

**The Irish Aviation Authority**  
**Regulated Entity Financial Statement**  
**Year Ended 31 December 2019**

# **The Irish Aviation Authority – Regulated Entity**

## **Financial statement**

<b>Contents</b>	<b>Page</b>
Directors and other information	1
Statement of directors' responsibilities	2
Financial review of the outturn performance of the regulated business of the Irish Aviation Authority	4
Independent auditors' report	7
Profit and loss account	11
Notes forming part of the regulated entity financial statement	12

# **The Irish Aviation Authority – Regulated Entity**

## **Directors and Other Information**

<b>Directors</b>	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
<b>Secretary</b>	Ms. Aideen Gahan
<b>Registered office</b>	The Times Building 11-12 D'Olier Street Dublin 2 T: 353 1 671 8655 F: 353 1 679 2934 <a href="http://www.iaa.ie">www.iaa.ie</a>
<b>Auditor</b>	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm Deloitte and Touche House 29 Earlsfort Terrace Dublin 2
<b>Bankers</b>	Allied Irish Banks, p.l.c. 40/41 Westmoreland Street Dublin 2
<b>Registered number</b>	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) No 390/2013 laying down a performance scheme for air navigation services and network functions and Commission Implementing Regulation (EU) 391/2013 laying down a common charging scheme for air navigation services – 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 2019, 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 2019. 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 2019, 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 December 2020.

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

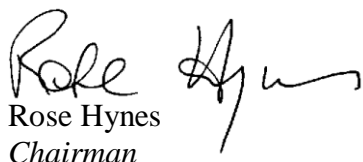
## Statement of directors’ responsibilities *(continued)*


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) No 390/2013 and No 391/2013 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, believe that the Company has adequate resources to continue in operation for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing the financial statement. In forming this view the directors have considered the future cash requirements of the Company’s business in the context of the economic environment over the next 12 months, the annual budget and the principal risks and uncertainties facing the Company. The Company has considered the impact of COVID-19 in its budgets in line with EUROCONTROL traffic scenarios for 2021.

On behalf of the board

  
Rose Hynes  
Chairman

  
Peter Kearney  
Chief Executive

24 March 2021

# **The Irish Aviation Authority – Regulated Entity**

## **Financial review**

*for the year ended 31 December 2019*

The following financial review compares the actual regulated activity and attributable costs incurred by the IAA in 2019 with the determined level of activity and costs included in the FAB Performance Plan UK-Ireland FAB for the second reference period (2015 – 2019). 2019 is the fifth and final year of the 2015 – 2019 regulatory period. The UK and Ireland, as partners in a Functional Airspace Block (FAB), adopted and submitted to the European Commission (EC) a performance plan for the reference period 2015 to 2019 (RP2), which sets out targets and performance indicators for en route and terminal air navigation services (regulated activities). The performance plan meets the requirements of the single European sky performance scheme and, in particular, Commission Implementing Regulation (EU) No 390/2013 laying down a performance scheme for air navigation services and network functions and Commission Implementing Regulation (EU) No 391/2013 laying down a common charging scheme for air navigation services.

### **Financial overview**

Turnover from regulated activities in 2019 was €150.0 million comprising en route revenue of €121.0 million, terminal revenue of €24.3 million, exempt air traffic revenue of €1.3 million and other revenue attributable to regulated activities of €3.5 million. Operating expenses of €132.8 million comprise costs incurred by the IAA air navigation service provider (ANSP), MET Éireann and the IAA air navigation services safety regulator/NSA in the provision of regulated activities. Profit before taxation for the year was €15.7 million with profit after taxation reported as €13.0 million.

### **En route and terminal service units**

En route service units in 2019, comprising distance flown and aircraft weight, were 4,640,860, an increase of 8.9% over planned service units of 4,262,135. Terminal service units in 2019, based on aircraft weight, were 187,709, an increase of 19.6% over planned service units of 156,900.

# The Irish Aviation Authority – Regulated Entity

## Financial review - *continued*

### Outturn 2019 compared with determined costs in Performance Plan 2015-2019

Actual regulated costs in 2019 compared to determined costs, reported to the European Commission in compliance with the charging scheme regulation, comprising staff costs, other operating costs, costs of depreciation and cost of capital for each of the IAA air navigation service provider (ANSP), MET Éireann and the IAA air navigation services safety regulator and NSA are set out below:

<b>IAA ANSP</b>	<b>2019 Actual €'000</b>	<b>2019 Determined €'000</b>	<b>Variance %</b>
Staff	68,635	78,310	-12.4%
Other operating costs	32,331	32,525	-0.6%
Depreciation	10,607	17,754	-40.3%
Cost of capital	6,261	8,464	-26.0%
<b>Total IAA ANSP costs</b>	<b>117,834</b>	<b>137,053</b>	<b>-14.0%</b>

Staff costs were lower than planned by 12.4%, down from €78.3 million to €68.6 million due to higher than expected departures and retirements and recruitment occurring later than anticipated.

