

'21

ANNUAL
REPORT

Irish Aviation Authority

At the leading edge of the
global aviation industry





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Key messages



The IAA has always focused on safety as our number one priority. Another key safety milestone was delivered in 2021 with the achievement, by the IAA ANSP, of full certification under the requirements of Regulation (EU) 2017/373 ('Regulation 373').



Throughout the pandemic the IAA's focus has been on ensuring the safety of our staff and the continuity of our essential air navigation services with no compromise on the quality, and in particular safety, of ANS services over the past two years.



The IAA supported the industry and general aviation in ramping up a safe return to normal operations. This included a focus on continued safety standards, wellbeing among aviation professionals and passenger surveys of European aviation health safety protocols.



The Aviation Regulator continued to focus on prudent cost containment throughout 2021, with a view to easing these measures as the industry returns to growth from 2022.



In 2021, total air traffic levels managed by the IAA ANSP remained equivalent to 50% of 2019 levels but by the end of the year, traffic was beginning to return closer to what might be considered normal levels (78% of 2019 levels in December 2021).



The Company continued to prioritise the management of its liquidity through the pandemic; over the two years, 2020 and 2021, the Group's cash reserves decreased by €99.0 million with cost containment measures mitigating against further declines.



2021 saw the continued rise of unmanned aircraft with the rollout of the new EU Regulation. Unmanned aircraft systems (drones) continue to be a source of exponential growth and innovation with exciting new applications being developed and tested globally and in Ireland.



Personnel licensing applications continued to increase during 2021 as a result of Brexit, with many UK licence holders applying for EASA licences through the IAA. Non-EU licence holders, requiring a transfer to an EU licence, began applying in numbers to the IAA rather than the UK.



The iconic new air traffic control tower at Dublin airport has been a vision of the IAA ANSP's for several years, recognising the benefits it brings to safety of operations and capacity, along with environmental advantages.



The IAA ANSP is committed to sustainability and we aim to be at the forefront of sustainable aviation, leading by example and operating as an advocate for sustainable practices in the aviation sector; the IAA's Sustainability Management Plan was launched in September 2021 where we aim to be a carbon-neutral State body by 2025.



The level of aviation activity in Ireland during 2021 started to recover, however, overall aircraft registrations remained similar to 2020 and significantly down on 2019, particularly in relation to the size of the Irish commercial airline fleet.



Preparatory work required for the separation of the IAA ANSP into a new entity, AirNav Ireland, and merger of CAR into the IAA continued apace with a view to enactment of the Air Navigation and Transport Bill.

Key figures 2021

188,400

Overflights
Up 22% (down 46% on 2019)

98,000

Domestic traffic
Up 1% (down 64% on 2019)

263,200

North Atlantic flights
Up 24% (down 48% on 2019)

714

Average employees

1,231

Aircraft on Irish register
(down 0.3%)

19,266

Licences
(up 9.3%)

€162.3m

Turnover
(up 4.3%)

€9.5m

Profit after tax

€133.5m

Cash and short term deposits
(down €36.3m)

€260.4m

Consolidated net assets
(up €57.4m)

Financial and operating highlights 2021

| FINANCIAL HIGHLIGHTS | 2021 €'000 | 2020 €'000 | % CHANGE |
|-------------------------|---------------|---------------|----------|
| Turnover | 162,256 | 155,509 | 4.3% |
| Operating profit | 7,070 | 2,067 | 242.0% |
| Profit/(loss) after tax | 9,533 | (876) | -1188.2% |

| ACTIVITY | 2021 NUMBER | 2020 NUMBER | % CHANGE |
|---|----------------|----------------|----------|
| En route overflights | 188,376 | 154,240 | 22.1% |
| Terminal commercial traffic | 97,986 | 96,960 | 1.1% |
| North Atlantic communications | 263,186 | 211,695 | 24.3% |
| Aircraft on the Irish register (at 31 December) | 1,231 | 1,235 | -0.3% |
| Licences issued (at 31 December) | 19,266 | 17,632 | 9.3% |

| EMPLOYMENT | 2021 NUMBER | 2020 NUMBER | % CHANGE |
|------------------|----------------|----------------|----------|
| Average employed | 714 | 725 | -1.5% |

| CUSTOMER CHARGES | 2021 € | 2020 € | % CHANGE |
|-------------------------------|------------------------------------|-----------|----------|
| En route overflight | 27.58 | 24.48 | 12.7% |
| Airport terminal traffic | 162.45 | 123.01 | 32.1% |
| North Atlantic communications | 45.00 | 45.00 | – |
| Safety regulation | No change in Fees Order since 2016 | | |

What we do



Civil Aviation
Safety Regulation



Aviation
Security

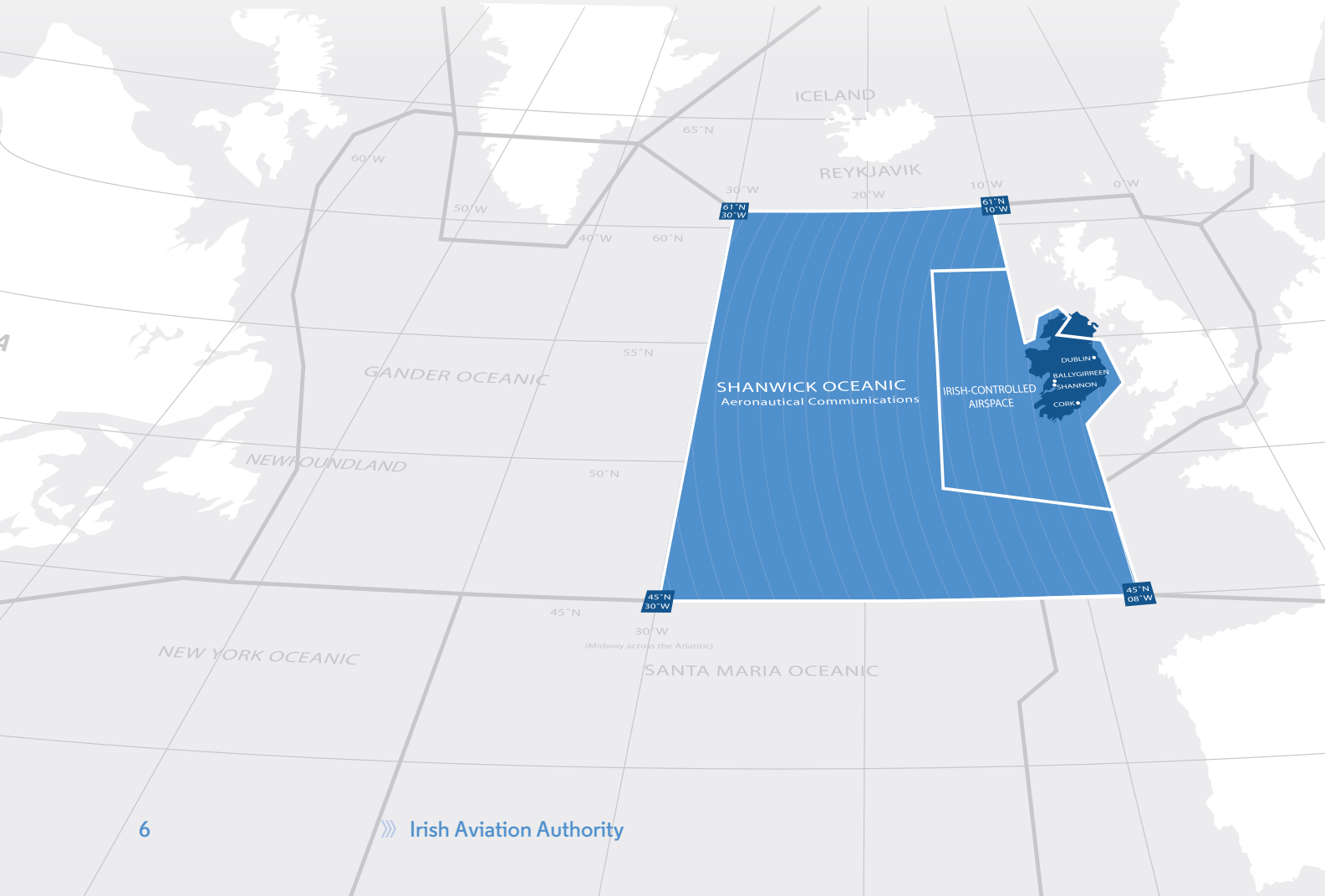


Air Traffic
Management



Commercial
Activities

Air Navigation Services in the North Atlantic



Our values



Safety is the number one priority of the IAA for all of its activities - the safety regulation of the civil aviation industry in Ireland, oversight of aviation security and the provision of air traffic and aeronautical communications services.

Rose Hynes Chairman



Following two difficult years when air traffic levels fell by, on average, 54% of 2019 levels due to COVID-19, there is industry-wide optimism for a much improved 2022. This is despite the current threats to the aviation industry including increasing oil prices, the impact on the aircraft leasing industry of Russian sanctions, flight sanctions against Russian airlines, inflation, volatility in the stock markets and supply chain vulnerabilities. In addition to this, while restrictions on air travel due to the pandemic have been removed in most countries, we continue to be cautious about the potential for new COVID variants and how this could result in new air traffic-related restrictions or further uncertainty in the future. While the invasion of Ukraine by Russia has had a limited impact on Irish air traffic levels so far this year, the IAA regulator has been directly impacted and has cancelled the certificates of airworthiness of Russia-based aircraft on the Irish register. Despite Russia's statement to have placed the aircraft on its register, these aircraft will remain on the Irish register until they are de-registered by the registered owner and will continue to be subject to ICAO (International Civil Aviation Organisation) safety rules and EU sanctions.

Safety is the number one priority of the IAA for all of its activities - the safety regulation of the civil aviation industry in Ireland, oversight of aviation security and the provision of air traffic and aeronautical communications services. In 2021, the IAA carried out these functions effectively.

