Irish Aviation Authority

Annual Report 2010

IAA Performance 2010

Total Assets

▲13.3% to €194m

International Traffic

▲2.4%

International Income

83%

IAA supports Irish aviation leasing industry which manages €100 billion in assets

IAA, a commercial semi-State company, profitable since its establishment in 1994

IAA services over 90% of all aircraft travelling from Europe to North America

IAA receives no State funding

Operating Profit
▲12.8% to €14.9m

Profit Before Tax
▲55.9% to €9.3m

ICAO Safety Oversight Audit
3rd in Europe

En Route Charges in Europe
4th Lowest

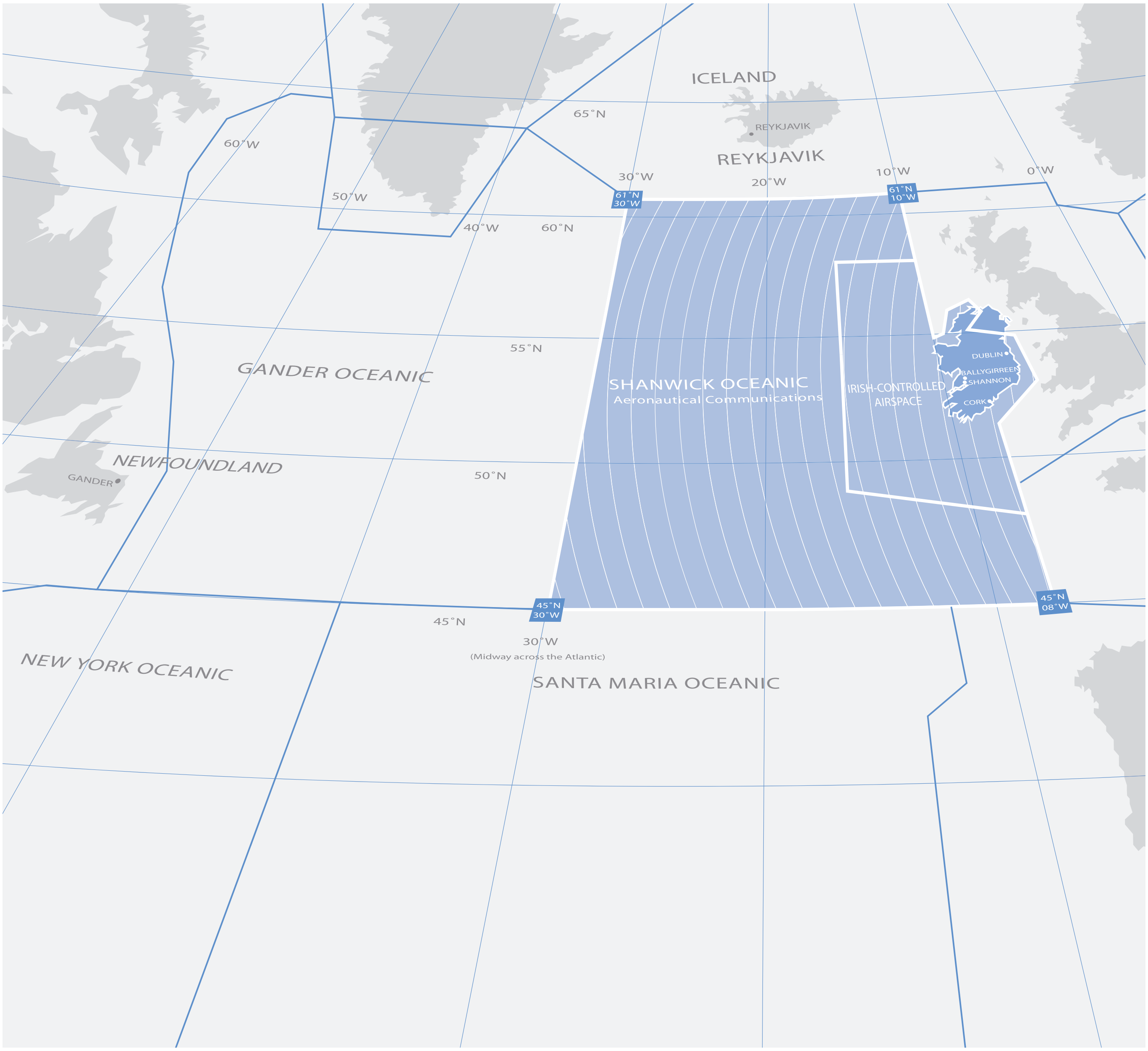
Heavy Public Transport Aircraft
▲12.6% to 624

CONTENTS

IAA

Irish Aviation Authority
Annual Report 2010

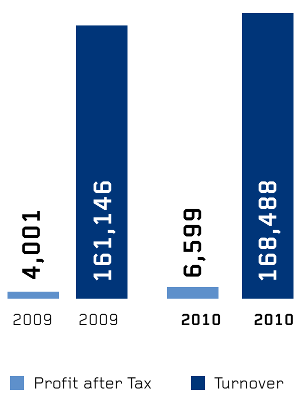
AIR NAVIGATION SERVICES IN THE NORTH ATLANTIC



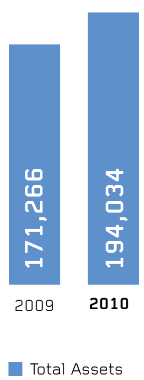
FINANCIAL AND OPERATING HIGHLIGHTS

	2010	2009	%
	€'000	€'000	Change
Financial Highlights			
Turnover	**168,488**	161,146	+4.6
Profit after Tax	**6,599**	4,001	+64.9
Total Assets	**194,034**	171,266	+13.3
	2010	2009	%
	Number	Number	Change
Air Traffic Activity			
En Route Overflights	**292,813**	286,061	+2.4
Terminal Commercial Traffic	**195,489**	222,727	–12.2
North Atlantic Communications	**389,174**	389,864	–0.2
Employment			
Average Number Employed	**679**	672	+1.0

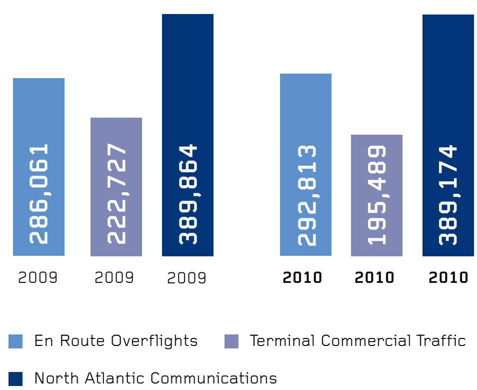
Profit after Tax and Turnover €'000



Total Assets €'000



Air Traffic Activity



DIRECTORS AND OTHER INFORMATION

Directors

Ms Anne Nolan
Chairman

Mr Eamonn Brennan
Chief Executive

Ms Lorraine Burke

Mr Pat Dalton

Mr Peter G Ledbetter

Dr Rosheen McGuckian

Mr Geoffrey O'Byrne-White

Ms Claire O'Donoghue

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North Wall Quay
Dublin 1

Bankers
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Dublin 2

Bank of Ireland
Lower Baggot Street
Dublin 2

Senior management

Eamonn Brennan
Chief Executive

Denis J Daly
Deputy Chief Executive and Chief Financial Officer

Anthony Eiffe
Internal Audit

Aideen Gahan
Company Secretary and Solicitor

Philip Hughes
Technology and Training

Kevin Humphreys
Safety Regulation

Paddy Kennedy
Corporate Affairs

Donie Mooney
Operations

Brendan Mulligan
Human Resources

Attendance at 2010 board and committee meetings

Director	Board meetings attended	Max number of board meetings director could have attended	Number of committee meetings attended	Max number of committee meetings director could have attended
Anne Nolan *Chairman*	6	6	3	3
Eamonn Brennan *Chief Executive*	6	6	1	1
Lorraine Burke	6	6	3	3
Pat Dalton	5	6	6	6
Donal F Downing *(until his retirement)*	3	3	3	3
Peter G Ledbetter	6	6	6	6
Jerry V Liston *Chairman (until his retirement)*	0	1	1	1
Rosheen McGuckian	6	6	4	4
Geoffrey O'Byrne-White	0	0	0	0
Claire O'Donoghue	6	6	3	3

CHAIRMAN'S STATEMENT

Anne Nolan
Chairman

The year 2010 continued to be a challenging one for the Authority, following 2009, which was one of the most financially challenging years for the aviation industry in its history. Despite this, I am pleased to report that the Irish Aviation Authority achieved a satisfactory performance, both as a safety regulator and as a provider of air navigation services at all times. This was a considerable achievement bearing in mind the effects of external shocks, most notably, the closure of significant portions of European airspace arising from the Icelandic volcanic eruptions in April and May.

The Authority's principal purpose is air safety (by regulation of aircraft and personnel) and airspace management and communications. I am particularly pleased therefore, with the excellent results of the Safety Oversight Audit Programme, carried out by the International Civil Aviation Organisation (ICAO) on the Authority and the State. The Chief Executive deals with this in his review.

The Authority is a self-financing commercial semi-State company and receives no financial support from the Exchequer.

Operating Environment

The adverse economic factors experienced in 2009 continued through most of 2010 and caused economic difficulties for our airline customers. Traffic declined until August, after which some recovery was recorded, and, thankfully, this positive trend continued for the remainder of the year and through into 2011. I look forward with cautious optimism to sustained recovery in the year ahead despite the rather sluggish economic performance in Europe.

As a safety regulator, as well as a service provider, it is ever important that we remain vigilant and ensure that safety standards remain high. The Authority operates to the highest international safety standards promulgated by the International Civil Aviation Organisation (ICAO); the European Aviation Safety Agency (EASA), the European Union (EU), EUROCONTROL, the European Civil Aviation Conference (ECAC).

I am pleased to report that the new operational efficiencies, introduced by the Authority in December 2009, brought financial benefits to airlines in 2010 through savings in route kilometres flown, savings in carbon emissions and other operational costs. These operational efficiencies are dealt with in the Chief Executive's Review.

The Authority will continue to plan for, and manage, the many objectives and challenges it faces in the years ahead. This means the IAA will:

- continue to provide efficient safety regulation for the Irish aviation industry
- implement the European Aviation Safety Agency regulations
- meet the tests of technological and environmental change in the air traffic management industry
- remain a safe, efficient and cost-effective air navigation service-provider
- implement the Single European Sky regulations
- maintain Ireland's leading position in aviation.

I am confident that these challenges will be met and that we will demonstrate our commitment to providing, on a sound commercial basis, safe, efficient and cost-effective air navigation and regulatory services which meet the needs of our customers.