Operating costs were down 0.6%, from €32.5 million to €32.3 million, due to lower costs across a range of technical and administrative expenses. The IAA has strong procurement and budgeting procedures with competitive quotes being sought on significant tangible transactions.

Depreciation costs were lower than planned by 40.3%, from €17.8 million to €10.6 million. The IAA has a five-year technology plan and a capital budget is approved annually. Scheduling differences will arise with the implementation of some projects.

Cost of capital was down 26.0% from €8.5 million to €6.3 million. The IAA ANSP has committed to returning unspent capex-related depreciation and cost of capital costs to the airspace users in future years.

# The Irish Aviation Authority – Regulated Entity

## Financial review - *continued*

<b>IAA safety regulator/NSA</b>	<b>2019 Actual €'000</b>	<b>2019 Determined €'000</b>	<b>Variance %</b>
Staff	2,056	1,915	+7.4%
Other operating costs	11,211	10,698	+4.8%
Depreciation	102	-	+100.0%
Cost of capital	-	-	-
<b>Total NSA Costs</b>	<b>13,369</b>	<b>12,613</b>	<b>+6.0%</b>

Staff costs were higher than planned by 7.4%, up from €1.9 million to €2.1 million, due to higher staff numbers than anticipated. Operating costs were up by 4.8% from €10.7 million to €11.2 million. Depreciation charged in the year was €0.1 million.

### **MET Éireann**

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

A reconciliation of actual regulated costs in 2019 to operating expenses reported in the financial statement on page 11 has been provided separately to CAR.

### **Inflation**

Operating expenses are also impacted by rates of inflation. In 2019, the Performance Plan assumed an inflation rate for Ireland of 1.7%. Actual inflation in the year was just 0.9%.

### **Costs exempt from risk sharing**

The 2019 outturn takes account of differences in actual EUROCONTROL subscription costs compared to determined costs included in the Performance Plan. Actual costs of €7.4 million are compared to determined costs of €7.9 million resulting in a surplus of €0.5 million to be reimbursed to the airspace users in future years.

### **Other revenue**

In calculating the en route and terminal charges for 2019, EU funding received of €1.1 million for en route and €0.4 million for terminal was reimbursed to the airspace users through a reduction in the 2019 unit charges. In general, funding for operating expenditure is reimbursed within two years of the claim being audited while funding for capital expenditure is reimbursed in line with depreciation of the asset.



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

### Opinion on the Regulatory 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 2019 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 2019 IAA Regulated Entity Accounts to CAR (NSA) dated 15 January 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 2019 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

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- The directors' use of the going concern basis of accounting in preparation of the financial statement is not appropriate; or
- The directors have not disclosed in the financial statement any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statement are authorised for issue.

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

**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.

**Other Matters**

The Company has prepared a separate set of statutory financial statements for the year ended 31 December 2019 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 20 March 2020.

**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 Regulatory 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.

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

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.

### **Auditor's Responsibilities for the audit of the Regulatory 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 Regulatory 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: 24 March 2021

# The Irish Aviation Authority – Regulated Entity

## Profit and Loss Account for the year ended 31 December 2019

	<i>Note</i>	<b>2019</b> <b>€'000</b>
<b>Turnover</b> – continuing activities	2	<b>150,007</b>
Operating expenses		<b>(132,778)</b>
		<hr/>
<b>Operating profit</b> – continuing activities		<b>17,229</b>
Interest receivable and similar income	4	<b>9,151</b>
Interest payable and similar charges	5	<b>(10,681)</b>
		<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>15,699</b>
Tax on profit on ordinary activities	6	<b>(2,736)</b>
		<hr/>
<b>Profit for the financial year</b>		<b>12,963</b>
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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 2019.

#### **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 Framework for the 2019 IAA Regulated Entity Accounts to CAR(NSA) dated 15 January 2021 ("the framework agreement") and comply with Article 12 of EC Regulation No 550/2004 and EU Regulation No 390/2013, 391/2013.

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 these 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.

# The Irish Aviation Authority – Regulated Entity

## Notes - *continued*

### 1. Accounting policies (continued)

#### *True and fair view override (continued)*

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:

- Interest income and expense on defined benefit 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.