Restructuring of the IAA

The IAA is well advanced in its preparations for restructuring of its business. The IAA safety regulation division, the IAA air navigation services provider and the Commission for Aviation Regulation (CAR) are working closely together to ensure a seamless transition to the new entities on vesting day. A Project Steering Committee is overseeing project delivery, supported by a Project Manager. In addition, and as we move closer to vesting day, a weekly meeting at CEO level with the Department of Transport is in place to oversee all of the details associated with the transition to the new arrangements.

The IAA is well advanced in its preparations for restructuring of its business.

The Air Navigation and Transport Bill is at an advanced stage in the Oireachtas legislative process and we are anticipating an enactment date in the very near future. When enacted, the IAA's commercial air navigation functions will transfer to a new semi-State company, to be known as AirNav Ireland, while the IAA will continue as the aviation regulator. Peter Kearney will be the Chief Executive of AirNav Ireland and Diarmuid Ó Conghaile will be the Chief Executive of the new IAA. The regulatory functions of the CAR will be absorbed into the IAA to create a single national regulator for aviation.

COVID

In 2021, the IAA handled 50% fewer flights when compared with activity in 2019 resulting in a similar reduction in our cash receipts. In order to preserve liquidity we continued with our cost containment programme. The company's cost base, taking into account Government supports, was 11% lower than in 2019 and only essential capital expenditure was undertaken. New, unsecured, bank facilities totalling €60 million were secured. The Company availed of the Government's Employment Wage Subsidy Scheme for its air navigation services activities. The Company will continue to monitor its cost base as the focus shifts to a return to normal operations and a sustainable recovery for both the Company and the wider aviation industry notwithstanding the ongoing significant threats to aviation.

Throughout 2021, the IAA continued to follow all Government guidelines and implemented significant health and safety measures at its locations to protect its staff from COVID-19 and maintain essential services.

Safety regulation

The IAA carried out its safety regulation activities effectively in 2021, providing oversight to airlines, maintenance organisations and other regulated entities as they commenced their return to normal operations following a period of non-standard operations as a result of COVID. Aviation security oversight was delivered through a comprehensive work programme.

Regulatory performance is subject to oversight by EASA (European Aviation Safety Agency) through a continuous monitoring programme and comprehensive EASA Standardisation inspections. The IAA continues to outperform the EU average in EASA Standardisation ratings. The IAA is also subject to the ICAO universal safety oversight programme (USOAP) and the universal security audit programme (USAP) and continues to maintain its strong position globally in measurements of effective implementation, ranked 8th globally and 2nd in Europe by ICAO.

Air navigation

In 2021, the IAA provided air traffic services to 188,400 overflights, down 46% on 2019 and 98,000 terminal commercial movements, down 64% on 2019. A high frequency (HF) voice communications service was provided to 263,200 flights on the North Atlantic, down 48% on 2019.

Environmental and capacity targets, set by the European Commission, were achieved in 2021 and the IAA contributed positively to the overall performance of the European aviation network. As an air traffic service provider, the IAA continued to perform in the top tier in Europe in measures of safety maturity and achieved a level 'D' performance, the highest maturity level attainable.

I am very pleased to report that the new visual control tower at Dublin airport is operational for existing runway operations since November 2021 following many years of hard work, investment and commitment. Preparations are underway for parallel runway operations to commence later in the year.

The IAA's customer care programme reported a satisfaction rating of 91.6% for 2021.

The IAA continues to outperform the EU average in EASA Standardisation ratings.

91.6% IAA's customer care programme reported a satisfaction rating of 91.6%.

Financial

The Group reported a profit after tax of €9.5 million on turnover of €162.3 million. Expenditure continued to be monitored throughout the year with reductions across most aspects of the business. The Group's total cash and deposits balance decreased by €36.3 million to €133.5 million. If the various cost containment measures had not been in place, including, where possible, deferring capital projects, the decline would have been more severe. The Group's net assets increased by €57.4 million to €260.4 million mainly due to a material improvement in the net pension liability as at 31 December.

Almost 80% of the IAA's revenues are generated from its regulated activities which are, in turn, underpinned by European regulations. In November, the State Performance Plan, known as the RP3 Plan, was submitted by the NSA to the European Commission. This Plan provided much needed financial certainty to the regulated activities of the IAA.

Sustainability

The IAA is continuing to support sustainable outcomes in air travel through its adherence to efficient slot times for aircraft departures at the State airports. The IAA has implemented free route airspace, allowing airlines to select the most efficient route, rather than having to follow less direct and often longer paths, through Irish-controlled airspace. Many local initiatives are also in place to promote environmental matters, including encouraging employees to all play their part. In September, I was pleased to launch, with Ms Hildegard Naughton TD, the IAA's Sustainability Management Plan. This is a challenging plan to be a carbon-neutral State body by 2025.

Corporate governance

The Board is committed to the highest standards of corporate governance and complies with the Code of Practice for the Governance of State Bodies.

Acknowledgements

I would like to thank my Board colleagues for their support and dedication during the year.

I would like to thank the Minister for the Environment, Climate, Communications and Transport, Mr Eamon Ryan TD, and Minister Hildegard Naughton TD, Minister of State at the Department of Transport, for their ongoing support for the IAA. I would also like to thank Mr Ken Spratt, Secretary General, and Mr Fintan Towe, Assistant Secretary, together with their colleagues at the Department of Transport for their support and assistance to the IAA during the year.

Finally, I would like to thank the Chief Executive, Peter Kearney, the Aviation Regulator/CEO Designate, Diarmuid Ó Conghaile and all the staff for their continued hard work and commitment in what has been another challenging year.


Rose Hynes
Chairman

The IAA has implemented free route airspace, allowing airlines to select the most efficient route.

Demand for travel is high and while there are uncertainties, other than COVID-19, the past two years have taught us that both the IAA and the aviation sector can be agile and flexible to meet future challenges.

Peter Kearney Chief Executive



2021 commenced with considerable uncertainty due to the continued impact of COVID-19 that dominated our business agenda. In the first half of the year, vaccine availability, travel bans and restrictions caused concern about the future prospects of the aviation sector's recovery. From mid-year there was a swing towards broadly positive sentiment following the success in vaccination rollouts leading to optimistic outlooks on air traffic forecasts.

COVID-19

The aviation sector continued to be severely impacted in 2021 following the emergence of the Delta variant in late 2020 and the subsequent imposition of stringent travel controls and restrictions. In Ireland, as in many European countries, there was effectively no travel for the first six months of the year, as mandatory hotel quarantine, requirements for negative PCR tests and local travel restrictions suppressed consumer demand. Notwithstanding the decline in commercial aviation activity, the IAA ANSP (air navigation service provider) was required to maintain a full service, playing an important role in ensuring the supply of critical healthcare cargo, including PPE and vaccines supplies, remained open, both domestically and across the Atlantic.

Throughout the pandemic the IAA's focus has been on ensuring the safety of our staff and the continuity of our essential air navigation services.

The continued low numbers of air traffic movements during 2021 weighed heavily on the IAA's financial position with continued reliance on cost containment and the utilisation of the Company's cash reserves to maintain services. I want to acknowledge the significant contribution made by staff across the Company to the cost containment programme, whilst maintaining a focus on service quality and reliability.

Throughout the pandemic the IAA's focus has been on ensuring the safety of our staff and the continuity of our essential air navigation services.

For the full year 2021, total air traffic levels managed by the IAA ANSP remained equivalent to 50% of 2019 levels.

AirNav Ireland will bring a fresh perspective to aviation in Ireland.

While cost containment was a necessary step, it was reflective of the experience of many businesses in the aviation sector during the pandemic. I am pleased there was no compromise on the quality, and in particular safety, of ANS services over the past two years.

Monday 19th July 2021 was a day of cautious optimism for the aviation sector in Ireland as it marked the removal of the majority of restrictions and the re-opening of travel into and out of the country. While traffic levels continued to remain low relative to 2019, there was a noticeable gradual and sustained growth from July through to the end of the year, even as concerns around the Omicron variant started to emerge. For the full year 2021, total air traffic levels managed by the IAA ANSP remained equivalent to 50% of 2019 levels but by the end of the year, traffic was beginning to return closer to what might be considered normal levels (78% of 2019 levels in December 2021).

The return of aviation from July onwards proved a boost to both the morale of the Company and a tentative improvement in our financial position. Reflective of the recovery, we were in a position to conclude the majority of cost containment mechanisms before the end of the year. However, cost discipline and careful budgetary control must remain a key feature of our business management for years to come.

Current forecasts indicate that air traffic will continue to recover into 2022 and beyond. However, we await the full impact from the Russian/Ukraine conflict to assess the recovery. We also remain cautious having witnessed how quickly the COVID-19 virus can evolve with a negative impact on business sentiment and performance. Yet I am encouraged by the resilience of the aviation industry and how the industry demonstrated its adaptability over the past two years. Demand for travel is high and while there are uncertainties, other than COVID-19, the past two years have taught us that both the IAA and the aviation sector can be agile and flexible to meet future challenges.

IAA Restructuring

In early 2021, Mr. Diarmuid Ó Conghaile commenced as Aviation Regulator/CEO designate for the new regulatory authority.

The legislation required for the legal separation of the IAA's safety regulation (SRD) and air traffic management (ANSP) functions, the establishment of AirNav Ireland and the merger of the Commission for Aviation Regulation (CAR) with the IAA SRD continued to progress during the year. The Air Navigation and Transport Bill 2020, which underpins the Government's restructuring initiative, is expected to be enacted in 2022 and we look forward to the full transition to the new structures. In particular, from an AirNav Ireland perspective, significant progress in 2021 was made in preparing the ANSP for the transition to the new company. I very much look forward to the establishment of the new company and the renewed energy and enthusiasm that this will create. AirNav Ireland will be a modern and progressive commercial state company built upon the solid foundations of the IAA ANSP. As we emerge from the difficulties caused by the COVID-19 pandemic for the aviation sector, AirNav Ireland will bring a fresh perspective to aviation in Ireland and will play a key role in a sustainable recovery of the sector.