CHAIRMAN'S STATEMENT (continued)

Financial Performance

The economic downturn had a major impact on the Authority's air traffic activity in 2010. A recovery in en route overflights was recorded, with an increase of 2.4% in traffic, which grew to 293,000 flights. North Atlantic communications traffic remained static at 389,000 flights. Combined terminal commercial traffic at Cork, Dublin and Shannon airports fell by 12.2% to 195,000 flights.

Total revenue for the year was €168.5 million, and after tax profits showed an increase to €6.6 million in 2010 (up from €4.0 million in 2009).

The balance sheet of the Authority discloses that at 31 December 2010 the shareholders' funds amounted to €49.8 million, compared with €6.3 million at 31 December 2009. A significant part of the improvement in the financial position is due to the steps taken to resolve the future funding position of the pension fund. There remains a very significant pension liability under the Financial Reporting Standard 17 "Retirement Benefits" basis, caused by the fall in the value of the pension fund assets over the last few years. The Chief Executive, in his review, deals more comprehensively with this matter and the corrective measures which the Authority and its staff have agreed and which will eliminate the pension deficit within an acceptable timeframe.

Corporate Governance

The Authority continues to adopt best practice in the area of corporate governance and the Authority's compliance procedures are outlined in the directors' report.

Acknowledgements

The work of the Authority is complex and challenging and many people contribute hugely to it. I would like to express my sincere thanks to my board colleagues who provided significant guidance to the Authority during 2010, not just as members of the board, but also as members of the various board committees on which they serve. I would like to express my thanks to the former Chairman of the Authority, Jerry Liston, and also to Donal Downing who, upon completion of their terms of office, retired from the board and from the committees on which they served during 2010. I wish to welcome Geoffrey O'Byrne-White, who was appointed to the board on 10 December 2010 by the Minister for Transport. My special thanks go to Aideen Gahan for her dedicated and professional service as secretary to the board of the Authority.

Thanks also go to the Secretary General of the Department of Transport, Mr Tom O'Mahony; the Assistant Secretary, Mr John Fearon; his predecessor Mr John Murphy; together with their respective staffs, for their continual assistance and support during 2010. They have been always readily available to us and have ensured an outstanding partnership with the Irish Aviation Authority.

On behalf of the board I wish to commend the management and staff of the Authority for their dedication, enthusiasm and professionalism. Their expertise and experience are vital assets to the Authority and I congratulate them on their many achievements during the year. I particularly acknowledge the inspirational leadership provided by our Chief Executive and board member, Eamonn Brennan.

Finally, I am most grateful to the former Minister for Transport, Mr Noel Dempsey TD, for the trust and confidence he placed in us and for his unequivocal support for our activities and wish him well in his retirement. I look forward to working closely with the Minister for Transport, Tourism and Sport, Mr Leo Varadkar, in the years ahead.

Anne Nolan
Chairman

CHIEF EXECUTIVE'S REVIEW

Safety Regulation

I am pleased to report that the ICAO Safety Oversight Audit Programme, carried out in 2010, was very successful. The Authority, principally through the Safety Regulation Directorate, with assistance from the Department of Transport, was the primary focus for the intensive audit of the State under the relevant Annexes of the Chicago Convention. The results, published recently by ICAO, show that Ireland is ranked among the best in the world and third in Europe in its safety oversight of civil aviation.

Aviation-safety standards are set internationally by the International Civil Aviation Organisation (ICAO); and, in a European context, by the European Aviation Safety Agency (EASA); the European Union (EU); EUROCONTROL; the European Civil Aviation Conference (ECAC); and, in the North Atlantic, by the North Atlantic Systems Planning Group (NAT SPG).

The Safety Regulation Directorate (SRD) of the Authority oversees and regulates the implementation of these standards for the Irish civil aviation industry in full compliance with ICAO, EASA and EUROCONTROL standards. We continued in 2010 to maintain high standards of safety in the civil aviation industry despite the difficult times.

The scope of the work of SRD extends to the safety-regulation of aerodromes (State and non-State), airspace, aircraft airworthiness, air safety analysis, aircraft operating standards and the provision of air navigation services. SRD also consults extensively with the industry it regulates through a number of consultation committees. It ensures that the industry is kept well informed of regulatory developments, and provides fora for the consideration of views. The directorate was further strengthened in 2010 by the recruitment of additional operations and airworthiness inspectors.

Eamonn Brennan
Chief Executive

The Authority actively promotes the implementation of safety-management systems throughout the airline and aircraft maintenance industries, at licensed aerodromes, and in the provision of air-navigation services.

The Irish civil aviation industry continues to grow. There were 1,241 aircraft on the aircraft register at the end of 2010, (comprising 624 large aircraft and 617 small aircraft); 17 operators have an Irish Air Operator's Certificate (with a total fleet of 404 aircraft of various sizes) and the Authority also approves facilities for training, maintenance, manufacturing and storage. The number of Irish aircraft on overseas "dry leases", or in storage, was 252 at year-end.

Financial Performance

While traffic trends in recent months provide some grounds for optimism — that growth will return in 2011 — the economic downturn, together with the volcanic ash cloud crisis and the adverse weather of snow and ice, continued to have an impact on the Authority's air traffic activity in 2010 as follows:

En route overflights (throughout the 451,000 square kilometres of Irish-controlled airspace) amounted to 292,813, an increase of 2.4% over 2009.

North Atlantic communications (served by the Authority's High Frequency (HF) communications centre at Ballygirreen) provided 389,174 flights with high-frequency voice communications services

CHIEF EXECUTIVE'S REVIEW (continued)

— roughly the same as in 2009. The centre is responsible for communications via long-range radio, with up to 1,250 transatlantic crossings per day.

Terminal (the combined number of terminal commercial aircraft movements at Cork, Dublin and Shannon) was 195,489 — a drop of 12.2% over 2009. The fall in terminal commercial traffic in 2010 is of particular concern, coming as it does on top of a fall of 17.4% in 2009.

Monthly traffic updates are available on our website: www.iaa.ie.

The Authority, throughout 2010, continued with the steps it took in earlier years to mitigate the financial impact of the economic downturn on its customers and to make a direct contribution towards the financial recovery of the industry. The global recession has, as highlighted above, led to a dramatic reduction in demand for air-navigation services. The action taken, was aimed at reducing and deferring cost increases to airlines during the current difficult economic climate. Cutbacks were not proposed, in either capital or operating expenditure, that might have a negative impact on future safety or capacity. The steps taken included:

- a combination of postponement of pay-increases due since 2008; pay freezes during 2009 and 2010; a pay-cut for the Chief Executive in 2009 and 2010
- continuation of all major capital projects essential for safety and current/future capacity requirements
- cancellation/deferral of almost €40 million of capital projects during 2009 and 2010 that do not impact on safety or operations
- a stabilisation of the en route unit rate in 2009 and 2010
- all staffing requirements were regularly evaluated on an ongoing basis
- a reduction in overhead expenses in all areas.

I welcome indications that the aviation industry is recovering. According to recent reports from IATA, global profits earned by the airline industry in 2010 amounted to a record US$15.1 billion, and global profits for 2011 are estimated to be US$9.1 billion. I note that the bulk of the 2011 profit is expected to be generated in the Far East Region (US$4.6 billion) and in North America (US$3.2 billion). EUROCONTROL forecasts a growth rate of 3.6% for Europe as a whole, with Ireland expected to see growth of over 6% in commercial traffic activity.

Financial Results

Financial performance: The Authority's financial results for 2010 reflected the improvement in industry activity together with the improvement in the expected return on the pension scheme assets, and resulted in a profit after tax amounting to €6.6 million, compared with €4.0 million in 2009.

Turnover: The Authority generated revenues of €168.5 million (up from €161.1 million in the previous year), an increase of 4.6%. Overflights and communications revenue amounted to 74% of turnover and related to aircraft, the vast majority of which did not land in Ireland.

En route navigation services (overflights) accounted for €107.8 million (or 64.0% of turnover), while North Atlantic communications services accounted for €16.5 million (or 9.8% of turnover).

Turnover from terminal navigation services (provided to aircraft for approach, landing and take-off at Cork, Dublin and Shannon Airports) accounted for €23.2 million (or 13.8% of turnover).

Turnover from fees received on behalf of the safety regulation functions carried out by the Authority, such as registration and certification of aircraft, aircraft personnel, aircraft-operating and maintenance organisations, and aerodromes amounted to €17.8 million (or 10.6% of turnover).

Turnover from fees generated from commercial and training activities, relating to consultancy and training assignments carried out, accounted for €1 million (or 0.6% of turnover).

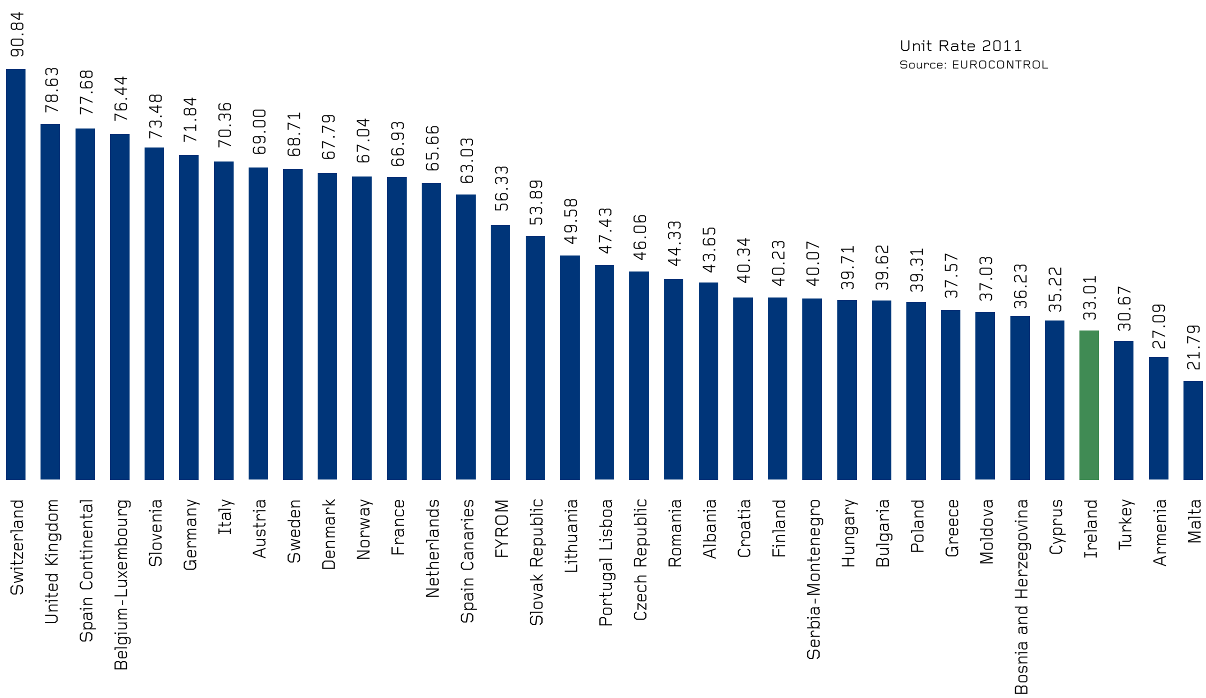
Costs: Operating expenses amounted to €153.6 million and represented 91.1% of turnover in 2010, as against 91.8% in 2009.

