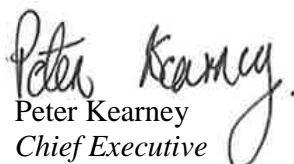
The directors are responsible for establishing and maintaining the system of internal control throughout the Company, of which the Regulated Entity is a part, including controls to enable the Company to comply with Commission Implementing Regulations (EU) 2019/317 which apply to the Company’s regulated activities. The system of internal control comprises the ongoing processes for identifying and evaluating and managing significant risks faced by the IAA in pursuing its business objectives. Such a system is designed to manage rather than eliminate the risk of failure and therefore can only provide reasonable and not absolute assurance that the IAA will achieve those objectives or that the IAA would not suffer material misstatement or loss.

Going concern

The directors, after making enquiries and considering the impact of COVID-19 on its business and the planned separation of the IAA’s business into two legal entities, believe that the Group and the Company have adequate resources to continue in operation for the foreseeable future and to meet its ongoing liabilities as they fall due for a period of at least 12 months from the date of the approval of this financial statement and therefore, it is appropriate to continue to adopt the going concern basis in preparing the financial statement. The assessment of going concern is considered further in Note 1 to the financial statement.

On behalf of the board


Rose Hynes
Chairman


Peter Kearney
Chief Executive

16 June 2021

The Irish Aviation Authority – Regulated Entity

Financial review

for the year ended 31 December 2020

Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic makes provision for a revised State performance plan to be prepared in 2021 for the reference period 2020 to 2024. This revised performance plan is expected to be approved by the EC in the first half of 2022. The regulation provides that due account should be taken of the actual costs incurred by air navigation service providers in 2020 and the shortfall between approved costs incurred and revenues billed will be recovered from the airspace users over a period of up to seven years from 2023. The 2020 financial statement has been prepared on the basis that determined costs will align with actual costs. While EU Implementing Regulation (EU) 2020/1627 states that due account should be taken of the actual costs incurred by air navigation service providers and Member States (in 2020 and 2021), there is a risk that the total cost base for 2020 may not be approved. This would have an impact on reported revenues. Management have assessed this risk as low given the cost containment measures implemented in the year and management's assessment that the actual costs incurred in 2020 were required to provide a safe and effective air traffic control service to its en route and terminal customers on a continuous basis. In addition, the 2020 costs incurred meet the expectations of the EU of a reduction in costs relative to both 2019 actual costs and costs included in the original draft RP3 Performance Plan prepared pre-COVID.

Financial overview

Turnover from regulated activities in 2020 was €124.8 million (2019: €150.0 million) comprising en route revenue of €101.9 million (2019: €121.0 million), terminal revenue of €19.4 million (2019: €24.3 million), exempt air traffic revenue of €1.0 million (2019: €1.3 million) and other revenue attributable to regulated activities of €2.5 million (2019: €3.5 million). Operating expenses of €122.8 million (2019: €132.8 million) comprise costs incurred by the IAA air navigation service provider (ANSP) and the IAA air navigation services safety regulator/NSA in the provision of regulated activities. A charge from MET Éireann of €6.5 million (2019: €8.3 million) is also included. During the year, the Company availed of the Employment Wage Subsidy Scheme (EWSS) and earned subsidies and rebates of €1.4 million (2019: €Nil) attributable to its regulated activities. This is recorded as 'Other Income' on the profit and loss account. Profit before taxation for the year was €1.8 million (2019: €15.7 million) with profit after taxation reported as €0.8 million (2019: €13.0 million).

En route and terminal service units

En route service units in 2020, comprising distance flown and aircraft weight, were 1,986,454, (2019: 4,640,860). Terminal service units in 2020, based on aircraft weight, were 70,448 (2019: 187,709).

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Financial review – (continued)

Outturn 2020

Actual outturn 2020, for each of the IAA air navigation service provider (ANSP) and IAA air navigation services safety regulator/NSA, reported to the NSA in line with Commission Implementing Regulation (EU) 2019/317, is set out in the tables below. A revised State Performance Plan, that includes the IAA ANSP, the IAA safety regulator/NSA and MET Éireann, is being prepared by the NSA for reference period 2020-2024. An approved plan is expected to be in place in 2022. In the absence of an approved plan, the tables below and the financial statement assume that actual costs incurred in 2020 align with determined/approved costs. A reconciliation of reported regulated costs in 2020 to operating expenses included in the financial statement on page 11 has been provided separately to CAR.