Safety Performance

The IAA ANSP has always focused on safety as our number one priority.

Throughout 2021 the IAA ANSP continued to maintain its exemplary record with no significant incidents to report. With the continued low levels of air traffic for much of 2021, it was important that we continued to ensure that staff were ready for an increase in traffic. Simulator training took place to fulfil this need, and this has served the ANSP well, as we now prepare for an increase in traffic in 2022.

Another key safety milestone was delivered in 2021, with the achievement of full certification under the requirements of Commission Implementing Regulation (EU) 2017/373 ('Regulation 373'). This Regulation outlines a step change in demonstrating compliance with ATM (air traffic management) safety requirements necessitating a detailed focus on system-wide safety inputs and responsibilities.

In 2021, the IAA ANSP achieved a level 'E' for Safety Performance Monitoring.

The new tower represents the renewal of the aviation sector in Ireland.

Regulation 373 certification involved a significant programme of work, focusing on all aspects of our ANSP activities including unit specific audits and inspections, training, technology and engineering, safety systems and recording, management structures and interactions with the non-functional system (activities not directly related to ATM safety). Since receiving certification in early 2021, the ANSP has embarked upon a major process of training to ensure that all relevant staff receive the appropriate Regulation 373 compliance training.

Delivery of safe operations requires an optimised combination of policies, procedures, staff expertise, training, culture, safety management systems and continual audits and inspections. This is recognised by CANSO (Civil Air Navigation Services Organisation) and EUROCONTROL and each year these two entities carry out an assessment and ranking of the effectiveness of safety management across European ANSPs. In 2021, the IAA ANSP achieved a level 'E' for Safety Performance Monitoring and level 'D' for all other SMS (safety management system) areas in the CANSO/EUROCONTROL Standard of Excellence (SoE), the highest possible rankings. This points to the achievement of an active monitoring system that uses and tracks suitable safety indicators and associated targets and is considered to be an example of international best practice, focusing on innovation and improvement.

CANSO, the global ATM/ANS industry association, awards an annual Global ATM Safety Award for outstanding safety achievements in the ANSP sector. In 2021 it was a significant achievement for the IAA ANSP to receive this prestigious award and the global recognition for the IAA's lifesaving Aireon Alert service. The award acknowledges the important work of IAA staff directly involved in Aireon Alert and is recognition of all of our staff's dedication in the provision of safe ANSP services.

Air Navigation Services (ANS)

We continued with important capital project works over the course of 2021, despite some delays and re-plans required due to COVID-19 interruptions. In November 2021, the new air traffic control tower at Dublin airport became fully operational; a major milestone in the delivery of this once-in-a-generation project. Safe transfer of operations from the old tower at the IAA's campus at Dublin airport to the new tower took place on 9th November. This was the culmination of several years of work from the construction and equipment fit-out stages, through to the testing, training and regulatory approval stages. The final milestone in the works programme will be achieved in 2022, when the daa (Dublin Airport Authority) opens the new north parallel runway and IAA ANSP transitions to parallel runway operations at Dublin airport. The iconic new tower has been a vision of the IAA ANSP's for several years, recognising the benefits it brings to safety of operations and capacity at Dublin airport, along with environmental advantages. As the aviation sector starts to recover from COVID-19, the new tower represents the renewal of the aviation sector in Ireland.

The IAA ANSP continued developing a new business plan for the RP3 period (2020 – 2024) following the European Commission's 2020 decision to require new RP3 plans to be prepared which took account of the impact of the COVID-19 pandemic. While this decision contributed to much uncertainty over the course of 2021, I am pleased that a new regulatory plan has now been approved by the European Commission, providing the appropriate certainty for the ANSP for the remainder of the RP3 period. The revised plan sets challenging targets on the ANSP, and we cautioned our regulators through the consultation process that the cuts which they implemented to the required allowances which the ANSP had proposed, may impact on our ability to maintain the high-quality service that our customers have become accustomed to. In this context, and as planning for RP4 will start soon, economic regulators at both European and national level need to consider the longer-term priorities for the provision of ANS services. The IAA ANSP's vision involves a safe, high quality, customer-focused service, with investments focused on our people, technology and strategic alliances to deliver benefit to our service users and ultimately passengers. A regulatory system which does not recognise established efficiencies and prioritises downward pressure on charges does not serve the long-term interests of airlines, States or indeed passengers.

The Group recorded a profit for the financial year of €9.5 million.

Financial Performance

The Group recorded a profit for the financial year of €9.5 million. The Group’s turnover increased by 4.3% to €162.3 million. Net assets of the Group increased by €57.4 million to €260.4 million explained, in the main, by the improvement in the net pension liability. The shortfall in air traffic receipts due to reduced traffic volumes and the extended credit terms provided to support the industry resulted in the Group’s cash and short-term deposits balance decreasing from €169.8 million at the beginning of the year to €133.5 million at the end of the year. Cash reserves decreased by €99.0 million over the two years 2020 and 2021 in response to COVID-19. This decrease would have been more severe if cost containment measures had not been implemented. Cost containment in 2020 and 2021 was a necessary component of our strategy to manage our way through the crisis and secure the future of the Company.

COOPANS

The COOPANS Alliance is the IAA ANSP’s flagship strategic ANS alliance. It is comprised of six ANSPs – AustroControl, Croatia Control, LFV Sweden, Naviar Denmark and Nav Portugal - working with system supplier Thales. The Alliance celebrated its 10th anniversary in 2021. This represented an appropriate point to take stock of the achievements and next steps for the Alliance. Over the 10 years, COOPANS has developed into the leading ANSP alliance in Europe and was recognised as such by the European Commission in 2016 when it won the Single European Sky (SES) award. The Alliance has enabled the IAA ANSP and its partners to cut their system development costs, through pooling resources and continuous and synchronised upgrading of the air traffic management system. This has provided cost-savings and efficiencies that have ultimately benefitted ANSP customers across Europe.

The IAA ANSP is now looking towards the next 10 years of COOPANS development. This planning process commenced in 2021 and will culminate in the design, development and purchase of a new COOPANS system in the coming years. This will be a major body of work for the ANSP but reflects our continued commitment to improvement, technology and innovation. As Chairman of the COOPANS Alliance I am working closely with my colleagues to specify the next generation system which will be deployed in all six countries as our current system becomes obsolete. In tandem with this technical activity, I am also working closely with EASA and other EU bodies to plan how regulations should be modified to support new models of system development and deployment. I want to acknowledge the cooperation and expertise of the CEOs of our COOPANS partners, and I look forward to working with them for the benefit of each member and the aviation sector in the coming years.

Sustainability

The IAA ANSP is committed to sustainability and the development and deployment of environmentally conscious operations. We recognise that all aviation businesses must do more to meet the climate challenge faced by the sector and by society in general. We aim to be at the forefront of sustainable aviation, leading by example and operating as an advocate for sustainable practices in the aviation sector. In September 2021, we launched our Sustainability Management Plan (SMP) 2020-2025. This is an important document for the IAA ANSP, setting out 10 main objectives to transform the way we manage our business from an environmental perspective, including an over-arching ambition to be fully carbon neutral for our own activities by end 2025. Significant work has already commenced including the development of biodiversity studies at each location, energy management and efficiency initiatives and staff communication and education. I am also encouraged that, by the end of 2021, the IAA had achieved a 46% energy efficiency gain, a continued improvement year-on-year and well ahead of the SEAI target of 33%.

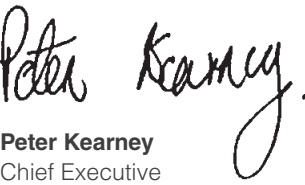
Acknowledgements

The Board and management of the IAA have had an extremely busy year in 2021, preparing the Company for restructuring whilst also managing our way through a second year dominated by the COVID-19 pandemic. I would like to thank our Chairman, Ms Rose Hynes, and the Board for their guidance and support during 2021. I also want to thank my management team for their assistance and exceptional dedication not only for the last year but for the period of the pandemic. Each and every challenge they were presented with was managed in a determined way such that our objectives were achieved.

...it is only through our staff’s continued commitment to providing a quality service that we can continue to grow, develop and evolve.

The staff of the IAA ANSP remain our primary asset. We are a knowledge-based organisation, and it is only through our staff’s continued commitment to providing a quality service that we can continue to grow, develop and evolve. I would like to personally thank all my colleagues who worked on site and remotely to maintain our safe, high quality ANSP services throughout the pandemic and most especially those who continued to assist us in the delivery of some complex projects under challenging deadlines and deliverables. Recent years have shown an increase in adverse weather events which present challenging operations not only for flight crews but also for our engineering and air traffic control teams. Special thanks to our engineering colleagues who ensure our critical infrastructure and networks remain available generally but most especially during adverse weather events. After several years of industrial relations harmony, we experienced some IR difficulties and conflict in late 2021. After engagement with an independent mediator, Mr. Kieran Mulvey, we are working through these issues. The mediation process demonstrates that dialogue and open discussion remain the most effective way to resolve differences.

The Irish aviation sector remains in a challenging period. Recovery from the impacts of the COVID-19 pandemic has begun but it will take time to fully recover, and the sector remains vulnerable to external shocks. However, aviation has proven to be resilient, and this will be a key requirement in the coming years. The IAA ANSP will be ready to support this recovery and to work with the State, our customers and stakeholders to rebuild a strong aviation sector in Ireland that is ultimately delivering for the benefit of all passengers.


Peter Kearney
Chief Executive

The over-riding priority of the IAA, at all times, is the safety and security of passengers, crew, aviation sector employees, and the general public.