Balance Sheet: The Authority's tangible fixed assets decreased to €119.2 million from €122.6 million in 2009, reflecting the excess of depreciation of existing air traffic management systems and equipment over new investments and additions during the year. Current assets increased from €48.7 million in 2009 to €74.8 million in 2010, reflecting the improvement in the aviation industry activity. Total assets grew by 13.3% to €194.0 million.

The net pension liability, FRS 17 basis, remains significant and amounted to €92.5 million in 2010 compared to €123.6 million in 2009. The improvement during the year reflects the changes to the pension schemes, as outlined below, agreed between all relevant stakeholders.

The Authority has continued to deliver on its commitment to remain cost-effective. Once again, en route charges are among the best value-for-money in the EUROCONTROL-charging States, as the accompanying graph shows.

EUROCONTROL En Route Unit Rates €



CHIEF EXECUTIVE'S REVIEW (continued)

We aim to continue to provide safe value-for-money en route, terminal and communications services at charges that are stable and as low as possible, consistent with appropriate service quality levels.

Air Navigation Services

The Operations Directorate, together with the Technology and Training Directorate, are tasked with the Authority's primary aim to provide a safe, efficient and reliable Air Traffic Management (ATM) service, at an acceptable cost, and to meet the changing needs of our customers.

Other aims are:

- to continually improve the present high level of safety-management by ensuring that the system is risk-based, systematic and corroborated by objective evidence
- to expand capacity, in line with demand
- to ensure that personnel are well trained and motivated
- to optimise procedures and systems in a way that adds value to the services delivered to customers.

The Authority will strive to ensure the continuous application and improvement of the Safety Management System (SMS) to meet and exceed all existing and new safety regulatory requirements. Towards this end, the Authority commissioned a Safety Culture Survey with EUROCONTROL, supported by the Applied Psychology Department of the University of Aberdeen. The Authority uses the output of the survey as a key enabler of its no-compromise commitment to safety. This commitment focuses on the plans, processes and aspects of organisational culture which demonstrates a determination to achieve safe air traffic management operations.

Our major operational and technological priority last year, and this year, is that the Authority manages the implementation of a common air-traffic management (ATM) platform with our partners in the COOPANS (Co-operation in Procurement of Air Navigation Systems) initiative, under which the Authority, Naviair (Denmark), The LFV Group (Sweden) and Austrocontrol (Austria) are working with Thales ATM to develop a common air traffic management (ATM) platform, which continues to play a significant role in increasing the Authority's future technological efficiency.

The COOPANS initiative is based on an "open door" concept so that other air-navigation service providers can join COOPANS and take advantage of the programme's benefits. Delivery of new systems is a major challenge for any air-navigation services provider, and the Authority, together with its partners, is determined to bring the new systems platform into operation on time, to specification and within budget on a phased basis during the period 2011–2015. A key milestone was reached in Shannon last September when the Site Acceptance Test (SAT) of the new COOPANS system was successfully completed. The testing took place over five days and the relevant COOPANS team from Thales ATM, Naviair, LFV, as well as the Authority participated in the testing. The COOPANS system is scheduled to "go live" in all of the 451,000 square kilometers of Irish-controlled airspace in the first half of 2011.

The COOPANS initiative will enable the Authority to meet its commitment to the European Commission's blueprint SESAR ATM master plan which was published in 2009, and accepted by the European Commission. It represents the blueprint for all major ATM development in Europe between 2010 and 2020. The objective of the SESAR programme is to deliver a European Air Traffic Management (ATM) System for 2020 and beyond, which can, relative to today's performance:

- enable a three-fold increase in capacity which will also reduce delays, both on the ground and in the air
- improve safety performance by a factor of 10
- enable a 10% reduction in the effects flights have on the environment, and
- provide ATM services at a cost to the airspace users which are at least 50% less.

It is expected that all major technology developments will be aligned with this blueprint, and convergence to the SESAR system is expected to be effected through the delivery of successive implementation packages on a phased basis through the European ATM master plan. The implications of SESAR are wide ranging, as SESAR is expected to address all aspects of ATM technology. The IAA plans to address alignment with SESAR through progressive builds of COOPANS between 2011 and 2018.

Another significant objective for the Authority this year will be to continue to deliver on our commitments towards the Single European Sky. This delivery is achieved through the functional airspace block (FAB) initiative between the Authority in Ireland and NATS in the UK. I am pleased to report that already this initiative has delivered significant benefits to the airlines. Transatlantic aircraft crossing Irish and UK airspace have, since December 2009, been able to take advantage of direct routes, thereby saving fuel and reducing carbon (CO_2) emissions. The ENSURE project, (En Route Shannon Upper Airspace Re-Design), has made an estimated savings, to aircraft using Irish– and UK–controlled airspace in 2010, of 2.2 million kilometres flown; 14,800 tonnes of fuel; 46,800 tonnes of CO_2; and 195,500 minutes of flight time. It is estimated that over the next five years this project alone will deliver savings to the airline industry of over €40 million. The Night Time Fuel Saving Routes also went live in December 2009 at Swanwick Centre near Southampton and are scheduled to go live from Prestwick in Scotland soon. Again, this project has delivered savings to the airlines from more direct routings with savings in distances flown, fuel and CO_2 emissions.

A very successful joint Authority/NATS FAB customer-forum was held in London last October. Richard Deakin, the Chief Executive Officer of NATS, and I, presided at the forum at which almost twenty airlines attended, together with representatives from the Irish and UK CAAs, trade unions and the UK Military. The objective of the forum was consultation on possible airline requirements for consideration in the next roll-out of the Ireland–UK FAB Plan.

I am delighted to record a further major initiative in which the air navigation service providers of the Ireland/UK and Denmark/Sweden FABs signed a memorandum of understanding, in March 2011, designed to drive forward progress towards greater flight efficiency, cost-effectiveness and operational consistency in line with SES performance goals. Under the terms of the memorandum of understanding, the Authority, NATS, Naviair and LFV will investigate the benefits of a closer, more integrated working relationship. The air navigation service providers will focus on practical performance improvements, such as enhancing flight efficiency in combined airspace, a common transition altitude, network performance

CHIEF EXECUTIVE'S REVIEW (continued)

and development of centres of excellence. In doing so, they will continue to co-operate closely with other Northern European ANS Providers (NEAP) and will consider the potential for the establishment of a combined NEAP FAB in due course.

I look forward to reporting on further benefits for the airlines, arising from this initiative.

Future Technology Strategy

While our future technology strategy will be driven principally by operational requirements, the direction and type of technological enhancements undertaken by the Authority will also be influenced by current and future international developments such as:

- ICAO Standards and Recommended Practices
- Customer Service Requirements
- EUROCONTROL Convergence and Implementation Programme (ECIP)
- EU Requirements such as SESAR.

In order to ensure that our systems continue to meet these exacting requirements, the Authority will update its ATM Technology Strategy during 2011. The strategy, which is subject to regular review, will cover the Authority's operational technology requirements for the period up to 2015. The Authority is liaising with the Dublin Airport Authority (DAA) in respect of its plans for a second runway at Dublin Airport, which will — if this becomes a reality during the period of the ATM Technology Strategy — require the Authority to construct and equip a new control tower to provide the appropriate air traffic control services there. The Authority secured planning permission for the new tower in February 2010 but will not construct it until DAA's parallel runway plans are finalised.

Environment Policy

The Authority's environment policy aims to adopt best practice in environmental management and to minimise the environmental impact of the Authority's safety regulation and air traffic management activities. While aviation represents only 2% approximately of global carbon dioxide emissions, air transport generates an estimated 0.6 billion tonnes of carbon dioxide annually. The Authority, in conjunction with all other stakeholders, is active in meeting the challenge to achieve an environmentally sustainable air traffic system and simultaneously meet air traffic demand. As mentioned above, initiatives taken under the functional airspace block between Ireland and the UK have already delivered benefits to airlines with considerable positive impact on the environment through reductions in CO_2 emissions.

New Surface Surveillance System

The Authority completed the installation of the first phase of a new surface surveillance system known as Advanced Surface Movements Guidance and Control System (A-SMGCS) in October 2009 at Dublin Airport. Aircraft and suitably equipped vehicles' positional information and identification data are processed by the system for display in the tower-controller working positions. Following the successful implementation and evaluation of phase one, an extension to this project, due for completion later this year, is now underway for enhancements to the functionality and coverage of the system. The system gives the air traffic controllers a radar-like view of the airfield, as well as the location of all aircraft and vehicles operating on the runways and taxiways at Dublin Airport, and is particularly beneficial during low visibility conditions. The system incorporates a runway incursion monitoring tool which, by generating automatic alerts, will enhance safety for ground movements.

ATC Training Centre

The Authority's Training Centre is licensed by the National Supervisory Authority (NSA) in line with EASA requirements. It is primarily charged with the development and delivery of technical training to the Operations Directorate. Training services are also supplied to external customers on a commercial basis subject to capacity constraints. The internal training demand year-on-year continues to be high, thereby limiting the supply of training services to external customers. During 2010, internal training concentrated on training SCP 8 and also the COOPANS operational staff training requirements. More than 6,500 man days of training were conducted in 2010, amounting to about 3.5% of our cost base.

Educational Development

A new educational partner, IT Carlow, was appointed in 2010 and the new arrangement provides an enhanced service to the industry, with a *four*-year completion programme compared to *five* years previously. Entry to the core programme is now more flexible and is available at each year, depending on prior learning and experience. Student numbers have held up well and we have arranged with the National College of Ireland for more efficient class-room accommodation and library facilities. Student feed-back has been excellent.

We are now running a second cycle of the Honours Business Degree which commenced in January 2011 in response to industry demand and have also implemented a number of Executive Development modules and technical programmes, together with FAS, to re-skill people who had been laid off in the aviation sector.