IAA ANSP	2020 Actual €'000
Staff	64,753
Other operating costs	27,001
Depreciation	9,083
Cost of capital	2,578
Total IAA ANSP costs	103,415

Staff costs incurred in 2020 take account of cost containment measures implemented during the year in response to the impact of COVID-19 on the Company's air traffic business. These measures included the introduction of a 4.5 day working week from July to October 2020, a moratorium on recruitment, no general pay increases and reduced levels of variable pay. The Company received government funding in 2020 in the form of the Employment Wage Subsidy Scheme (EWSS). This amounted to €1,379,000 (2019: €Nil) attributable to regulated activities and this has been offset against staff costs included above.

Operating costs incurred in 2020 reflect the significant efforts to defer, reduce and, where possible, cancel expenditure costs across a range of technical and administrative expenses. The IAA has strong procurement and budgeting procedures in place.

Depreciation costs were €9.1 million in 2020. The IAA has a five-year technology plan and a capital budget is approved annually. There was a delay in the delivery of certain capital expenditure projects in 2020 due to COVID-related domestic and international travel restrictions and the decision to defer, where risk-assessed as appropriate, some capital projects in order to preserve liquidity.

Cost of capital of €2.6 million was charged during 2020.

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Financial review – (continued)

IAA safety regulator/NSA	2020 Actual €'000
Staff	1,793
Other operating costs	11,304
Depreciation	15
Cost of capital	-
Total NSA Costs	13,112

As for the IAA ANSP, total costs incurred by the IAA safety regulator/NSA reflect cost containment measures implemented in 2020 in response to the COVID-19 pandemic. Staff costs include the introduction of a 4.5 day working week from July to October 2020, a moratorium on recruitment and no general pay increases in the year. Other operating costs reflect the significant efforts made in 2020 to reduce, defer and, where possible, cancel costs across a range of expenditure headings.

MET Éireann

In 2020, the IAA ANSP recorded a charge from MET Éireann of €6.5 million (2019: €8.3 million). Costs for meteorological services are allocated 80% to en route and 20% to terminal activities. This allocation, agreed with CAR, has been in place since 2001.

Inflation

Actual inflation in 2020 was -0.5% (2019:0.9%).

Costs exempt from risk sharing

Costs exempt from risk sharing comprise of EUROCONTROL subscriptions. The planned charge in 2020, included in the 2020 unit rate, was €8.0 million. Actual outturn was €7.2 million giving rise to an amount of €0.8 million to be reimbursed to the airspace users in future years.

Other revenue

In calculating the en route and terminal charges for 2020, unspent capital-related expenditure, up to 2018, of €13.6 million for en route and €4.4 million for terminal was taken into account. The reduction in traffic volumes, as a result of the COVID-19 pandemic, resulted in a shortfall in the amounts reimbursed to the airspace users of €7.8 million for en route and €2.7 million for terminal. These amounts will be carried forward for reimbursement in future years.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE IRISH AVIATION AUTHORITY

Opinion on the Financial Statement

We have audited the statement of profit and loss account of the regulated activities of the Irish Aviation Authority (the "Company") for the year ended 31 December 2020 and the related notes on pages 12 to 20, including a summary of significant accounting policies (together "the financial statement").

The financial reporting framework established by the Commission for Aviation Regulation ("CAR") is set out in the Framework for the 2020 IAA Regulated Entity Accounts to CAR (NSA) dated 26 April 2021 ("financial reporting framework").

In our opinion, the financial statement presents fairly, in all material respects, the profits and losses attributable to the regulated activities of the Company for the year ended 31 December 2020 in accordance with the financial reporting framework.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) including ISA (Ireland) 805. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statement" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statement in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statement, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statement is authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter- Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement is prepared to assist the Company to meet the regulatory reporting requirements. As a result, the financial statement may not be suitable for another purpose.

Our report is intended solely for the Company however, we understand a copy of our report will be shared with CAR. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (including CAR), other than the Company and the Company's directors as a body, for this report, or for the opinions we have formed.