Diarmuid Ó Conghaile Aviation Regulator/CEO Designate



The over-riding priority of the Irish Aviation Authority (IAA), at all times, is the safety and security of passengers, crew, aviation sector employees and the general public. Aviation is an extremely safe industry, globally, and is so because of the international regulatory framework and relentless focus of safety management systems. But, however good our systems, safety is never something which looks after itself. It must always be achieved anew each day, in each operation.

Aviation is a people business. Safety is a people business.

For the IAA's safety regulation function, one of the main tasks over the course of the pandemic has been to support industry in dealing with the impacts, first of lockdown and then of safe return to normal operations. The IAA has also been responsible for monitoring the implementation of the EASA/ECDC Aviation Health Safety Protocol, where compliance was very high throughout. We are now at the point where capacity and passenger volumes have recovered strongly (albeit not without setbacks) and where protective measures have been eased.

The sensitivity of the aviation sector to external shocks has been demonstrated by the impact of the recently commenced conflict in Ukraine. The effects include disruption of parts of European airspace, issues in relation to leased aircraft and the potential to affect demand for travel to parts of Europe, as well as fuel prices.

As stated in the preamble to the Chicago Convention, signed in 1944, '*development of international civil aviation can greatly help to create and preserve friendship and understanding among the nations and peoples of the world*'. Our hope is that civil aviation can continue to grow in 2022, uninterrupted by conflict, and can continue, as the Chicago Convention states, '*to promote that cooperation between nations and peoples upon which the peace of the world depends*'.

It is a big challenge for regulators to keep pace with the development of the drone industry, and a challenge for industry and private operators to understand and implement the requirements of EU regulations.

At time of writing, the Air Navigation and Transport Bill (ANTB) 2020 is passing through the Oireachtas, with enactment due later this year. The ANTB will formalise the legal separation of the Air Navigation Service Provider (ANSP) from the IAA and the dissolution of the Commission for Aviation Regulation (CAR) and the merger of its functions with the new IAA. This restructuring creates a single aviation authority with responsibility for all aspects of aviation regulation, including safety and security, personnel licensing, travel trade and airline licensing, financial oversight, economic regulation, runway-slot regulation and consumer protection, including arrangements for passengers of reduced mobility.

All preparatory work required within the IAA and CAR to give effect to the separation of the IAA ANSP into a new entity, and the merger of CAR, is ready for completion, with the final phase requiring the enactment of the Air Navigation and Transport Bill. The new IAA regulator structure represents a significant advance in ensuring an effective independent regulator for the future. It will equip the regulator to facilitate and support the aviation industry.

There are many exciting developments ahead of us in the aviation sector, including in the areas of drones and urban air mobility. The development of the drone industry in Ireland continues apace. The expansion of activity in this sector in Ireland and throughout Europe is enormous. It is a big challenge for regulators to keep pace with the development of the industry, and a challenge for industry and private operators to understand and implement the requirements of EU regulations. The new drone regulations, applicable in all EU member states, affect anyone operating a drone, whether in a private or professional capacity. The IAA's new digital platform, 'mySRS', has been successful in making available an online 24/7 drone operator registration system and in providing the basic mandated pilot training, but much further work is required in this area, including in developing and managing U-Space, which, in simple terms, means air traffic control for drones. The IAA is supporting the Department of Transport in preparing a national UAS and U-Space strategy in consultation with industry stakeholders, and we have also appointed an IAA drones champion to lead our engagement with the sector and established a Drone Users' Council to work with us in both understanding the challenges and implementing changes.

We are delighted also that some of our regulated entities are at the forefront of developing new technologies to answer the environmental imperative, both in synthetic aviation fuels and in the trialling of hydrogen-powered aircraft. We will continue to support such efforts wherever we can.

Aviation is a people business. Safety is a people business. In conclusion, I would like to commend our safety and security teams for their commitment and hard work over the course of another difficult year. The IAA continues to perform very strongly in independent audits of our work, for example ICAO audits which rank us in the top 10 performers globally and second in Europe in terms of implementation of ICAO Standards and Recommended Practices, as well as in standardisation audits conducted by the European Aviation Safety Agency (EASA). Such results are testament to the expertise, experience and dedication of our people and the systematic approaches which we apply. We strive to be better again in 2022.

A handwritten signature in dark ink, appearing to read 'Diarmuid Ó Conghaile'. The signature is fluid and cursive, written on a white background.

Diarmuid Ó Conghaile
Aviation Regulator/CEO Designate

Operating and financial review

Safety Regulation

COVID-19

The COVID-19 pandemic continued to have a significant impact on aviation regulatory functions during 2021. The IAA regulatory focus during 2021 addressed:

- the on-going assessment of the impact of new safety risks introduced by COVID-19 on the IAA regulatory oversight functions and the safety management functions of regulated entities;
- the return to normal operations as airlines, airports and associated aviation operators began the ramping up of normal (pre-COVID) services.

The measures taken to identify and mitigate the safety risks included:

- specific risk analysis to identify new COVID-19 risks in each aviation sector and appropriate mitigating actions by IAA SRD (Safety Regulation Division) to ensure appropriate risk controls were in place;
- revised regulatory oversight programmes to include remote auditing where appropriate;
- actively supporting the EASA COVID-19 risk management processes and the return to normal operations to ensure an EU standardised approach to risk management and safety promotion in this area;
- ongoing monitoring of the EASA/ECDC Aviation Health Safety Protocol at Irish airports and on flights into and out of Ireland.

The IAA SRD will continue to support the regulated industry and licence holders to proactively identify and mitigate COVID-19 safety risks as the pandemic and associated mitigation measures wind down.



EC Sanctions against Russia

In late February 2022, the EC commenced applying sanctions against Russia in respect of the conflict in Ukraine. Sanctions affecting Russian aviation include a prohibition on flights of Russian aircraft in European airspace and prohibition on the sale or provision of aviation services or products to Russia. The aircraft leasing industry is one of the sectors affected by these sanctions. Thirty five aircraft on the Irish aircraft register were leased to Russian airlines and were subject to Article 83 bis agreements. The IAA is working with the Department of Transport, the EC and ICAO on the issues that have arisen.

Digitalisation Project

The IAA digitalisation project represents a large ongoing capital investment by the IAA to transform the current safety regulation service offering through maximising business activity within the digital environment. This project will see business processes such as client management, applications processes (approvals, registration, certification, licensing

etc.) and oversight processes migrate to online platforms across all domains over the next few years. It will also improve IAA business intelligence capability and create online portals to facilitate exchange of information between the regulator and regulated entities.

In 2021, the IAA has successfully rolled out the first modules of this project. In the area of unmanned aircraft systems, over 9,000 people have established online accounts and over 15,000 operator approvals or training certificates have been issued. Applications to support aerodrome and aviation security activities have also been rolled out and 2022 will see the vast majority of IAA certificate and licence holders able to interact with the IAA on a 24/7 basis.

Unmanned Aircraft Systems

Unmanned aircraft systems (UAS) continue to be a source of exponential growth and innovation with exciting new applications being developed and tested globally and in Ireland. The EU drone regulations have provided a solid framework for UAS operations across Europe and has given the EU the lead in developing environmentally sustainable UAS solutions for a myriad of applications.

By the end of 2021, the IAA had registered over 5,000 drone operators and issued over 9,000 A1/A3 training certificates to drone pilots located across the EU through our online portal. During the year, national approvals for specialist operations were transitioned to the new EU operational authorisations. To date, the IAA has now issued over 60 operational authorisations to Irish UAS operators.

In 2021, the IAA certified its first light unmanned operator certificates (LUCs) which provide greater flexibility for the operator, subject to certain safety and risk management systems being in place.

The EU regulation and guidance material for UAS continued to evolve during 2021 and the IAA has been focussed on advising on and assisting our stakeholders with these changes.



U-Space and Urban Air Mobility

In April 2021, the EU issued Commission Implementing Regulation (EU) 2021/664 on 'U-space', which provides the technical and operational requirements for U-space systems. U-space will provide for a future automated air traffic control system which can handle large volumes of drones in low altitude urban areas. It will also be a key enabler for future urban air mobility and the use of electric vertical take-off and landing aircraft (eVTOLs) to transport people (air cabs, sightseeing tours, emergency transport, etc.) in urban areas.

The IAA continues to support the Department of Transport in its discussions with other State departments and agencies to develop a national UAS and U-space policy, as well as supporting research and new industry in this area. Visit <https://www.iaa.ie/general-aviation/drones> for more details.

Irish Aircraft Registry

The level of aviation activity in Ireland during 2021 started to recover, however, overall aircraft registrations remained similar to 2021 and significantly down on 2019, particularly in relation to the size of the Irish commercial airline fleet.

There were 1,231 aircraft on the Irish civil aviation register at the end of 2021, a decrease of 4 from end 2020. COVID-19 had a continuing impact on the register with the cessation of certain airlines, deferred airline fleet increases or transfer of aircraft to other group airlines and continuing storage of surplus aircraft.

| | At 31 December 2021 | At 31 December 2020 | Difference |
|--------------------------|---------------------------|---------------------------|------------|
| Registered Aircraft | | | |
| Commercial Irish AOC | 409 | 457 | -48 |
| Commercial Foreign Lease | 138 | 168 | -30 |
| Commercial Storage | 129 | 78 | +51 |
| Non-Commercial EASA | 196 | 259 | -63 |
| Non-Commercial National | 359 | 273 | +86 |
| Total | 1,231 | 1,235 | - 4 |

Personnel Licensing

Personnel licensing applications continued to increase during 2021, primarily driven by Brexit, with many UK licence holders applying for EASA licences through the IAA. Non-EU licence holders, requiring a transfer to an EU licence, are now also applying to the IAA rather than the UK. This recognises that the English language facilitates a smoother transition process for many outside the EU.

| | At 31 December 2021 | At 31 December 2020 | Difference |
|------------------------|---------------------------|---------------------------|------------|
| Licences Issued | | | |
| Commercial Pilot | 14,419 | 13,191 | +1,228 |
| General Aviation Pilot | 1,719 | 1,476 | +243 |
| Maintenance Engineer | 2,871 | 2,721 | +150 |
| Air Traffic Controller | 228 | 214 | +14 |
| Radio Officers | 24 | 25 | -1 |
| AFISOs* | 5 | 5 | - |
| Total | 19,266 | 17,632 | +1,634 |

*Aerodrome Flight Information Services Officer

Aviation Security

As the Appropriate Authority in Ireland for the purposes of EC Regulation 300/2008 (Common rules in the field of civil aviation security), the IAA continues to ensure that the regulatory requirements are implemented by airport operators, air carriers and entities involved in securing airports, aircraft and secure supply chains.