College Ireland

In 2010, the IAA, together with more than twenty Irish organisations from aviation, emergency services, transport and the university sector established College Ireland to promote Ireland as a centre of excellence for aviation and transport and to provide a "one stop shop" for education, training and consultancy in the sector.

All of the programmes carry European-wide recognition either through EASA, or in the case of our academic and university-based programmes, through the awarding of ECTS (European credit transfer and accumulation system) which guarantees Europe-wide recognition.

The initiative is supported by Enterprise Ireland and is focused in particular on the developing aviation markets within Asia, Russia and the Middle East.

Through the twenty-plus affiliates, College Ireland has the capacity to offer accessible life-long learning to the aviation and related sectors no matter in what part of the world they reside. The integrated programmes cover all the major disciplines including maintenance, pilot training, cabin crew and air traffic control etc. It also provides third level programmes in engineering, management, human factors and executive education.

Strategic Alliances and Other International Developments

The Authority remained active throughout 2010 in various international fora, making major contributions to the Single European Sky regulations and proposals. The Authority continues to actively contribute and to influence, where possible, the implementation of the SES Package II through the various committees of CANSO, EUROCONTROL and the European Commission.

CHIEF EXECUTIVE'S REVIEW (continued)

The Authority actively supports the Civil Air Navigation Services Organisation (CANSO) through participation on the executive and in its various working groups. Its mission is to provide a global platform for customer– and stakeholder–driven civil air navigation services, with paramount emphasis on the provision of safe, efficient and cost-effective services.

Through its membership of the North European ANS Providers (NEAP), the Authority, together with the air navigation service providers of Sweden, Norway, Finland, Denmark, Iceland and Estonia, seeks to provide harmonised and cost-effective services to airlines with a constant focus on air navigation services safety, quality and cost, throughout the NEAP region.

Staff and Pensions Issues

I am pleased to report that agreement was reached with staff representatives on measures to address the pension fund deficit, which at 1 January 2009 stood at €234 million. The agreement followed a period of intensive negotiations which were facilitated by Mr. Ray McGee, former Deputy Chairman of the Labour Court. In the final analysis, Mr. McGee recommended that the shortfall of €234 million, or 19%, should be addressed on a 50/50 basis. The corrective measures outlined below came into effect on 1 January 2011.

The pension agreement will see colleagues in the 1996 IAA Staff Superannuation Scheme make a pension contribution of 6%. The Authority will make an annual injection of €5.4 million into the pension fund on top of its existing contribution of 30.5%. The agreement also limits pensionable increases as follows: no increase in pensionable remuneration from 2 July 2011 to 31 December 2013, and pensionable increases limited to CPI, or 3%, whichever is the lesser, in respect of the period 1 January 2014 to 31 December 2018. The measures, which will be reviewed in 2018, coupled with an effective investment strategy should — based on actuarial advice — return our pension fund to solvency in 2018, following which a comprehensive review of pension arrangements will be carried out.

Arising from the pension agreement the Authority is in the process of paying the general round pay increases, totalling 6%, to eligible employees as provided for in the 'Towards 2016 – Review and Transitional Agreement 2008-2009'. Payment was recommended by the Labour Court, subject to agreement being reached on measures to address our pension fund deficit. The Court's recommendation, which is seen as an endorsement of management's earlier decision — not to pay the pay increases until agreement was reached on measures to address the pension fund deficit — also recommended that the retrospection associated with the pay awards be paid into the pension fund. Under the pension agreement facilitated by Mr. McGee the Authority will also pay an amount into the pension fund on a once-off basis equal to the value of the staff retrospection.

During 2010 discussions commenced with staff representatives on a revised continuity of service agreement. The Authority is seeking an industrial peace clause and a closer alignment with the States industrial relations machinery in the management of industrial relations. As a first step in this direction agreement was reached on the appointment of a senior Labour Relations Commission official to chair the Authority's Joint Conciliation Council.

Staff training and development continued to receive priority in 2010. The HR Department commenced a training programme for line managers in HR policies and procedures. The programme entitled "People Management – The Legal Framework" broadens managerial understanding of both the legal imperatives behind our HR policies and the practical implementation of same.

Acknowledgements

On behalf of the management, I would like to express appreciation for the work carried out by the Department of Transport under the direction of Mr. Tom O'Mahony, the Secretary General; and Mr. John Fearon, the Assistant Secretary, and Mr. John Murphy, his predecessor; together with their colleagues.

In conclusion, I wish to thank all of the staff of the Authority for delivering another successful year. In particular, I would like to express gratitude to my management colleagues for their hard work and support in what was another challenging year. Thanks are also due to our Chairman, Anne Nolan, for her guidance and support.

The future will hold many changes for air navigation services provision in Europe as the Single European Sky Package II unfolds. These changes will impact on safety, environment, capacity and cost-efficiency. I believe that we are well positioned to respond to these challenges and to take advantage of the opportunities which may arise. We need to be flexible and adaptable to change and I believe that, in this way, we can look forward with confidence to what the future holds.

Rachamíd araidh le céile.

Eamonn Brennan
Chief Executive

Financial Statements

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Authority for the year ended 31 December 2010.

Principal activities, financial results and review

The Authority is committed to providing on a sound commercial basis, safe, efficient and cost-effective air navigation and regulatory services which meet the needs of its customers.

Details of the financial results of the Authority for the year are set out in the profit and loss account on page 33 and in the related notes.

The information required by Section 13 of the Companies (Amendment) Act, 1986, on the development of the business and important events, is included in the Chairman's Statement and Chief Executive's Review. As described therein, the performance of the Authority in the current year was again positive, with profit for the financial year of €6.6 million on turnover of €168.5 million.

In monitoring the Authority's performance the directors and management have regard to a range of key performance indicators as set out in the Chairman's Statement and Chief Executive's Review, notably:

Key performance indicators	**2010 Number**	2009 Number
En route overflights	**292,813**	286,061
Terminal commercial traffic	**195,489**	222,727
North Atlantic communications	**389,174**	389,864

The key risks and uncertainties facing the future development of the Authority include the maintenance and improvement of safety standards; further development of the Functional Airspace Block; adverse economic and market conditions; the separation of the service provision and safety regulation functions; and the Authority's significant reliance upon its IT infrastructure. The directors have developed a range of strategies to address these and other risks faced by the Authority. The Corporate Governance Statement on pages 20 to 24 sets out the Authority's policies and approach to risks and the related internal control procedures and responsibilities.

Directors

Mr Jerry V Liston retired from the board on 8 February 2010. Mr Donal F Downing retired from the board on 8 May 2010. Ms Anne Nolan's term of office expired and she was reappointed to the board on 12 June 2010 and appointed as Chairman on 12 July 2010. Mr Geoffrey O'Byrne-White was appointed to the board on 10 December 2010.

Interests of directors and secretary

The directors and secretary who held office at 31 December 2010 had no interests in the shares of the Authority at the beginning of the year or at the date of their appointment (if later) nor at the end of the year.

The directors of the Authority are appointed by the Minister for Transport and hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding four years.

DIRECTORS' REPORT (continued)

Corporate governance

The directors are committed to maintaining the highest standards of corporate governance. The 2008 Combined Code on Corporate Governance (issued by the Financial Reporting Council) together with the Code of Practice for the Governance of State Bodies (version 2009) (issued by the Department of Finance) are the foundations on which their corporate governance is based.

Principles of good corporate governance

The directors are accountable to the Authority's shareholders — the Minister for Transport and the Minister for Finance — for good corporate governance. The following statement describes how the relevant Principles of Good Corporate Governance set out in the Combined Code and the Code of Practice for the Governance of State Bodies are applied.

Board of directors

The board of directors comprises seven non-executive directors and one executive director who were appointed by the Minister for Transport. All new directors, on appointment, take part in an induction course, where they receive financial and other information about the Authority, and the roles of the board and board committees. The roles of the chairman and chief executive are separate.

The board meets regularly and is responsible for the proper management of the Authority. It takes the major strategic decisions and retains full and effective control, while allowing executive management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework. The board meets annually to formally evaluate its performance against its strategic objectives. The board has considered a more formal process for evaluation of individual directors, but in light of the manner of appointment of directors, the shareholding structure and existing board procedures, has concluded that such evaluation would not be appropriate.

The board has reserved certain items for its review, including safety, the approval of the annual financial statements, budgets, the corporate plan, significant contracts, significant capital expenditure and senior management appointments. Each director brings an independent judgement to bear on all matters dealt with by the board, including those relating to strategy, performance, resources and standards of conduct.

All directors have access to the advice and services of the company secretary who is responsible to the board for ensuring that board procedures are followed, and applicable rules and regulations are complied with. The Authority's professional advisors are available for consultation by the directors as required. Individual directors may take independent professional advice, if necessary, at the Authority's expense. All of the non-executive directors are independent of management. The remuneration of the executive director, who has a service contract, was approved by the personnel, appointments and remuneration committee and a proportion of that remuneration was performance-related and, in this way, was linked to the Authority's and the individual's objectives. Fees for directors are determined by the Minister for Transport. The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Code of Practice for the Governance of State Bodies (version 2009). The board and management maintain an ongoing dialogue with the Authority's shareholders on strategic issues.

The board has considered designating an individual director as the Senior Independent Director, but in view of the manner of appointment of directors, has concluded that this is not appropriate.

The board uses four committees:

1. audit
2. finance, planning and strategy
3. personnel, appointments and remuneration
4. investment planning

to assist in the effective discharge of its responsibilities.

Audit committee

Members during 2010: Mr Peter G Ledbetter (*Chairman*), Mr Pat Dalton, Mr Donal F Downing (until his retirement), and Dr Rosheen McGuckian.

The committee may review any matters relating to the affairs of the Authority, other than safety matters which are reserved to the board. It reviews the annual financial statements, reports of the internal auditor, the accounting policies, proposed changes in accounting policies, compliance with accounting standards, the accounting implications of major transactions and the appointment and fees of the external auditor. The external auditor meets with the committee to plan and subsequently review the results of the annual audit of the Authority's financial statements. The audit committee considers the independence of the external auditors on an annual basis. The internal auditor reports directly to the audit committee. The audit committee has adopted a policy governing the provision of non-audit services by the external auditor. The audit committee operates under formal terms of reference, which were reviewed during the year. The audit committee met four times during the year.

Meetings are normally attended by the chief executive, deputy chief executive/chief financial officer, head of internal audit and representatives from operations, information technology, insurance, health and safety, legal and compliance, by invitation, as appropriate. It reviews the Authority's risk-management strategy and control processes and considers:

- the resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by the Authority
- responses to the significant risks which have been identified by management and others
- monitoring of the reports from management
- maintenance of a control environment directed towards the proper management of risk, and
- annual reporting procedures.