Our opinion is not modified in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE IRISH AVIATION AUTHORITY

Other Matters

The Company has prepared a separate set of statutory financial statements for the year ended 31 December 2020 in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council on which we issued a separate auditor's report to the directors of the Company dated 24 March 2021.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Regulated Entity Financial Statement, other than the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statement or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Responsibility of the Directors for the Financial Statement

The directors are responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting framework and for such internal control as the directors determine is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the Company's financial reporting process.

In preparing the financial statement, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE IRISH AVIATION AUTHORITY

Auditor's Responsibilities for the audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

The nature, form and content of the Financial Statement and therefore its basis of preparation, is set out by CAR to assist the Company in meeting its regulatory requirements. We make no assessment as to whether the basis of preparation, as set out on page 12 is appropriate or sufficient for the Company's purposes.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE IRISH AVIATION AUTHORITY

Auditor's Responsibilities for the audit of the Financial Statement *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.



Daniel Murray
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Date: 16 June 2021

The Irish Aviation Authority – Regulated Entity

Profit and Loss Account

for the year ended 31 December 2020

	<i>Note</i>	2020 €'000	2019 €'000
Turnover – continuing activities	2	124,782	150,007
Operating expenses		(122,849)	(132,778)
		<hr/>	<hr/>
Operating profit – continuing activities		1,933	17,229
Other Income	3	1,379	-
Interest receivable and similar income	4	6,422	9,151
Interest payable and similar charges	5	(7,970)	(10,681)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,764	15,699
Tax on profit on ordinary activities	6	(987)	(2,736)
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Profit for the financial year		777	12,963
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The Irish Aviation Authority – Regulated Entity

Notes forming part of the financial statement

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the regulated entity's financial statement. These accounting policies are in agreement with those used in the preparation of the audited consolidated and company financial statements of the Irish Aviation Authority ("the IAA", "the Company") and its subsidiary undertaking (with the Company and the subsidiary being together "the Group") for the year ended 31 December 2020.

Basis of preparation

The Irish Aviation Authority ("IAA", "the Company") is a private limited company formed under the Irish Aviation Authority Act, 1993 (the "IAA Act"), and registered under the Companies Act 2014. The IAA is responsible for the safety regulation of the civil aviation industry in Ireland, the oversight of civil aviation security in Ireland and the provision of air traffic management and voice communications services to aircraft operating within Irish-controlled airspace and halfway across the North Atlantic.

The directors consider that the format and content of the regulated entity financial statement meets the requirements of CAR as set out in the 'Framework for the 2020 IAA Regulated Entity Accounts to CAR(NSA)' dated 26 April 2021 ("the framework agreement") and comply with Article 12 of EC Regulation No 550/2004 and EU Regulation 2019/317.

For the purpose of preparing these accounts, the Regulated Entity financial statement includes the en route and terminal activities of the IAA. The financial results of other activities carried out by the IAA and its subsidiary undertaking are not included for the purpose of this financial statement as these activities are separate to those providing en route and terminal services. The basis on which turnover and operating expenses have been allocated to en route and terminal activities is set out below.

The regulated entity financial statement is extracted from the audited company financial statements of the IAA which is prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of the financial statement is Euro. All amounts in the financial statement have been rounded to the nearest €1,000.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statement and estimates with a significant risk of material adjustment in the next year are discussed in note 8.

Going concern

The financial statement has been prepared on a going concern basis. This assumes that the Group and the Company will have adequate resources to continue in operation for the foreseeable future and can meet its ongoing liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statement.

The Irish Aviation Authority – Regulated Entity

Notes (continued)

1. Accounting policies (continued)

Going concern (continued)

At 31 December 2020, the Group had cash of €71.2 million (2019: €20.1 million) and short term deposits of €98.6 million (2019: €212.4 million) and access to an overdraft facility of €10.0 million. While there is uncertainty around the timing, rate and extent of recovery in air traffic volumes, the Group's cash flow forecasts show that the Group and Company should be able to operate within the level of its available liquidity for the foreseeable future. Management will continue to monitor the cash position of the Group and continue to implement cost containment initiatives.

Accordingly, having considered the future cash requirements of the Group and the Company's business, the economic environment over the next 12 months, the principal risks and uncertainties facing the Group and the Company, the Group and the Company's operating budget and the planned separation of the IAA's business into two legal entities, the directors believe that the Group and Company have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statement and that it is appropriate to adopt the going concern basis in the preparation of the financial statement.