In 2021, the pandemic impacted industry and thousands of trained personnel were either furloughed or made redundant. Later in the year, and as recovery seemed possible, recruitment campaigns and training programmes were in demand to ensure that the resources were available. For some categories, such as screeners and instructors, the demand for IAA certification peaked quickly, a peak that is likely to continue into 2022.

IAA compliance monitoring continued as an essential service throughout the year, prioritising airports, air carriers and operational supply chains. There were no significant trends identified, although low level findings were evident, particularly in cargo where personnel were no longer in warehouses as they were working from home.

Equipment used for aviation security purposes is approved by the IAA. A number of airport operators also used the pandemic to upgrade their security equipment at passenger checkpoints to include explosive detection capability and scanners for passenger screening. This equipment has significant added value for passenger facilitation, enabling passengers to leave their laptops, liquids, aerosols and gels in their cabin baggage. The IAA both approved this equipment and implemented a testing regime to ensure the equipment was performing in accordance with the detection standards specified in regulation.

The IAA also worked on promoting security culture and best practices with industry. A series of workshops were conducted including compliance reviews, security programme briefings for the digitalisation project and security management systems. The workshops are a popular part of the annual programme and are well attended by industry representatives.

A new on-line tool for security programme development was launched in 2021. This tool was an innovation on an extant manual process. While there is still some work to do on its development, the principle of a tool available to industry 24/7 for security programme development and maintenance was welcomed. It also facilitated a more standardised approach to the security programme content and has decreased the time it takes for programme approvals. There are plans in 2022 to extend the functionality further to improve the service to industry and to ensure prompt payment for regulatory services.

The IAA continued to receive aviation security occurrence reports in 2021. These reports showed an increase in disruptive passenger behaviour at airports as a result of a failure to comply with COVID-19 safeguarding rules. There were also significant security reports including the bomb threat on a Ryanair Sun aircraft over Belarus and the landside security issue with a vehicle at Dublin airport, both widely reported in the media. All occurrence reports received by the IAA are reviewed and advised to the Department of Transport as appropriate.

The IAA engaged at European level with ECAC and the European Commission. IAA personnel participated on working groups addressing training, guidance material, behaviour detection, compliance and technical matters.

Review of IAA’s Regulatory Performance in 2021

European and State Safety Programme

The proposed approach at European level for European aviation safety is based on three elements:

- A set of policies and objectives from political authorities (*the strategy*). The strategic elements are spelled out by the European Commission in a communication to the Council and the European Parliament. To download the communication go to <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0670:FIN:EN:PDF>
- An integrated set of regulations and activities aimed at improving safety (*the programme*). The European Aviation Safety Programme (EASP) conforms to the ICAO SSP framework. The second version of the EASP, published in December 2015, is available at http://ec.europa.eu/transport/modes/air/safety/doc/aviation_safety_programme_2ndedition.pdf
- A high level safety issues assessment and related action plan, now called European Plan for Aviation Safety (EPAS). The latest version is available on the EASA website <https://www.easa.europa.eu/domains/safety-management/european-plan-aviation-safety>

At a national level, each State produces a State Safety Programme (SSP), described in the SSP document available on the IAA website at <https://www.iaa.ie/safety/state-safety-programme>

In 2021, the IAA conducted a comprehensive review of the implementation of the State Safety Programme utilising the new ICAO state safety programme implementation assessment (SSPIA) protocols. An updated SSP description document has been prepared and will be published once the new IAA aviation regulator is established following enactment of the Air Navigation and Transport Bill.

24/7
the principle of a tool
available in industry
24/7 for security
programme and
maintenance was
welcomed

In accordance with article 5 of the EASA Basic Regulation, the new SSP document will describe the management of civil aviation safety in relation to the aviation activities under IAA responsibility, commensurate with the size and the complexity of those activities and shall be consistent with the European Aviation Safety Programme.

Regulatory Changes

The SSP safety regulatory framework is continuously being updated to improve safety and efficiency in aviation and to support fair competition within the EU. The IAA safety regulator, and regulated entities in Ireland, must have robust change management processes to ensure continued compliance with the regulations.

Some significant regulatory changes in 2021, include:

- alcohol testing of flight and cabin crews
- introduction of new requirements for flight crew peer support programmes and psychological assessment of flight crew
- new global runway condition reporting format, impacting aerodromes, airlines, and air navigation service providers
- new requirements for fuel/energy planning and management, to be fully effective in 2022
- introduction of new requirements for safety management systems in aircraft maintenance organisations
- introduction of a regulatory framework for U-space.

In 2021, the IAA processed seventeen different EU regulatory changes to the implementing rules and delegated acts of the EU integrated set of safety regulations.

External Oversight of the IAA Safety Regulator

The IAA's regulatory performance is subject to oversight by EASA through a continuous monitoring programme and comprehensive EASA standardisation inspections. During the detailed inspections, EASA confirms that the IAA is fully compliant with EU requirements for competent authorities, and that the IAA is correctly conducting oversight of our regulated industry. There was one EASA on-site standardisation audit of Ireland in 2021.

EASA standardisation ratings, which are a measure of how well oversight is performed in each EU Member State, shows that the IAA outperforms the EU average in every domain.

The IAA is also subject to the ICAO universal safety oversight programme (USOAP) and the universal security audit programme (USAP). The IAA continues to maintain its strong position on the ICAO league table for effective implementation (EI) of global aviation standards, with a current EI score of 95.06%, which places Ireland in the top 10 States globally, well above the world average score of 69.27% and in 2nd position among EU Member States where EU Member State average is 83.79%.

As well as implementing robust oversight processes the IAA has implemented safety performance monitoring across the civil aviation system. High level safety performance information is published in the IAA Annual Safety Performance Review, available at <https://www.iaa.ie/safety/annual-safety-performance-reviews>. More detailed drill down safety information is developed and presented at safety review meetings at sector and organisational level.

IAA SRD also has internal compliance monitoring and change management systems to ensure that all oversight obligations are completed in accordance with regulations, across all sectors of civil aviation.

The IAA SRD safety risk management function maintains ongoing review and analysis of risk and performance at State, sector, and organisation levels to help prioritise regulatory actions towards the areas of greater safety concern. The key safety outputs and actions from this process are published in the State Plan for Aviation Safety for Ireland, available at <https://www.iaa.ie/safety/state-safety-plan>.

Air Traffic Management

COVID-19

In 2021, the IAA ANSP (air navigation service provider) continued to adhere to HSE and EASA COVID-19 rules and guidelines with a range of measures implemented to protect the health and safety of our staff and minimise the potential for an interruption to air navigation services provision. Despite the difficulties posed by the pandemic, our dedicated teams continued to deliver uninterrupted safe and efficient air traffic management and communications services to our airline customers.

2021 saw a limited recovery in commercial aviation activity across Europe, although overall air traffic levels remained well below pre-COVID levels. In the first six months of 2021, Ireland's traffic levels averaged 39% of 2019 levels. However, the vaccine rollout and the introduction of the EU Digital COVID Certificate during the summer months saw a recovery in air travel and, by the end of the year, December monthly traffic had returned to an average of 78% of 2019 levels. Across Europe, EUROCONTROL reported that 6.2 million flights operated in 2021, down almost 44% on the 2019 total. There is industry-wide optimism for a much improved 2022, despite the risks and challenges to the sector stemming from rising fuel prices, the Russia/Ukraine conflict and the risk of another COVID variant that results in travel-related restrictions.

22%

En route overflights recorded an increase of 22% on 2020 levels.



Operational Performance

Almost 90% of all transatlantic flights between Europe and North America pass through Irish-controlled airspace annually and these flights are managed by our en route operations centre, based in Shannon, Co. Clare. North Atlantic communications services are provided from our nearby facility at Ballygirreen. Terminal air traffic management services are provided at Cork, Dublin and Shannon airports.

En route overflights recorded an increase of 22% on 2020 levels to reach 188,376 flights. However, this figure remained well below 2019 levels at just 54% of that year's activity. In North Atlantic oceanic airspace, high frequency (HF) voice communications services were provided to 263,186 flights, an increase of 24% on 2020 levels (52% of 2019 levels). Commercial terminal traffic at Cork, Dublin and Shannon airports recorded an increase of just over 1% on 2020 levels to 97,986 movements, a reduction of 64% on the corresponding 2019 movements. Traffic at Dublin airport accounted for 87% of total commercial terminal traffic.

Once again, in 2021, the IAA ANSP achieved its EU single European sky environmental and capacity targets and contributed positively to the overall performance of the European air traffic network.

Irish free route airspace is acknowledged as one of the most environmentally efficient airspaces in the world, allowing airline customers to choose their most efficient trajectories through our airspace. In terms of environmental performance, as measured by the EUROCONTROL horizontal en route flight efficiency indicator, the IAA ANSP ended 2021 as one of the top performing air navigation service providers in Europe.