DIRECTORS' REPORT (continued)

The audit committee reports to the board, usually at quarterly intervals, or more frequently should the need arise.

Finance, planning and strategy committee

Members during 2010: Mr Eamonn Brennan, Ms Lorraine Burke, Mr Donal F Downing (until his retirement), Mr Jerry V Liston (*Chairman*, until his retirement) and Ms Claire O'Donoghue.

The committee may review any matters relating to the financial management of the Authority. It reviews the annual capital and operating budgets, corporate plan, management accounts, treasury policy, insurance and banking and financing arrangements. The committee operates under formal terms of reference and met once during the year.

Personnel, appointments and remuneration committee

Members during 2010: Ms Anne Nolan (*Chairman*), Ms Lorraine Burke, Mr Donal F Downing (until his retirement), Mr Jerry V Liston (*Chairman*, until his retirement) and Mr Geoffrey O'Byrne-White (from the date of his appointment).

This committee determines and approves the remuneration of senior management, having availed of independent advice from a remuneration consultant who had no other connection with the Authority. The committee also approves senior management appointments. Details of directors' fees and emoluments are set out in note 6 of the financial statements in accordance with the requirements of the Code of Practice for the Governance of State Bodies (version 2009). The committee operates under formal terms of reference and met twice during the year.

Investment planning committee

Members during 2010: Mr Pat Dalton (*Chairman*), Mr Donal F Downing (*Chairman*, until his retirement), Mr Peter G Ledbetter and Ms Claire O'Donoghue.

The role of this committee is to consider the Authority's strategy in relation to capital investment and related expenditure. The committee operates under formal terms of reference and met twice during the year.

Internal control

The board is ultimately responsible for the Authority's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risk of failure, to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Authority, that accords with the Turnbull Guidance, and that has been in place for the year under review and up to the date of approval of the annual report and financial statements, and that this process is regularly reviewed by the board.

The board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. This has been reinforced by the adoption of a Code of Ethics, approved by the board, which provides practical guidance for all staff. There are also supporting Authority policies and employee procedures for the reporting and resolution of suspected fraudulent activities.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources, including control breakdowns, disruptions in information systems, competition, natural catastrophes and regulatory requirements.

A process of corporate-risk workshops and review has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across Authority operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the board. This process is facilitated by internal audit, which also provides a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

Management reports regularly on its review of risks, and how they are managed, to the audit committee, whose main role is to review, on behalf of the board, the key risks, other than safety, inherent in the business and the system of control necessary to manage such risks, and to present their findings to the board. Internal audit independently reviews the risk-identification procedures and control processes implemented by management, and reports to the audit committee on a quarterly basis. The audit committee reviews the assurance procedures to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the board. The audit committee presents its findings to the board on a quarterly basis, or earlier, as appropriate.

The chief executive also reports to the board on behalf of management on major changes in the business and the external environment which affect significant risks. The deputy chief executive/chief financial officer provides the board with monthly financial information. Where areas for improvements in the system are identified, the board considers the recommendations made by management and the audit committee.

In addition, the Authority's system of internal financial control comprises those controls established in order to provide reasonable assurance regarding:

- the safeguarding of assets against unauthorised use or disposition, and
- the maintenance of proper accounting records and reliable financial information for use within the business or for publication.

DIRECTORS' REPORT (continued)

The key elements of the Authority's system of internal financial control are as follows:

- a comprehensive system of financial reporting, accounting, treasury management and project appraisal
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure
- annual budgets and long-term plans for the Authority and all business units, identifying key risks and opportunities
- monitoring of performance against budgets and reporting on it to the board on a monthly basis
- a clearly defined organisation structure with appropriate segregation of duties and limits of authority
- a formal code of ethics applicable to the business and a formal staff handbook
- an internal audit function which reviews key financial systems and controls and general operations in the organisation, and
- an audit committee which approves audit plans, and deals with significant control issues raised by internal or external audit; and which reviews and recommends the year-end financial statements for approval by the board.

Compliance statement

The Authority has developed its corporate governance policy so as to give effect to the Code of Practice for Governance of State Bodies (version 2009) issued by the Department of Finance and to apply as appropriate the relevant main and supporting principles of good governance in the 2008 Combined Code issued by the Financial Reporting Council.

The directors confirm that the Authority has been in compliance with the Code of Practice for the Governance of State Bodies (version 2009) and the relevant main supporting principles of the 2008 Combined Code throughout the financial year under review, with the exception of a number of areas noted below where voluntary compliance with provisions of the 2008 Combined Code is not considered necessary for the Authority given the manner of appointment of directors, the shareholding structure of the Authority and existing board procedures:

- nominations committee
- procedures for election and re-election
- senior independent director and independence considerations
- evaluation of the performance of individual directors, board and committees
- separate meetings of the non-executive members of the board
- chairmanship of the personnel, appointments and remuneration committee.

Going concern

The directors, after making enquiries, believe that the Authority 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 statements.

Prompt payment of accounts

The Irish Aviation Authority complies with the requirements of relevant prompt payment legislation. The Authority also complies with the European Communities (Late Payment in Commercial Transactions) Regulations 2002– SI 388 of 2002.

The Authority's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days from receipt of invoice, or confirmation of acceptance of the goods or services, which are the subject of payment. A report is run on a monthly basis identifying all payments beyond the Authority's stated credit terms which are examined to ensure that the provisions of prompt payment legislation and EC Regulations have been applied. During the year ended 31 December 2010, under the terms of prompt payment legislation and EC Regulations, a total of 56 payments to the value of €695,648 were late, by an average of 15 days due to delays in receipt of invoices or confirmation of acceptance of goods or services. These payments constituted 0.53% by number, and 1.18% by value, of all payments to suppliers for goods and services during the year. Interest paid in respect of these payments amounted to €1,678. The Authority continually reviews its administrative procedures in order to assist in minimising the time taken for invoice query and resolution.

Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Authority are maintained at The Times Building, 11-12 D'Olier Street, Dublin 2.

Health and safety of employees

The safety, health and welfare of the Authority's employees are safeguarded by the adherence to established safety standards which are in conformity with the requirements of the Safety, Health and Welfare at Work Act, 2007. The safety statement, and its compliance with appropriate legislation, is reviewed on a continuous basis.

Post balance sheet events

There were no significant events affecting the Authority since 31 December 2010 which require adjustment to, or disclosure in, the financial statements.

Electoral Act, 1997

The Authority made no political donations during the year.

Auditor

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

On behalf of the board:

Anne Nolan	**Eamonn Brennan**
Chairman	*Chief Executive*

23 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Authority's financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable Irish law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland as amended for the collection of pension costs included in en route and terminal navigation service charges, as explained in the 'basis of preparation' note on page 30. The charge and related income equalisation for defined benefit pension obligations is accounted for on a cash basis, rather than on a service cost basis, in the profit and loss account for the year end. This is adjusted through the statement of total recognised gains and losses (STRGL). While such treatment is a departure from Financial Reporting Standard 17 "Retirement Benefits" (FRS 17), the directors consider this necessary in order that the financial statements present a true and fair view of the results for the year and the financial position of the Authority at the balance sheet date.

The Authority's financial statements are required by law to give a true and fair view of the state of affairs of the Authority and of the profit or loss of the Authority for that year. In preparing the 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority 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 Authority and which enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Acts, 1963 to 2009.

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

On behalf of the board:

Anne Nolan	**Eamonn Brennan**
Chairman	*Chief Executive*

23 March 2011

INDEPENDENT AUDITOR'S REPORT

to the Members of the Irish Aviation Authority

We have audited the financial statements of the Irish Aviation Authority for the year ended 31 December 2010, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Authority'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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The Statement of Directors' Responsibilities on page 26 sets out the directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the Authority; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Authority; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Authority's financial statements are in agreement with the books of account.

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

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This information comprises only the directors' report, the chairman's statement, the chief executive's review and the five year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITOR'S REPORT
to the members of the Irish Aviation Authority (continued)

We review, at the request of the directors, whether: (1) the voluntary statement on pages 20 to 24 reflects the Authority's compliance with the nine provisions of the Combined Code that the Listing Rules of the Irish Stock Exchange specifies for review by Auditors, and (2) the statement on the system of internal control on pages 22 to 24 reflects the Authority's compliance with the provisions of the Code of Best Practice for the Governance of State Bodies that is specified for review by Auditors and we report if those statements do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Authority's corporate governance procedures or its risks and control procedures.

Basis of audit opinion

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

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

Accounting for pension costs

As explained in the statement of accounting policies on page 30 the Authority departs from full compliance with the reporting requirements of Financial Reporting Standard 17 "Retirement Benefits" (FRS 17). The pension charge and related income equalisation for defined benefit pension obligations is accounted for on a cash basis, rather than on a service cost basis, in the profit and loss account. This is adjusted through the statement of total recognised gains and losses. The directors consider this necessary in order that the financial statements present a true and fair view of the results for the year and the financial position of the Authority at the balance sheet date. Our audit opinion is not qualified in this regard.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Authority at 31 December 2010 and of its profit for the year then ended
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009, as amended for the collection of pension costs included in en route and terminal navigation service charges detailed in the statement of accounting policies on page 30.

Other matters

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 Authority. 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 Authority, as stated in the Authority's balance sheet are not less 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 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 requires the convening of an extraordinary general meeting of the Authority.

KPMG

Chartered Accountants
Registered Auditor

23 March 2011

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Authority's financial statements, with the exception of accounting for pension costs as described in the following paragraphs.

Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and applicable law and Irish generally accepted accounting practice which includes compliance with the financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland, as amended for the departure from full compliance with Financial Reporting Standard 17 "Retirement Benefits" (FRS 17).

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 Irish Aviation Authority Act, 1993, the Authority performs this function on behalf of the State. The participating states have agreed that any difference between income and defined costs should be recovered from or returned to users of en route navigation services by amendment of charges in later years.

The definition of defined costs was clarified in 2007 specifically to include all cash payments to pension funds, whereas previously, parties to the agreement were only entitled to recover the accounting pension charge. Under the provisions of FRS 17, companies are not permitted to charge cash payments to the profit and loss account and must only record the accounting pension charge, as determined by the schemes' actuary.

In order that the results of the Authority and the balance sheet present a true and fair view, the directors believe that it is necessary to depart from the requirements of FRS 17 and include all cash contributions made to the pension fund in operating expenses in each financial year and to record an offsetting credit in the statement of total recognised gains and losses (STRGL) to reflect cash paid in excess of the actuarially determined service cost. The Authority is of the view that this approach is necessary in order that the statutory financial statements accurately reflect the International Civil Aviation Organisation and EUROCONTROL charging principles and the Irish Aviation Authority Act, 1993. The impact of the departure is described in the pension costs note below.