True and fair view override

Ireland is a party to a multilateral agreement (EUROCONTROL) relating to the collection of en route navigation service charges. Under Section 47 of the IAA Act, the IAA performs this function on behalf of the State. Differences in income and costs arising from traffic volume risk and cost risk sharing are recovered from, or returned to, users of en route navigation services by amendment of charges in later years.

The costs to be taken into account for the purpose of the EUROCONTROL agreement are defined in the EUROCONTROL charging principles and in the EC Charging Regulations in a manner that includes all cash payments to pension funds. Consequently, the directors have determined that it is appropriate to incorporate all cash contributions made to the IAA's pension fund in operating expenses to the extent they exceed the pensions charge determined in accordance with FRS 102 'Employee Benefits', and to record an offsetting credit in the statement of other comprehensive income ("OCI"), in order to present a true and fair view of its comprehensive income and its assets, liabilities and financial position.

Separated profit and loss account

Turnover and costs have been determined on the bases set out below:

Turnover is the actual turnover of regulated activities as described below.

The IAA's cost base reporting system records cost by nature and by cost centre. Cost centres are attributed to business activities by location and then allocated by reference to the regulated activities of en route and terminal as well as safety regulation, North Atlantic communications and other/commercial other than:

The Irish Aviation Authority – Regulated Entity

Notes (continued)

1. Accounting policies (continued)

- Interest income and expense on defined benefit pension assets and liabilities is allocated to the regulated entity on the basis of the proportion of regulated entity pension costs to total pension costs as per the cost base reporting system.
- Interest payable is allocated to the regulated entity on the basis of the proportion of regulated entity turnover to total turnover.
- The deferred tax credit has been calculated on the basis of the proportion of the net book value of the regulated entity fixed assets to total fixed assets and the proportion of regulated entity pension costs to total pension costs.

1.1 Measurement convention

The financial statement is prepared on the historical cost basis.

1.2 Turnover

Turnover represents the amounts received, and receivable, in respect of services provided to customers, together with fees received, and receivable, in respect of statutory regulatory functions performed in discharge of safety regulation requirements.

En route and terminal revenues

The provision of en route and terminal services are economically regulated activities. As described above, the IAA is entitled to recover differences between income and costs relating to en route navigation service charges where these differences arise from traffic volume risk and cost risk sharing. Differences arising are provided for in an accrued/deferred income account and are adjusted against income arising from en route activity. Accrued/deferred income is recovered/reimbursed by way of an adjustment to charges in future years, typically on an 'n+2' basis.

In response to COVID-19, amounts to be recovered in respect of 2020 have, on an exceptional basis, been determined by reference to actual costs incurred in providing an en route service. The related accrued income balance is due to be recovered through an adjustment to charges over a period of five to seven calendar years starting in 2023. Income from terminal navigation charges, relating to landing and take-off services, is accounted for in a similar manner. Amounts are accrued in turnover and recognised as either receivables or payables in the balance sheet. Further information on en route and terminal revenues is provided in Note 8.

The Irish Aviation Authority – Regulated Entity

Notes (continued)

1. Accounting policies (continued)

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated to write off the cost of each fixed asset, including equipment purchased as part of an installation, on a straight line basis over its expected useful life, at the following annual rates:

Buildings	5%
Completed installations and other works	8 ¹ / ₃ % – 12 ¹ / ₂ %
Office equipment	20% – 33 ¹ / ₃ %

Assets are depreciated from the date they are commissioned for use. Assets under construction/installations in progress are carried at historical cost and are not depreciated until they are brought into use. The carrying amounts of tangible fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment.

1.4 Leased assets

Operating lease rentals are expensed as they accrue over the periods of the leases.

1.5 Foreign currencies

Transactions arising in foreign currencies are translated into the functional currency at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the year-end rate of exchange. The resulting profits and losses are dealt with in the profit and loss account for the year.

1.6 Taxation

Corporation tax is provided for on the profit for the year at the current rates. Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the reporting date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results, as stated in the financial statement, which arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statement.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The Irish Aviation Authority – Regulated Entity

Notes *(continued)*

1. Accounting policies *(continued)*

1.7 Government grants

The Group recognises Government grants in line with the accruals model under FRS 102. Revenue grants in respect of expenditure are recognised in the profit and loss account at the same time as the related expenditure for which the grant is intended to compensate is incurred.