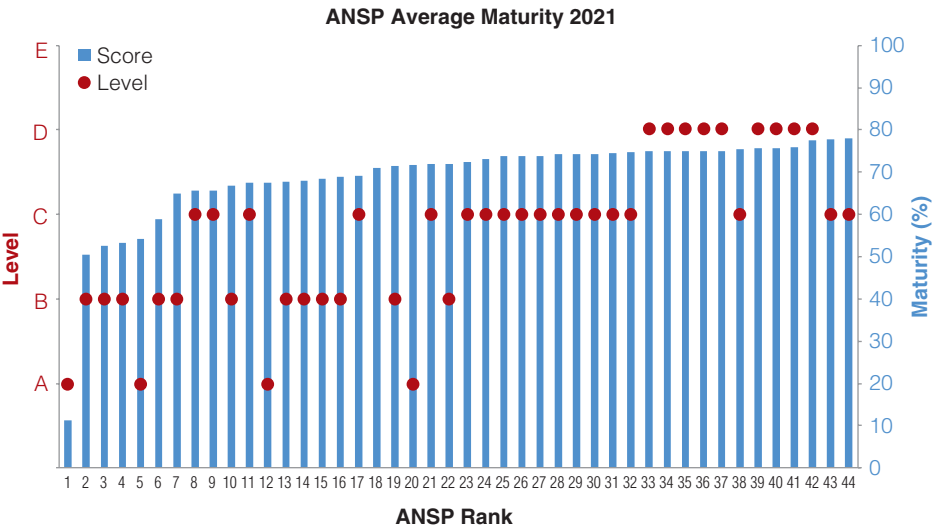
We continue to strive to further reduce the environmental impact of aviation through various projects including increased CDO/CCO (Continuous Descent and Continuous Climb Operations) and the redesign of lower airspace. The IAA ANSP participates in several environmental improvement studies and projects with other aviation stakeholders including the Fello'fly project. This project, which includes leading cross-industry partners, assesses the fuel saving benefits and feasibility of formation flights, utilising the wake of the leading aircraft to reduce drag on following aircraft, thereby reducing their fuel burn. The first flight trial took place in November 2021, between Toulouse and Montreal, with a confirmed fuel saving of 5%.

In relation to capacity, the IAA ANSP remains one of the best performing service providers in Europe recording no en route ATFM (Air Traffic Flow Management) delay and negligible terminal ATFM-related delay in 2021. We also recorded a departure slot adherence rate of over 98% which far exceeds the European target of 80%.

Safety Performance

For the past 20 years, EUROCONTROL has conducted surveys to establish compliance of air navigation service providers with regulatory requirements and their level of implementation of the safety management systems (SMS) within their organisations. The EUROCONTROL/CANSO SMS standard of excellence (SoE) safety maturity measurements contribute to establishing a global level for safety, based on the highest standards. The standard of excellence covers 17 safety assessment areas which are aligned with ICAO Annex 19. It is intended to support the application of uniform standards across all service providers globally. A new study area was added in 2021 - system performance resilience – and this captures how an ANSP manages interdependencies and trade-offs between safety and other business objectives.

In the 2021 EUROCONTROL/CANSO global standard of excellence survey measurement, we achieved a maturity performance placing us in the top tier of the 44 participants for a fifth successive year. The IAA ANSP achieved, as one of only nine ANSPs, a Level 'D' performance, which is the highest maturity level attainable. This maturity level demonstrates a consistent approach to all safety management system objectives. Moreover, the IAA ANSP has achieved optimised best practice in safety performance monitoring, validated by the CANSO Best Practice Moderation Review Group and is considered to be one of the best optimised practices in operation.



(Source: EUROCONTROL/CANSO SMS Standard of Excellence Measurement 2021 Interim Results)

The EASA Effectiveness of Safety Management (EoSM) is an annual qualitative and quantitative questionnaire that measures the effectiveness of an organisation's safety management system. Responses to each question indicate the level of implementation, characterising the level of performance of the respective organisation.

In the most recent report published in 2021, the IAA ANSP achieved a maturity score of 96% and an overall Level 'C' rating.

The IAA ANSP continues to review its processes to identify areas for potential Safety Management System (SMS) enhancements. This approach supports our policy of SMS continuous improvement. The IAA ANSP has developed mature safety performance monitoring indicators and continues to develop innovative solutions to data analytics, including digitisation and cognitive intelligence platforms, to analyse safety data.

The IAA ANSP achieved full certification under EU Regulation 373.

Safety is a state in which the risks associated with aviation activities, related to, or in direct support of the operation of aircraft, are reduced and controlled to an acceptable safety level. The objective of Regulation (EU) 2017/373, applicable since January 2020, is to lay down common requirements for the provision of air traffic management (ATM), air navigation services (ANS) and other network functions for general air traffic, further enhancing the aviation safety system. The regulation consists of 13 separate annexes which are applicable to the ANSP. From a safety perspective, the regulation aligns EU SMS with the ICAO SMS framework (SMS required for air traffic services only), with additional specific human factors requirements in areas such as stress and fatigue. The IAA ANSP adhered to and incorporated ICAO SMS best practices and philosophies into the SMS and has embraced this new regulation introducing new change management procedures and providing effective and robust training programmes and procedures. The focus of the IAA ANSP remains unchanged - safety is an explicit activity within the company with systematic identification of all safety risks and implementation of appropriate mitigation measures.

Collaboration, partnership and cooperation are key drivers and enablers to safety improvements in the IAA ANSP. Staff actively participate and contribute to national, European and global air traffic service providers safety fora and groups. The ANSP has established communities of practice in which risks and hazards are identified and mitigated through brainstorming, both qualitatively and quantitatively. These groups include local runway safety teams, airport operations safety teams, the COOPANS partner working group and EASA Collaborative Analysis Groups on ATM and Human Factors. ANSP staff are also members of the CANSO Standing Safety Committee representing Ireland on all issues pertaining to safe transit of aircraft into and out of Irish airspace.

New Dublin Tower

On 9th November, 2021 the new Dublin visual control tower was introduced into operation at Dublin airport. This significant achievement was the result of a 4-year project involving a large number of dedicated professionals from a range of disciplines within the IAA ANSP. The project was delivered within budget. Standing at 87.7m high, the new control tower is one of the country's tallest occupied structures and is integral to the introduction of the parallel runway at Dublin airport, planned for August 2022. As an island nation, the additional capacity afforded by the new runway will enable continued economic growth, particularly in tourism and trade.

As we look to parallel runway operations from August 2022 when the new North runway at Dublin airport is operational, the IAA ANSP's project team are co-ordinating the development of ATC and instrument flight procedures to support the various modes of operation and are liaising closely with IAA SRD and the Aeronautical Information Service to ensure that procedures are regulatory compliant and ready for publication, in a timely manner. Close coordination with the daa's project teams is also in place.

All domains within Technical Services are investing considerable resources in support of this project in terms of the procurement and commissioning of necessary equipment required for parallel runway operations. A notable achievement in 2021 was the successful installation and commissioning of the instrument landing system (ILS) facility to enable CAT I/II/III all-weather approaches to the new runway. A centrepiece of air traffic control's parallel runway operation will be the extended capabilities being built into the innovative Integrated Air Traffic System (I-ATS), the first iteration of which was introduced when the new Dublin tower came into service. Comprehensive training plans for our air traffic controllers and engineers have been developed with training commencing in March 2022.

Customer Care

The IAA ANSP continues to be recognised by the airline industry as one of the most customer-focused air traffic management providers in the world. Our customer care programme helps us to understand our customers' operational needs and expectations, so that we can implement the technology and procedures necessary to continue to deliver the excellent service they demand. It also helps to fulfil our customer consultation obligations pursuant to Regulation (EU) 2017/373.

Meetings were conducted with 30 airlines from across Europe, North America and the Middle East. An independent Brussels-based consultancy was engaged to conduct an online survey of our customers' views on the IAA ANSP and the services provided. Based on the responses to the survey, the IAA ANSP was awarded an overall customer satisfaction rating of 91.6%. The underlying messages about safety and service delivery were extremely positive.

2021 Customer Care Report Highlights



Technology

In 2021, all air traffic management (ATM) systems performed in line with their design and with high levels of reliability and availability, supporting the provision of a safe and secure ATM service for our airline customers. The IAA ANSP was flexible in its response to the challenges posed by the COVID-19 pandemic and continued to progress critical projects related to regulatory compliance, obsolescence and capacity in addition to safety and security enhancements.

New regulations including Regulation (EU) 2017/373 required the introduction of enhanced training and competency for engineers and revised change management processes and procedures.

Cyber security is an ever-increasing threat and the IAA ANSP continued to invest in cyber defence in all the prime categories of identify, protect, detect, respond and recover.

COOPANS

As a member of COOPANS, the leading ANSP alliance, a programme of works has commenced to re-design, develop and upgrade our main air traffic management system, supplied by Thales ATM, in line with future requirements and expectations. The new system will be state of the art employing technologies such as digitalisation, artificial intelligence and virtualisation. The system will be harmonised amongst all six COOPANS members - Austria (Austro Control), Croatia (Croatia Control), Denmark (Naviair), Ireland (Irish Aviation Authority), Portugal (NAV Portugal) and Sweden (LFV) - thereby minimising costs through collaboration.

Peter Kearney, Chief Executive of the IAA, was appointed as Chairman of the COOPANS Alliance Board in 2020 and he continued in this role throughout 2021 when the focus has been to position the Alliance for change and further development in the coming decade.

The Alliance is committed to the continued development of the next generation of a common, global leading ANS system. Structural changes within the Alliance are also being considered that would position it to meet the challenges and opportunities of new Single European Sky (SES) requirements, funding opportunities while continuing to deliver to the highest standards.

Throughout 2021, the IAA ANSP was active across all aspects of COOPANS including European affairs, legal, finance, bid management and programme implementation. COOPANS, and the design and development of the new system will be a key priority for a number of years to come.