Turnover

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

En route and terminal revenues

As described above, the Authority is entitled to recover differences between income and defined costs relating to en route navigation service charges. Differences arising between income and defined costs are provided for in an income equalisation account and are adjusted against income arising from en route activity. Income and costs in respect of terminal navigation charges, relating to approach, landing and take-off services, are equalised in a similar manner. Amounts are accrued under the terms of the income equalisation mechanism in turnover and recognised as either receivables or payables in the balance sheet to reflect the substance of the EUROCONTROL agreement.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. 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	*8⅓% – 12½%*
Office equipment	*20% – 33⅓%*

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.

Leased assets

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

Foreign currencies

Transactions arising in foreign currencies are translated into euro at the rate of exchange ruling at the date of the transactions or at a contracted rate. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the year-end rate of exchange. The resulting profits and losses are dealt with in the profit for the year.

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 balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Authority's taxable profits and its results, as stated in the financial statements, that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net 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.

Pension costs

The Authority provides pensions to its employees under two defined benefit superannuation schemes: "The Irish Aviation Authority Staff Superannuation Scheme 1996" for staff whose employment commenced prior to 1 April 2008, and "The Irish Aviation Authority Staff Superannuation Scheme 2008" for staff whose employment commenced since 1 April 2008.

STATEMENT OF ACCOUNTING POLICIES (continued)

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, net of related deferred tax (in respect of any deferred tax asset, to the extent that it is recoverable).

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

(a) the actuarially determined cost of pension benefits promised to employees during the year plus any benefit improvements granted to members during the year (current/past service cost)

(b) the expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount rate, such amounts being included in financing costs, and

(c) 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.

Any difference between the expected return on assets and what was 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 actuarial gains and losses in the statement of total recognised gains and losses. The statement of total recognised gains and losses includes an offset amounting to the additional pension charge, described in paragraph *(c)* above, expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 30.

The Authority thus departs from the requirements of FRS 17 in order that the results present a true and fair view and comply with the requirements of the agreements under which its operations are governed. The impact of the departure is to increase the actuarially determined service cost by €9,599,000 (2009: €8,766,000) for recovery under the equalisation mechanism in the year ended 31 December 2010, and to record an offsetting credit in the STRGL, thereby maintaining the profit and loss reserves and net assets of the Authority in line with the requirements of FRS 17.

Cash flow statement

Cash represents cash held at bank available on demand, offset by bank loans and overdrafts.

Liquid resources comprise bank fixed deposits with maturities of greater than one day. These deposits are readily convertible into known amounts of cash.

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Turnover — continuing activities	1	**168,488**	161,146
Operating expenses		**(153,569)**	(147,924)
Operating profit — continuing activities		**14,919**	13,222
Interest receivable and similar income	3	**334**	276
Interest payable	4	**(780)**	(880)
Net finance expense	5	**(5,214)**	(6,680)
Profit on ordinary activities before taxation	6	**9,259**	5,938
Tax on profit on ordinary activities	7	**(2,660)**	(1,937)
Profit for the financial year	23	**6,599**	4,001

On behalf of the board:

Anne Nolan
Chairman

Eamonn Brennan
Chief Executive

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Profit for the financial year	23	**6,599**	4,001
Difference between expected and actual return on assets	22	**11,936**	21,919
Experience gains and losses on scheme liabilities	22	**(1,239)**	10,957
Effect of changes in actuarial assumptions	22	**20,465**	(8,686)
		31,162	24,190
Related deferred tax asset	14 (ii)	**(3,896)**	(3,024)
Cash in excess of pension service cost	2	**9,599**	8,766
Total recognised gains for the financial year	24	**43,464**	33,933

BALANCE SHEET

at 31 December 2010

	Notes	2010 €'000	2009 €'000
Assets			
Fixed assets			
Tangible assets	8	**119,185**	122,580
Current assets			
Debtors	9	**32,533**	29,032
Cash at bank and in hand		**42,316**	19,654
		74,849	48,686
Total assets		**194,034**	171,266
Equity and liabilities			
Capital and reserves			
Called up share capital	15	**22,675**	22,675
Other reserves	16	**43,902**	43,902
Profit and loss account	23	**(16,814)**	(60,278)
Shareholders' funds – equity	24	**49,763**	6,299
Non current liabilities			
Creditors: amounts falling due after more than one year	12	**19,633**	532
Provisions for liabilities and charges	14	**–**	1,060
Current liabilities			
Creditors: amount falling due within one year	10	**32,172**	39,806
Pension liability net of tax – FRS 17 basis	22	**92,466**	123,569
Total equity and liabilities		**194,034**	171,266

On behalf of the board:

Anne Nolan
Chairman

Eamonn Brennan
Chief Executive

CASH FLOW STATEMENT

for the year ended 31 December 2010

	Notes	2010	2009
		€'000	€'000
Net cash inflow from operating activities	(see below)	**40,060**	37,236
Returns on investments and servicing of finance	17	**(636)**	(1,012)
Net taxation paid		**(1,232)**	(1,850)
Capital expenditure	17	**(15,530)**	(27,080)
Net cash inflow before financing		**22,662**	7,294
Financing	17	**–**	(5,000)
Increase in cash in year	18	**22,662**	2,294

Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	€'000	€'000
Operating profit	**14,919**	13,222
Depreciation of tangible fixed assets	**18,832**	17,084
(Increase)/decrease in debtors	**(4,045)**	1,128
Increase in creditors	**10,328**	5,798
Loss on disposal of tangible fixed assets	**26**	4
Net cash inflow from operating activities	**40,060**	37,236

NOTES

forming part of the financial statements

1 Turnover

Activity	**2010** **€'000**	2009 €'000
En route	**107,774**	102,826
Terminal	**23,241**	21,784
North Atlantic communications	**16,487**	16,567
Safety regulation	**17,781**	16,114
Exempt air traffic	**2,203**	2,479
Commercial	**1,002**	1,376
	168,488	161,146

The Authority's turnover is primarily derived from aviation-related services and statutory functions provided in the Republic of Ireland.

2 Staff numbers and costs

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

	2010	2009
Operations	**456**	448
Technology and training	**87**	87
Safety regulation	**80**	81
Finance, human resources, corporate affairs and others	**56**	56
Total employees	**679**	672
Student air traffic controllers	**33**	39
Trainee aeronautical radio officers	**8**	8

NOTES

forming part of the financial statements (continued)

2	**Staff numbers and costs** *(continued)*	**2010**	2009
		€'000	€'000
	The aggregate payroll costs of these persons were as follows:		
	Wages and salaries	**61,165**	64,224
	Social welfare costs	**3,739**	3,511
	Pension costs - current service cost *(note 22)*	**6,886**	7,877
	Pension costs - additional cash cost *(note 22)*	**9,599**	8,766
	Pension-related accrual †	**10,036**	–
		91,425	84,378

† The Authority has agreed with its employees that pay increases for 2009 and 2010, due to eligible employees, will be paid into the pension fund and will be matched by additional contributions from the Authority.

Student air traffic controllers undergoing training are included in the above payroll costs and non-executive directors are excluded.

3	**Interest receivable and similar income**	**2010**	2009
		€'000	€'000
	Bank interest	**230**	172
	Other interest	**104**	104
		334	276

4	**Interest payable and similar charges**	**2010**	2009
		€'000	€'000
	On bank loans and overdrafts	**295**	880
	On bank loans repayable between one and two years	**485**	–
		780	880

5	Net finance expense	2010	2009
		€'000	€'000
	Expected return on pension scheme assets *(note 22)*	**17,486**	15,183
	Interest on pension scheme liabilities *(note 22)*	**(22,700)**	(21,863)
		(5,214)	(6,680)

6	Statutory and other information	2010	2009
		€'000	€'000
	Directors' remuneration		
	Fees paid to directors		
	Ms Anne Nolan *(Chairman)*	**18**	13
	Mr Eamonn Brennan *(Chief Executive)*	**13**	13
	Ms Lorraine Burke	**13**	–
	Mr Philip Caffrey	**–**	7
	Ms Anne Counihan	**–**	3
	Mr Pat Dalton	**13**	–
	Mr Donal F Downing	**4**	13
	Ms Jacqueline Jameson	**–**	7
	Mr Peter G Ledbetter	**13**	13
	Mr Jerry V Liston	**2**	22
	Dr Rosheen McGuckian	**13**	7
	Mr Geoffrey O'Byrne-White	**–**	–
	Ms Claire O'Donoghue	**13**	13
		102	111

In aggregate, directors were reimbursed expenses of €391 in total during 2010 (2009: €150).

NOTES

forming part of the financial statements (continued)

6 Statutory and other information *(continued)*

	2010 €'000	2009 €'000
Emoluments and pension contributions relating to the chief executive's contract of employment		
- annual basic salary	**232**	232
- performance-related remuneration in respect of previous year	**60**	–
- pension contributions and other	**99**	92
	391	324

The chief executive is a member of the defined benefit superannuation scheme "The Irish Aviation Authority Staff Superannuation Scheme 1996" and pays the same contribution as all staff members. The chief executive voluntarily waived 10% of his official salary in 2009 and 2010. The Authority operates a Department of Finance approved performance-related pay scheme for all chief executives of commercial semi-State bodies that provides for a long and short term performance-related pay element based on pre-agreed objectives. The chief executive voluntarily returned 25% of his approved performance-related pay in 2010.