1.8 Employee benefits

The IAA provides pensions to its employees under four superannuation schemes. Three of these schemes are defined benefit schemes: “The Irish Aviation Authority Staff Superannuation Scheme 1996” – for staff whose employment commenced prior to 1 April 2008; “The Irish Aviation Authority Staff Superannuation Scheme 2008” – for staff whose employment commenced from 1 April 2008 to 31 December 2011; “The Irish Aviation Authority Hybrid Pension Plan 2012” – for staff whose employment commenced since 1 January 2012. For the schemes, the difference between the market value of the schemes’ assets and the actuarially assessed present value of the schemes’ liabilities, calculated using the projected unit credit method, is reported as an asset/liability on the balance sheet.

The amount charged to the profit and loss account is the total of:

- (a) the actuarially determined cost of pension benefits promised to employees for service during the year plus any benefit improvements granted to members during the year (current/past service cost), and
- (b) an additional charge to operating expenses reflecting the difference between the actuarially determined pension charge (current/past service cost) included above and total cash payments to the pension fund in the year, and
- (c) the net interest on the net defined benefit liability comprising interest cost on the defined benefit obligation and interest income on plan assets.

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as re-measurement gains and losses in the statement of other comprehensive income (“OCI”).

The OCI includes an offset amounting to the additional pension charge, described in paragraph (b), expected to be recovered under the provisions of the EUROCONTROL agreement. The Company thus departs from the requirements of FRS 102 in order that the results comply with the requirements of the agreements under which its operations are governed and, in the context of these agreements, that the financial statement give a true and fair view.

The Irish Aviation Authority – Regulated Entity

Notes (continued)

2 Turnover	2020	2019
	€'000	€'000
<i>Activity</i>		
En route	101,912	120,964
Terminal	19,407	24,259
Exempt air traffic	967	1,284
Other	2,496	3,500
	<hr/>	<hr/>
	124,782	150,007
	<hr/> <hr/>	<hr/> <hr/>

The IAA's turnover is derived from aviation-related services provided in the Republic of Ireland.

3 Staff numbers and costs

The average number of persons employed during the year in the provision of regulated activities, including the executive directors, analysed by category, was as follows:

	2020	2019
	Number	Number
Air traffic controllers	304	309
Engineers	73	71
Other operational	96	93
NSA/Safety regulator	15	13
Corporate services	52	53
	<hr/>	<hr/>
Total employees	540	539
	<hr/> <hr/>	<hr/> <hr/>

The Company is availing of the Government Employment Wage Subsidy Scheme (EWSS). The amount due in respect of 2020 was €1,379,000 (2019: €Nil).

The aggregate payroll costs of these persons, included in the profit and loss account, were as follows:

	2020	2019
	€'000	€'000
Wages and salaries	50,759	53,665
Social welfare costs	4,404	4,460
Pension costs	13,990	13,810
	<hr/>	<hr/>
	69,153	71,935
	<hr/> <hr/>	<hr/> <hr/>

The Irish Aviation Authority – Regulated Entity

Notes (continued)

4	Interest receivable and similar income	2020	2019
		€'000	€'000
	Interest income on defined benefit assets	6,400	9,129
	Other interest	22	22
		<hr/>	<hr/>
		6,422	9,151
		<hr/> <hr/>	<hr/> <hr/>
5	Interest payable and similar charges	2020	2019
		€'000	€'000
	Interest expense on defined benefit liabilities	7,489	10,235
	Bank interest	481	446
		<hr/>	<hr/>
		7,970	10,681
		<hr/> <hr/>	<hr/> <hr/>
6	Tax on profit on ordinary activities	2020	2019
		€'000	€'000
	Analysis of tax charge in the year		
	<i>Current tax</i>		
	Corporation tax	769	2,811
	Adjustments in respect of prior periods	14	(2)
		<hr/>	<hr/>
		783	2,809
		<hr/> <hr/>	<hr/> <hr/>
	<i>Deferred tax</i>		
	Origination and reversal of timing differences	204	(73)
		<hr/> <hr/>	<hr/> <hr/>
	Tax on profit on ordinary activities	987	2,736
		<hr/> <hr/>	<hr/> <hr/>