Aireon ALERT

Launched in July 2019, the award winning Aireon Aircraft Locating and Emergency Response Tracking (ALERT) system continues to provide free global emergency aircraft location data to Search and Rescue (SAR) operators around the world. To date, the service has 409 registered users from 119 countries and has assisted in over 150 SAR missions. Aireon ALERT utilises Aireon's space-based Automatic Dependent Surveillance-Broadcast (ADS-B) data and is operated by the IAA ANSP at our North Atlantic Communications Centre in Ballygirreen, Co. Clare. In 2021, the initiative received the CANSO Global ATM Safety Achievement award for 2020.

Oceanic Gateway Partnership

The Oceanic Gateway Partnership (OGP) initially started as a collaboration between the IAA ANSP and National Air Traffic Services (NATS) in the UK with the aim of establishing a more integrated business and operational concept for the North Atlantic airspace. The requirement to deliver a sustainable framework for UK/Ireland North Atlantic service provision remains a high priority for the IAA ANSP and, following the 2019 NAT Operations Forum, interoperability across the Shanwick and Gander Oceanic Control Areas (OCA) was identified as critical to assuring airlines operating on the North Atlantic that they would continue to experience an efficient and seamless service. Collaboration between NATS, the IAA ANSP and NAV CANADA to develop and deploy this OGP concept provides this assurance.

The CEOs of the IAA ANSP, NATS and NAV CANADA have agreed that migration from today's operational model towards a more integrated concept, in an environment of long-term traffic growth, will deliver many benefits including sustained or enhanced safety performance, a seamless, cost efficient and resilient service and environmental performance improvement opportunities. An initial OGP feasibility and options study will be completed in 2022. This study will determine the timescales, benefits, and outcomes needed to develop sustainable and deliverable safety, environment, and efficiency benefits for our customers and stakeholders.

Financial

COVID-19 continued to have a significant impact on the IAA's liquidity in 2021. Cash and deposit balances declined by €36.3 million over the year as traffic volumes remained depressed at just 50% of 2019 levels resulting in an equivalent reduction in cash receipts. Over the two years 2020 and 2021, cash reserves declined by €99.0 million. The decline would have been much worse were it not for cost containment measures introduced in these years as well as capital expenditure deferred to future years, where risk assessed as appropriate. The IAA availed of Government supports of €5.4 million in 2021 through the employment wage subsidy scheme (EWSS). During the year, the Company secured bank revolver credit facilities of €60 million. These facilities were undrawn at 31 December.

In November 2021, the NSA (National Supervisory Authority) (Commission for Aviation Regulation and IAA Safety Regulation Division) published the State Performance Plan for the period 2020 to 2024 (known as RP3). This Plan confirmed the regulatory allowance attributable to the IAA's en route and terminal businesses. Although a challenging Plan, it provides much needed financial certainty to the IAA's regulated business. The Plan, consistent with European regulations (EU) 2019/317 and (EU) 2020/1627 provides for the recovery of the IAA's eligible costs in 2021. This means that the shortfall in billed en route and terminal revenues compared to approved revenues can be recovered from the airspace users in future years. Without this provision, the Company would have made significant

operating losses owing to the statutory requirement to continue to provide safe and effective air traffic control services throughout the pandemic. The Group reported a profit after tax of €9.5 million, compared to a loss of €0.9 million in 2020.

The key financial highlights, including traffic activity for 2021 and 2020, were as follows:

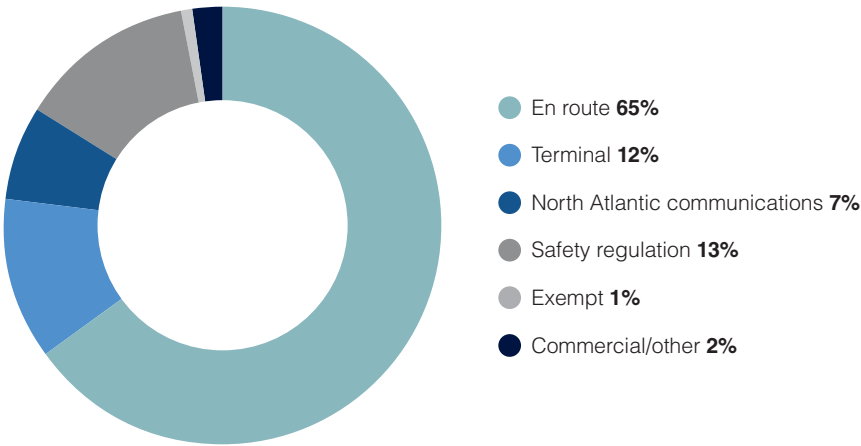
| | 2021 '000s | 2020 '000s |
|--|---------------|---------------|
| Traffic activity | | |
| En route service units | 2,419 | 1,988 |
| Terminal service units | 75 | 70 |
| North Atlantic communications (flights billed) | 263 | 211 |
| Profitability and Balance Sheet | | |
| | 2021 €'m | 2020 €'m |
| Turnover | 162.3 | 155.5 |
| Operating profit | 7.1 | 2.1 |
| Profit/(loss) before tax | 11.4 | (0.2) |
| Profit/(loss) after tax | 9.5 | (0.9) |
| Cash and deposits | 133.5 | 169.8 |
| Shareholders' funds | 260.4 | 203.0 |

Traffic activity

En route service units of 2.4 million in 2021 were up 21.7% on 2020 and down 47.9% on 2019. Terminal service units of 74,698 increased by 6.0% over 2020 but were down 60.2% on 2019 levels. North Atlantic communications flights billed in 2021 were up 24.4% on 2020 levels to 262,967 flights and down 48.0% on 2019.

Turnover

Turnover increased by 4.3% to €162.3 million in 2021. Almost 85% of turnover is generated from the provision of air traffic control services in Irish-controlled airspace and voice communications services on the North Atlantic. The safety regulation activities of the IAA comprise 13% of turnover with commercial and other income making up the balance.



In 2021, **en route** revenues increased by 2.7% to €104.7 million and **terminal** revenues increased by 2.1% to €19.8 million. En route and terminal activities are regulated, consistent with EU Regulations, by the NSA. En route services are provided to aircraft that typically do not land in Ireland. Terminal services are provided to aircraft that land and take-off at the State airports, Cork, Dublin and Shannon. En route and terminal revenues include a share of MET Éireann fees and fees attributable to the IAA safety regulator.

North Atlantic communications revenues amounted to €11.8 million in 2021, an increase of 24.4% on 2020. The IAA provides a high frequency voice communications service to aircraft, up to halfway across the North Atlantic.

Safety regulation revenues of €21.1 million, an increase of 4.4% over 2020, comprises mainly fees charged for aircraft registrations and airworthiness certifications, fees for personnel exams and licences, aerodrome fees, operator approvals, charges for aviation security oversight, consultancies and EASA-related fees. These fees are charged by reference to the Irish Aviation Authority (Fees) Order, 2015 (Statutory Instrument (SI) 523 of 2015) and the European Communities (Civil Aviation Security) (Amendment) Regulations 2019 (SI 632 of 2019). As noted above, en route and terminal revenues include revenues attributable to the IAA safety regulator. In 2021, these revenues amounted to €4.3 million.

Included in **commercial and other** income is a charge for training services provided by the IAA to Entry Point North Ireland DAC of €2.7 million. Further information is included in note 18 to the financial statements.

Operating expenses and operating profit

Operating expenses amounted to €155.2 million in the year. Staff costs, comprising pay and pension costs, accounted for 56% of total expenses. Cost management, where appropriate, continued throughout the year. The Company was in a position to restore employees to full pay from the end of November following banded pay cuts in place since the beginning of the year. In 2021, the Company incurred staff and other costs as preparations continued for two separate entities post enactment of the Air Navigation and Transport Bill.

The Group reported an operating profit of €7.1 million compared to €2.1 million in 2020.

Group profit after tax

The Group earned a profit after tax of €9.5 million, up from a loss in 2020 of €0.9 million. 2021 outturn includes an impairment charge on the Group's investment in Aireon Holdings LLC of €1.3 million (\$1.6 million) before tax and €1.0 million (\$1.2 million) after tax. A discounted cashflow technique was used to value the shareholding. Other income comprises the EWSS Government supports.

Balance sheet

The Group and Company balance sheets are strong. Group net assets increased by €57.4 million in the year to €260.4 million.

The new visual control tower at Dublin airport was capitalised during the year at a value of €41.8 million. Additional expenditure, included in work in progress, will be capitalised when the parallel runway is in operation. The tower and associated parallel runway works will be delivered within budget. Debtors due after more than one year increased by €39.8 million to €112.0 million. Included in this balance is €89.2 million due to be recovered from the airspace users over an extended credit period, to assist the recovery of the aviation industry.

The Group's cash and deposits balance decreased by €36.3 million to €133.5 million as the Company used its cash reserves to deliver a full air traffic control and safety regulation service during the pandemic. Net cash outflow of €36.3 million comprises operating cash outflows of €23.7 million, cash outflows from investing activities, mainly capital expenditure, of €11.7 million and cash outflows from financing activities of €0.9 million.

There was a significant improvement in the valuation of the net pension liability. Discount rates improved at 31 December 2021 relative to 31 December 2020. When higher returns on pension assets, updated mortality assumptions offset by higher inflation assumptions are taken into account, the net pension liability improved by €51.3 million before tax and €44.9 million after tax. The Company's main defined benefit pension scheme is subject to a funding proposal, covering the years 2019 to 2024.



Regulatory Framework – RP3

2021 was a critical year for the third reference period, 2020-2024 (RP3), as revised RP3 Performance Plans were required to reflect the significant decline in traffic and associated impacts attributable to the COVID pandemic. The original RP3 Performance Plan, developed in 2019, was considered by the European Commission to be redundant in 2020 as a result of COVID-19. A new Regulation, (EU) 2020/1627, was published in November 2020 setting out the requirements for revised RP3 Plans, and treating the combined years of 2020 and 2021 as a single emergency period. Revised Plans were expected to reflect the cost saving initiatives of the ANSP as well as new assumptions for the remainder of the RP3 period, 2022-2024. A detailed report on cost containment measures, prepared by the IAA ANSP, was published by the NSA (Commission for Aviation Regulation) in January 2021.