	2010 €'000	2009 €'000
Auditor's remuneration (including expenses)		
- audit	**53**	56
- other assurance	**31**	33
- tax advisory services	**24**	31
- other non-audit	**29**	52
Depreciation	**18,832**	17,084
Met Eireann charges	**8,079**	8,311
Rentals payable under operating leases — buildings	**3,399**	3,390

7	**Tax on profit on ordinary activities**	**2010**	2009
		€'000	€'000
	Corporation taxation	**3,327**	1,543
	Deferred tax (credit)/charge *(note 14):*		
	- Origination and reversal of other timing differences	**(1,215)**	134
	- Origination and reversal of pension timing differences dealt with in the profit and loss account	**548**	260
		2,660	1,937
	Current tax reconciliation		
	Profit on ordinary activities before tax	**9,259**	5,938
	Expected current tax at 12.5% (2009: 12.5%)	**1,157**	742
	Effects of:		
	Expenses deductible for tax purposes	**(22)**	(121)
	Depreciation in excess of capital allowances	**213**	–
	Income not taxable at standard rate	**72**	87
	Notional finance expense on pension	**652**	835
	Other timing differences	**1,255**	–
	Total current tax charge	**3,327**	1,543

NOTES

forming part of the financial statements (continued)

8 Tangible fixed assets

	Buildings €'000	Completed installations and other works €'000	Installations in progress €'000	Office equipment €'000	Total €'000
Cost					
At beginning of year	30,127	176,164	43,577	8,302	258,170
Additions in year	–	577	14,445	441	15,463
Brought into use in year	72	6,260	(6,578)	246	–
Disposals in year	–	(5,806)	–	(3,509)	(9,315)
At end of year	**30,199**	**177,195**	**51,444**	**5,480**	**264,318**
Accumulated depreciation					
At beginning of year	8,637	121,238	–	5,715	135,590
Charge in year	1,508	16,246	–	1,078	18,832
Disposals in year	–	(5,806)	–	(3,483)	(9,289)
At end of year	**10,145**	**131,678**	**–**	**3,310**	**145,133**
At 31 December 2010	**20,054**	**45,517**	**51,444**	**2,170**	**119,185**
At 31 December 2009	21,490	54,926	43,577	2,587	122,580

9 Debtors

	2010 €'000	2009 €'000
Trade debtors	**24,987**	21,639
Prepayments and accrued income	**3,246**	2,954
Other debtors	**290**	132
Value added tax	**327**	139
Corporation tax recoverable	**–**	469
Income equalisation — terminal	**3,528**	3,699
Deferred tax asset *(note 14)*	**155**	–
	32,533	29,032

Debtors are due within one year except for €2,902,000 (2009: €626,000) relating to income equalisation terminal debtors due after one year.

10 Creditors: amounts falling due within one year

	2010 €'000	2009 €'000
Trade creditors	**1,300**	1,357
Other creditors including tax and social welfare *(note 11)*	**3,694**	1,691
Accruals and deferred income	**26,540**	18,057
Income equalisation — en route	**638**	3,701
Bank loans *(note 13)*	**–**	15,000
	32,172	39,806

11 Taxation and social welfare included in other creditors

	2010 €'000	2009 €'000
Corporation tax	**1,594**	–
PAYE/PRSI	**2,100**	1,691
	3,694	1,691

12 Creditors: amounts falling due after more than one year

	2010 €'000	2009 €'000
Income equalisation — en route	**4,633**	532
Bank loans *(note 13)*	**15,000**	–
	19,633	532

13 Bank loans

	2010 €'000	2009 €'000
Within one year	**–**	15,000
Between one and two years	**15,000**	–
	15,000	15,000

The Authority has unsecured bank loan facilities of €60 million, of which committed facilities total €40 million.

Included in the above the Authority has undrawn facilities amounting to €25 million, which have terms expiring within two years.

NOTES

forming part of the financial statements (continued)

14	**Deferred tax (asset)/liabilities**	*Ref*	**2010**	2009
			€'000	€'000
	Deferred taxation - excluding pension-related	*(i)*	**(155)**	1,060
	Deferred taxation - pension-related	*(ii)*	**(13,209)**	(17,653)
			(13,364)	(16,593)
	Less deferred taxation included in pension liability		**13,209**	17,653
			(155)	1,060

(i)	*Deferred taxation — excluding pension-related*		
	At beginning of year	**1,060**	926
	(Credited)/charged to profit and loss account *(note 7)*	**(1,215)**	134
	At end of year	**(155)**	1,060

The deferred tax asset of €155,000 is the net of the following amounts: a deferred tax liability of €1,100,000 which represents the full potential liability arising on timing differences between capital allowances and depreciation and on general accruals and a deferred tax asset of €1,255,000 which represents the full potential asset arising on timing differences in relation to a pension accrual. It is expected that this asset will be fully recovered in 2011 and has been recognised accordingly.

		2010	2009
(ii)	*Deferred taxation — pension-related*	**€'000**	€'000
	At beginning of year	**(17,653)**	(20,937)
	Changes in actuarial assumptions	**3,896**	3,024
	Charged to profit and loss account *(note 7)*	**548**	260
	At end of year	**(13,209)**	(17,653)

15	**Called up share capital — equity**	**2010**	2009
		€'000	€'000
	(Authorised, allotted, called up and fully paid)		
	17,858,000 ordinary shares of €1.27 each	**22,675**	22,675

16	**Other reserves**	**2010**	2009
		€'000	€'000
	Contingency reserve	**43,902**	43,902

17	**Gross cash flows**	**2010**	2009
		€'000	€'000
	Returns on investments and servicing of finance		
	Interest paid	**(854)**	(1,237)
	Interest received	**218**	225
		(636)	(1,012)
	Capital expenditure		
	Payments to acquire tangible fixed assets	**(15,530)**	(27,080)
		(15,530)	(27,080)
	Financing		
	Repayment of bank loans	**(15,000)**	(20,000)
	Drawdown of new unsecured bank loans in year	**15,000**	15,000
		–	(5,000)

18	**Reconciliation of net cash flow to movement in net funds**	**2010**	2009
		€'000	€'000
	Increase in cash in year	**22,662**	2,294
	Repayment of debt	**15,000**	20,000
	Drawdown of debt	**(15,000)**	(15,000)
	Movement in net debt in year	**22,662**	7,294
	Net funds/(debt) at beginning of year	**4,654**	(2,640)
	Net funds at end of year	**27,316**	4,654

NOTES

forming part of the financial statements (continued)

18 Reconciliation of net cash flow to movement in net funds *(continued)*

Analysis of net funds	**At 1 January 2010 €'000**	**Cash flow €'000**	**At 31 December 2010 €'000**
Cash at bank and in hand	19,654	22,662	**42,316**
Bank loans due within one year	(15,000)	15,000	**–**
Bank loans due after more than one year	–	(15,000)	**(15,000)**
Net funds	4,654	22,662	**27,316**

Reconciliation to balance sheet		
Cash at bank and in hand	19,654	**42,316**
Bank loans due within one year	(15,000)	**–**
Bank loans due after more than one year	–	**(15,000)**
	4,654	**27,316**

19 Related parties

In common with many other government bodies, the Irish Aviation Authority deals in the normal course of business with other government bodies and departments, such as Dublin Airport Authority plc, ESB, the Department of Transport, and Met Eireann. In addition, in the normal course of business, the Authority transacts with certain Irish banks which have become wholly or partially owned by the Irish State. All of the Authority's transactions with such banks are on normal commercial terms.

The ultimate controlling party is the Department of Finance.

20 Commitments

	2010 €'000	2009 €'000
(i) Capital commitments		
Future capital expenditure approved by the directors		
Not contracted for	**48,186**	53,959
Contracted for	**3,872**	16,625
	52,058	70,584

(ii) Operating lease commitments	**2010**		2009	
	Buildings €'000	**Motor Vehicles €'000**	Buildings €'000	Motor Vehicles €'000
Expiring:				
Within one year	**–**	**16**	63	15
Between two and five years	**98**	**36**	124	116
More than five years	**3,225**	**79**	2,547	–
	3,323	**131**	2,734	131

21 Contingent liabilities

The Authority has one outstanding equal pay claim, initiated in 1998, from a union representing clerical staff. This claim is being considered by the Labour Court and is being vigorously opposed by the Authority. The outcome of this process cannot be determined with reasonable certainty and consequently it is not possible to quantify the outcome of the claim. No provision has been made in the financial statements in respect of this claim.

NOTES

forming part of the financial statements (continued)

22 Pension information

Pensions for all permanent employees are funded through two defined benefit pension schemes and the assets accumulated are vested in independent trustees.

The Authority undertakes actuarial valuations of the defined benefit pension schemes at least every three years. The date of the latest actuarial valuation is 1 January 2009 and covers all accrued benefits. This valuation was conducted by qualified independent actuaries.

The valuations employed for FRS 17 purposes have been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2010 and to take account of financial conditions at this date. The valuations used for FRS 17 purposes have been completed using the projected unit method, and assets for this purpose have been valued at market value.

The actuarial reports, which are available to members of the schemes, are not available for public inspection.

The Authority has no unfunded schemes. There are outstanding contributions of €10,036,224 at year-end (2009: €nil).

(i) Principal actuarial assumptions	**2010 Projected unit**	2009 Projected unit
Weighted average assumptions to determine benefit obligations		
Expected rate of return on plan assets	**6.46%**	6.78%
Expected return on plan assets at beginning of period	**6.78%**	7.03%
Discount rate	**5.40%**	5.70%
Rate of compensation increase (staff/senior staff) †	**3.00%**	3.00%
Rate of price inflation	**2.00%**	2.00%
Rate of pension increase	**2.00%**	2.75%

† This is the long-term assumption applicable from 2019 onwards.

22 Pension information *(continued)*

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on the standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

	2010	2009
Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:		
Current active and deferred members	**26.2**	22.7
Current pensioner members	**23.0**	21.6
Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:		
Current active and deferred members	**27.2**	25.8
Current pensioner members	**24.5**	24.7

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

(ii) Amounts recognised in the balance sheet

	2010	2009
	€'000	€'000
Present value of wholly or partly funded obligations	**(394,978)**	(396,933)
Fair value of plan assets	**289,303**	255,711
Deficit	**(105,675)**	(141,222)
Related deferred tax asset	**13,209**	17,653
Net liability	**(92,466)**	(123,569)

NOTES

forming part of the financial statements (continued)

22 Pension information *(continued)*

(iii) Movements in fair value of plan assets

	2010 €'000	2009 €'000
Fair value of plan assets at beginning of year	255,711	213,311
Expected return on plan assets	17,486	15,183
Actuarial gains on plan assets	11,936	21,919
Employer contributions	16,485	16,643
Member contributions	1,158	1,111
Benefits paid from plan	(13,473)	(12,456)
Fair value of plan assets at end of year	**289,303**	255,711

(iv) Movements in present value of defined benefit obligations

	2010 €'000	2009 €'000
Benefit obligation at the beginning of the year	(396,933)	(380,809)
Current service cost	(6,886)	(7,877)
Interest cost	(22,700)	(21,863)
Member contributions	(1,158)	(1,111)
(Losses)/gains on liabilities	(1,239)	10,957
Gains/(losses) due to assumption changes	20,465	(8,686)
Benefits paid from plan	13,473	12,456
Benefit obligation at end of year	**(394,978)**	(396,933)

(v) Components of pension cost

	2010 €'000	2009 €'000
Expense recognised in the profit and loss account		
Current service cost *(note 2)*	(6,886)	(7,877)
Additional cash cost *(note 2)*	(9,599)	(8,766)
Interest on pension scheme liabilities *(note 5)*	(22,700)	(21,863)
Expected return on pension scheme assets *(note 5)*	17,486	15,183
Total pension cost recognised in the profit and loss account	**(21,699)**	(23,323)

22 Pension information *(continued)*

(v) Components of pension cost *(continued)*

	2010 €'000	2009 €'000
Analysis of amounts recognised in statement of total recognised gains and losses		
Actuarial gains immediately recognised	**31,162**	24,190
Cumulative amount of actuarial losses immediately recognised	**(87,776)**	(118,938)

(vi) Plan Assets

The asset allocations as at 31 December 2010:	2010 Percentage of plan assets	2010 Expected return on plan assets	2009 Percentage of plan assets	2009 Expected return on plan assets
Equity securities	**72.4%**	**7.30%**	74.04%	7.90%
Bond securities	**18.6%**	**3.80%**	17.98%	2.80%
Property	**3.70%**	**6.30%**	5.03%	6.90%
Cash and other	**5.30%**	**4.43%**	2.95%	3.00%
	100.00%	**6.46%**	100.00%	6.78%

Description of basis to determine the overall expected rate of return on assets:

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio invested in and the expectations for future returns of each asset class. The expected return for each asset class was then weighted, based on the schemes' asset allocation, to develop the expected long-term rate of return on assets assumption for the portfolio.