The Irish Aviation Authority – Regulated Entity

Notes (continued)

6 Tax on profit on ordinary activities (continued)	2020	2019
	€'000	€'000
Profit and loss total tax reconciliation		
Profit on ordinary activities before tax	1,764	15,699
	<hr/>	<hr/>
Expected current tax at 12.5%	221	1,962
	<hr/>	<hr/>
<i>Effects of:</i>		
Permanent differences	615	637
Expenses not deductible for tax purposes	137	139
Corporation tax in respect of prior years	14	(2)
	<hr/>	<hr/>
Tax on profit on ordinary activities	987	2,736
	<hr/> <hr/>	<hr/> <hr/>

7 Related parties

In common with many other government bodies, the IAA deals in the normal course of business with other government bodies and departments, such as Dublin Airport Authority (“daa”) plc., Shannon Airport Authority Ltd, Electricity Supply Board (“ESB”), the Department of Transport and Met Éireann. In addition, in the normal course of business, the IAA transacts with certain Irish banks which have become wholly or partially owned by the Irish State. All of the IAA’s transactions with such banks are on normal commercial terms. The ultimate controlling party is the Department of Public Expenditure and Reform.

In 2014, the IAA entered into a commercial arrangement to provide air traffic management training services to Entry Point North Ireland DAC, a 100% owned subsidiary of Entry Point North (EPN) AB, an associate of the IAA. Entry Point North Ireland DAC also provides air traffic management training services to the IAA on an arm’s-length basis. During the year, the IAA earned revenue of €2.5 million (2019: €3.5 million) and incurred costs of €5.2 million (2019: €7.9 million) in transactions with Entry Point North Ireland DAC. As at 31 December 2020, there is a net receivable balance due from Entry Point North Ireland DAC amounting to €Nil (2019: €1.2 million).

Total compensation of key management personnel in the year amounted to €1.3 million (2019: €1.9 million) comprising salaries and other short-term employee benefits of €1.0 million (2019: €1.4 million), post-employment benefits of €0.3 million (2019: €0.3 million) and termination benefits of €Nil (2019: €0.2 million). Key management compensation represents compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the regulated entity. These include the board members and senior executives.

The Irish Aviation Authority – Regulated Entity

Notes (continued)

8 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statement requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reported period.

Estimates and judgements are based on historical experience and on other factors that are reasonable under current circumstances. Actual results may differ from these estimates if these assumptions prove to be incorrect or if conditions develop other than as assumed for the purposes of such estimates. The following are the critical areas requiring estimates and judgements by management.

Pension assumptions

The valuation of the defined benefit pension schemes is a significant estimate in the IAA's financial statement, particularly in the current uncertain market. The directors have reviewed and assessed as reasonable the assumptions made by independent professional actuaries in assessing the fair value of the defined benefit pension schemes.

En route and terminal revenues

En route and terminal activities are regulated by the National Supervisory Authority (the Commission for Aviation Regulation) and the European Commission's single European sky. Under the regulatory framework, a State Performance Plan is submitted to the EC for approval, in advance of the start of each five-year regulatory period. The current regulatory period is for the years 2020 to 2024, known as RP3. COVID-19 has resulted in a revision of the RP3 planning process to take place in 2021. Exceptionally, for 2020, the NSA will retrospectively assess the IAA's en route and terminal cost base for eligibility of recovery in future years. While EU Implementing Regulation (EU) 2020/1627 recognises that due account should be taken of the actual costs incurred by air navigation service providers and Member States (in 2020 and 2021), there is a risk that the total cost base for 2020 may not be approved. This would have an impact on reported revenues.

Management have assessed this risk as low given the cost containment measures implemented in the year and management's assessment that the actual costs incurred in 2020 were required to provide a safe and effective air traffic control service to its en route and terminal customers on a continuous basis. In addition, the 2020 costs incurred meet the expectations of the EU of a reduction in costs relative to both 2019 actual costs and costs included in the original RP3 Performance Plan prepared pre-COVID.

9 Post balance sheet events

There have been no events since the balance sheet date which require adjustment to, or disclosure in, the financial statement.

10 Approval of the financial statement

The Regulated Entity financial statement was approved by the directors on 16 June 2021.