# The Irish Aviation Authority – Regulated Entity

## Notes - *continued*

### 1 Accounting policies (continued)

#### 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

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. Income from terminal navigation charges, relating to approach, 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.

#### 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 <sup>1</sup> / <sub>3</sub> % – 12 <sup>1</sup> / <sub>2</sub> %
Office equipment	20% – 33 <sup>1</sup> / <sub>3</sub> %

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.



# The Irish Aviation Authority – Regulated Entity

## Notes - continued

### 1 Accounting policies (continued)

#### 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.

#### 1.7 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 Irish Aviation Authority – Regulated Entity

## Notes - continued

### 1 Accounting policies (continued)

#### 1.7 Employee benefits (continued)

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.

<b>2 Turnover</b>	<b>2019</b>
	<b>€'000</b>
<i>Activity</i>	
En route	<b>120,964</b>
Terminal	<b>24,259</b>
Exempt air traffic	<b>1,284</b>
Other	<b>3,500</b>
	<hr/>
	<b>150,007</b>
	<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:

	<b>2019</b>
	<b>Number</b>
Air traffic controllers	<b>309</b>
Engineers	<b>71</b>
Other operational	<b>93</b>
NSA	<b>13</b>
Corporate services	<b>53</b>
	<hr/>
<b>Total employees</b>	<b>539</b>
	<hr/> <hr/>

# The Irish Aviation Authority – Regulated Entity

## Notes - *continued*

### 3 Staff numbers and costs (continued)

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

	2019 €'000
Wages and salaries	53,665
Social welfare costs	4,460
Pension costs	13,810
	<hr/>
	71,935
	<hr/> <hr/>

### 4 Interest receivable and similar income

	2019 €'000
Interest income on defined benefit assets	9,129
Other interest	22
	<hr/>
	9,151
	<hr/> <hr/>

### 5 Interest payable and similar charges

	2019 €'000
Interest expense on defined benefit liabilities	10,235
Bank interest	446
	<hr/>
	10,681
	<hr/> <hr/>

## The Irish Aviation Authority – Regulated Entity

### Notes - continued

<b>6 Tax on profit on ordinary activities</b>	<b>2019 €'000</b>
Analysis of tax charge in the year	
<i>Current tax</i>	
Corporation tax	2,811
Adjustments in respect of prior periods	(2)
	<hr/>
	<b>2,809</b>
	<hr/> <hr/>
<i>Deferred tax</i>	
Origination and reversal of timing differences	(73)
	<hr/> <hr/>
<b>Tax on profit on ordinary activities</b>	<b>2,736</b>
	<hr/> <hr/>
	<b>2019 €'000</b>
<b>Profit and loss total tax reconciliation</b>	
Profit on ordinary activities before tax	15,699
	<hr/>
Expected current tax at 12.5%	1,962
	<hr/>
<i>Effects of:</i>	
Permanent differences	637
Expenses not deductible for tax purposes	139
Corporation tax in respect of prior years	(2)
	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>2,736</b>
	<hr/> <hr/>

# The Irish Aviation Authority – Regulated Entity

## Notes – continued

### 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 €3.5 million and incurred costs of €7.9 million in transactions with Entry Point North Ireland DAC. As at 31 December 2019, there is a net receivable balance due from Entry Point North Ireland DAC amounting to €1.2 million.

Total compensation of key management personnel in the year amounted to €1.9 million comprising salaries and other short-term employee benefits of €1.4 million, post-employment benefits of €0.3 million and termination benefits of €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.

### 8 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The preparation of 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.

# **The Irish Aviation Authority – Regulated Entity**

## **Notes – *continued***

### **9 Post balance sheet events**

Since 31 December 2019, the spread of COVID-19 has severely impacted the Irish economy and many businesses, in line with recommendations of government and health authorities, have been forced to cease or limit operations for long or indefinite periods of time which has resulted in an economic slowdown. The impact of COVID-19 on the Company's air traffic business has been significant with traffic levels in 2020 falling to 40% of 2019 levels. Despite the effect of COVID-19, the Company has maintained full service levels in line with the Company's statutory responsibilities to provide air traffic management services and civil aviation safety regulation and security oversight. The Company introduced various cost containment measures aimed at managing the Company's cash balance and reducing its cost base.

The Company has determined that these events are non-adjusting subsequent events. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences, as well as their impact on the financial position and results of the Company for future periods. Notwithstanding, the directors have determined that these uncertainties do not affect the use of the going concern assumption as the Company has adequate resources to continue in operation for the foreseeable future.

### **10 Approval of the financial statement**

The Regulated Entity financial statement was approved by the directors on 24 March 2021.