	2010 €'000	2009 €'000
Actual return on assets		
Actual return on plan assets	**29,422**	37,102

NOTES

forming part of the financial statements (continued)

22 Pension information *(continued)*

(vii) History of experience adjustments

	2010	2009	2008	2007	2006
	€'000	€'000	€'000	€'000	€'000
Present value of scheme liabilities	**(394,978)**	(396,933)	(380,809)	(378,018)	(378,426)
Fair value of scheme assets	**289,303**	255,711	213,311	314,010	307,152
Deficit	**(105,675)**	(141,222)	(167,498)	(64,008)	(71,274)

Experience adjustments	**2010**	2009	2008	2007	2006
	€'000	€'000	€'000	€'000	€'000
Experience adjustments on scheme assets:					
Amount	**11,936**	21,919	(140,791)	(30,671)	19,932
Percentage of plan assets	**4.1%**	8.6%	66.0%	9.8%	6.5%
Experience adjustments on scheme liabilities:					
Amount	**(1,239)**	10,957	5,371	(6,579)	(14,798)
Percentage of plan liabilities	**0.3%**	2.8%	1.4%	1.7%	3.9%

(viii) Other required disclosure amounts

	2010	2009
	€'000	€'000
Contributions expected to be paid to plan during the annual period beginning after the balance sheet date	**33,253**	16,485

The increase in contributions to the plan during 2011 arises from pay increases for 2009 and 2010 due to eligible employees being paid into the pension plan, matched by additional contributions from the Authority (note 2), as well as an agreed annual contribution.

23	**Reconciliation of movement in profit and loss account deficit**	**2010**	2009
		€'000	€'000
	Profit and loss account at beginning of year	**(60,278)**	(94,211)
	Profit for the financial year	**6,599**	4,001
	Other recognised gains and losses	**36,865**	29,932
	Profit and loss account at end of year	**(16,814)**	(60,278)

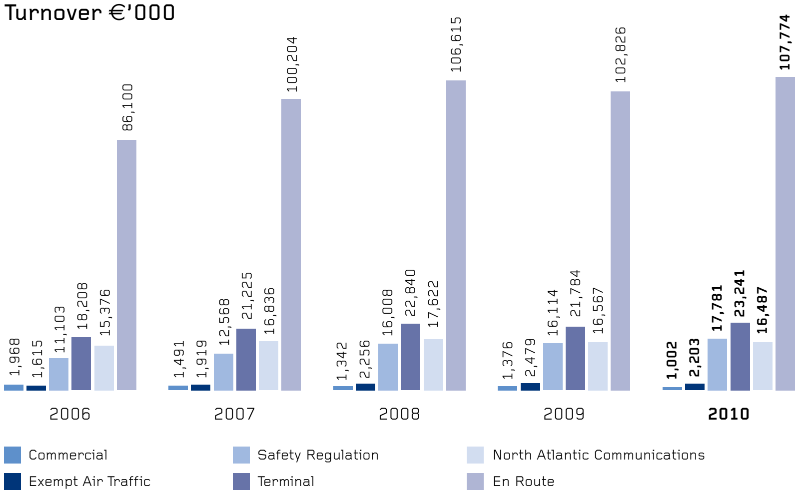
24	**Reconciliation of movement in shareholders' funds**	**2010**	2009
		€'000	€'000
	Shareholders' funds/(deficit) at beginning of year	**6,299**	(27,634)
	Total recognised gains for financial year	**43,464**	33,933
	Shareholders' funds at end of year	**49,763**	6,299

25 Approval of the financial statements

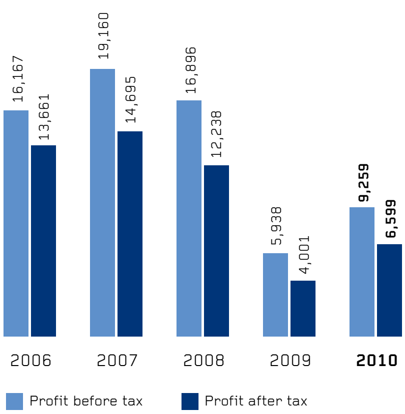
The financial statements were approved by the directors on 23 March 2011.

FIVE YEAR SUMMARY

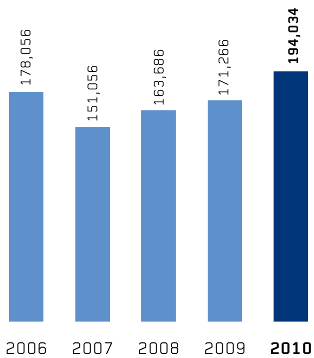
Turnover €'000



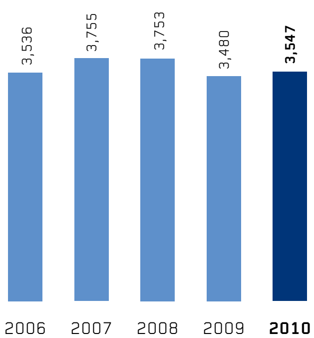
Profit €'000



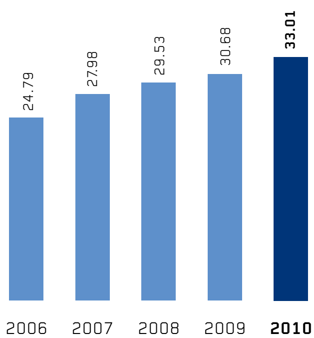
Total Assets €'000



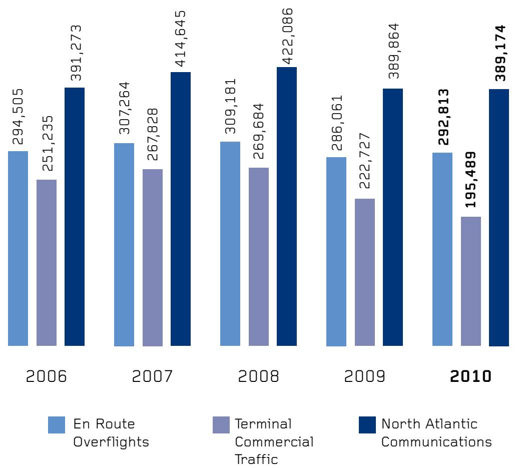
En Route Service Units ('000)



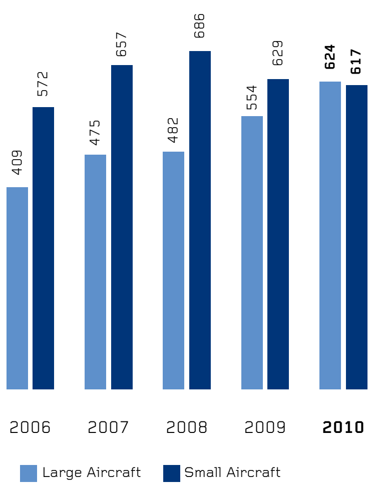
En Route Service Unit Rate € (Dec)



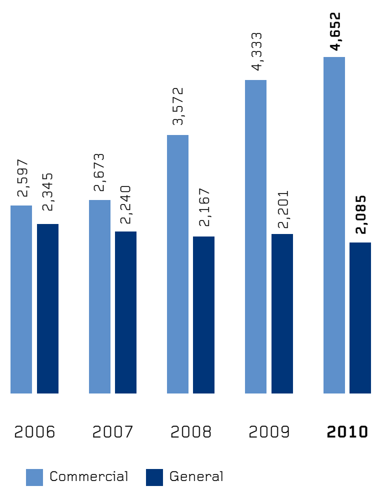
Air Traffic Activity



Registered Aircraft



Valid Licences



GLOSSARY OF ACRONYMS

ANSP	Air Navigation Services Provider
ATCC	Air Traffic Control Centre
ATM	Air Traffic Management
ATMPG	Air Traffic Management Planning Group
CAA	Civil Aviation Authority
CANSO	Civil Air Navigation Services Organisation
CAPEX	Capital Expenditure
COOPANS	Co-operation in Procurement of ATM Systems
DAA	Dublin Airport Authority
EASA	European Aviation Safety Agency
EC	European Commission
ECAC	European Civil Aviation Conference
ECIP	EUROCONTROL Convergence and Implementation Programme
ESARR	EUROCONTROL Safety Regulatory Requirement
EU	European Union
EUIR	European Upper Information Region
FAB	Functional Airspace Block
FAEI	Federation of Aerospace Enterprises in Ireland
HF	High Frequency
HR	Human Resources
IAA	Irish Aviation Authority
IATA	International Air Transport Association
ICAA	Icelandic Civil Aviation Authority
ICAO	International Civil Aviation Organisation
MOR	Mandatory Occurrence Reporting
MOU	Memorandum of Understanding
NAT	North Atlantic
NAT SPG	North Atlantic Systems Planning Group
NATS	National Air Traffic Services (UK)
NOTA	Northern Oceanic Transition Area
NSA	National Supervisory Authority
SAARC	Safety Assessment and Assurance Requirements for Contractors
SES	Single European Sky
SESAR	Single European Sky ATM Research Programme
SIDs	Standard Instrument Departures
SLA	Service Level Agreement
SMM	Safety Management Manual
SMS	Safety Management System
SMU	Safety Management Unit
SRD	Safety Regulation Division (IAA)
STARs	Standard Arrivals

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