The development of the revised RP3 plan over the course of 2021 was set against a background of continued uncertainty and changing assumptions regarding the evolution of the pandemic and the recovery. Union-wide performance targets were published by the Commission in June 2021 and a business plan was provided by the IAA ANSP to the NSA in the same month, with further updates in July. A consultation with the IAA ANSP and key stakeholders, hosted by the NSA, took place over the Summer. A significant amount of data was exchanged with the NSA in support of the regulatory process.

In November 2021, following publication by EUROCONTROL of an updated, and more optimistic, traffic forecast, the NSA published its decision and submitted it for approval to the EC. The final Plan is challenging for the IAA ANSP, but it is an important milestone, providing certainty to the business for the coming years and in respect of 2020 and 2021. The IAA ANSP will continue to work constructively with the NSA over the course of RP3 to ensure the appropriate monitoring and delivery of the Plan.

Human Resources

HR Strategy 2021-2025

A HR Strategy 2021-2025 was approved by the Human Resources and Remuneration Committee of the IAA Board in November. The Strategy is designed around five key priority areas:



Key performance indicators will support implementation and reporting on the effectiveness of the Strategy, notably

- gender pay gap analysis
- further developing our HR initiative 'HR Partnering With You'
- introduction of Employee Engagement Forums
- developing a HR communications plan to support the Company's corporate communications strategy
- mandatory HR training for front line managers
- tailored leadership skills masterclasses for senior management
- retention of the IBEC 'KeepWell' accreditation mark
- introduction of a hybrid working model
- effective management of individual and collective staffing matters.

COVID-19 Cost Containment Measures

Similar to 2020, cost containment continued to take centre stage on the employee relations agenda in 2021 with both the Company and Staff Panel of Unions successfully agreeing to the implementation of payroll reduction measures in the year. The negotiations were conducted under the auspices of the Internal Dispute Resolutions Board.

Collective Labour Agreement

The Company and our social partners, Fórsa and AHCPs, successfully concluded a further Collective Labour Agreement (CLA) in respect of the period 2020–2024. The Agreement commits grades encompassed by the Agreement to deliver on the Company's change and modernisation agenda in order to be considered for any potential general round pay increases from 2022. While there are no general round pay increases provided for in the Agreement, it is agreed that an independent Performance Verification Board will be established to determine the appropriateness of awarding general round pay increases from 2022 having regard to the following criteria:

- the business and financial position of the Company including legislative considerations

- prevailing economic environment
- compliance with all provisions in the CLA
- levels of traffic with reference to the period 2015–2019
- pensions issues.

The Collective Labour Agreement is aligned to the economic Regulatory Period, RP3.



Health and Safety

As we went through a second year of the COVID-19 pandemic, the IAA's priority remained the health of all our staff. Strong management and review measures were put in place to ensure that the company complied fully with the Government's Work Safely Protocol and public health advice throughout 2021. Significant collaboration between local management and staff representatives was evident as the protocols were implemented in all our business locations.

- A full suite of COVID-19 protection measures were applied in 2020 and in 2021 across all main centres and remote sites around Ireland in relation to our operations, business travel and staff/visitor/contractor arrangements to minimise risk. These included access restrictions, PPE, hand-sanitisation, social distancing, protective screens, ventilation and continual education and guidance to staff;
- The updated Work Safely Protocol and public health advice required a regular review and update of the IAA's suite of COVID-19 policies, procedures and related documentation to reflect the changing requirements as public health advice evolved;
- Regular risk assessment reviews were conducted related to the various aspects of our business to ensure the different functional areas were assessed for risk and potential impact of COVID-19 on an ongoing basis;
- Regular consultations with lead worker representatives and Health and Safety committees were carried out to ensure a collective agreement on the most appropriate COVID-19 measures, processes and procedures;
- Regular staff briefing documents and communications were issued during the year to ensure that staff were kept fully informed at all times;
- All non-frontline office-based staff continued to work from home throughout 2021, except where required for business purposes to present on-site and following all public health advice;
- A pilot programme to assess the future option for hybrid working was completed in 2021 with a high level of compliance amongst selected staff members who had their home work environment ergonomically assessed. A full remote working strategy, policy and plan will be put in place in 2022.

Considerable flexibility of staff ensured continuity of our ATM service.

The IAA's strict adherence to all relevant public health advice meant that there was no outbreak of COVID-19 in 2021 attributable to an IAA workplace. While remote working was possible for the majority of corporate services staff, the 24/7 nature of our front-line operations continued and it is testament to the commitment of our operational staff that air traffic management and engineering services remained fully operational despite high COVID incidence numbers in society at various points during 2021. Considerable flexibility regarding roster changes and overtime availability ensured continuity of our service to our airline customers, for the benefit of passengers and cargo flights.

The IAA was, once again, recognised in the 2021 National Irish Safety Organisation (NISO) awards for being a consistent high achiever in our management of occupational health and safety standards.

Sustainability

Sustainability is a key strategic objective for the IAA. We aim to be an environmentally responsible company by integrating sustainability into our day-to-day activities, including relevant policies, processes and agreements. It is also our objective to minimise our impact on the environments in which we operate.

The IAA has always been conscious of the importance of sustainable aviation. In the past we have been to the forefront in delivering initiatives such as free route airspace (FRA) across the Shannon FIR (flight information region) and Point Merge at Dublin airport. These initiatives deliver CO₂ and fuel savings for airlines as well as environmental benefits for society. We continue to be active in the Borealis Alliance of nine ANSPs, promoting the development of free route airspace across the Borealis region and the development of environmentally conscious airspace management.

In 2021, sustainability was re-emphasised at Board level as a core priority for the IAA, with regular monitoring and reporting put in place. As a company, we are committed to playing our part to minimise the impact of our activities on the environment and energy consumption. We will achieve this in two ways; firstly, the monitoring of our recently implemented Sustainability Management Plan which we launched in September 2021 and secondly, the implementation and monitoring of our updated National Operations Environmental Management Plan (NOEMP).

Our ambitious five-year Sustainability Management Plan was launched by Minister Hildegard Naughton TD and the IAA Chairman at the IAA ANSP's en route operations centre in Ballycasey, Co. Clare in September 2021. The Plan outlines a number of objectives and actions for the five years building on the energy efficiency and environmental practices established by the IAA to date. It includes the ultimate ambition of achieving net carbon neutral status by the end of 2025, a challenging but achievable objective. This Plan includes investments in energy efficient plant and equipment, examining options for investment in wind or solar power, biodiversity initiatives, reductions in waste and carbon off-setting of IAA travel.

The IAA fully supports the Government's Climate Action Plan 2021. According to the 2021 SEAI public sector annual report detailing the public sector's performance in energy efficiency in 2020, the IAA recorded a 46.1% saving during that year, well ahead of the 33% target set for public bodies.

Throughout 2021, the IAA had a number of key sustainability achievements which included:

- launch of the IAA's Sustainability Management Plan
- completion of biodiversity studies at IAA centres
- commencement of a programme to install electric vehicle (EV) chargers across all main centres.

Corporate Social Responsibility (CSR)

While 2021 remained a challenging year for aviation, the IAA contributed to a number of staff-led charitable causes.

Staff wellness and mental health initiatives were emphasised during 2021 as the effect of the pandemic on societal morale was noted. A number of webinars and other mental health initiatives were held and the availability of the IAA's employee support services was highlighted throughout the year. During summer 2021, we ran a children's art competition for families of staff members, which received huge support and positive attention at a time when social gatherings could not be organised. We invited children to submit art work relating to "What Happiness Looks Like to Me". We received entries from all over the country and prizes were awarded to each category winners.

We partnered with Spectrum Life to provide IAA employees with access to a range of live wellbeing seminars and live digital gym classes over the course of 2021.



International Affairs

SES2+

The European Commission launched the Single European Sky (SES) initiative in 1999 to improve the performance of air traffic management and air navigation services through better integration of European airspace. The last major legislative initiative within the SES framework, SES 2, was concluded in 2009. The current, amended, proposal from September 2020 follows an interim update of the SES rules, called SES2+, which was first proposed by the Commission in 2013.

Throughout 2021, the IAA, through its membership of CANSO, played an active role in shaping the views of European ANSPs on the future direction of the Single European Sky and in collaboration with Member States and the European Commission. In June, the European Council agreed its position on the reform of the Single European Sky. The aim of the reform is to improve European airspace management and the air navigation services system in order to increase capacity, improve cost efficiency and increase the system's ability to adapt to variations in traffic, while also trying to reduce aviation's CO₂ footprint. The package consists of an amended proposal for the recast of the Single European Sky regulation (SES2+) and a proposal for a regulation amending the European Aviation Safety Agency (EASA) basic regulation.

A6 Alliance

The A6 is an inclusive initiative for ANSP contribution to modernising the European ATM system, of which the IAA is a member through the COOPANS Alliance. As the IAA holds the COOPANS Chairman role, Peter Kearney, IAA Chief Executive, is represented on the A6 CEO-Level Board, which met regularly throughout 2021 with a view to progressing key areas of interest related to SESAR research and development deployment and ANSP service provision/performance. COOPANS agreed to take over the Chair of the A6 Strategy Board from DFS (Germany) from 2022 and preparations got underway at the end of 2021.

CANSO

The IAA continued as a committed and active member of CANSO (Civil Air Navigation Services Organisation) in 2021. CANSO is recognised as the global voice of ATM service providers and delivers an important service in ensuring that the views of ANSPs are aligned at a European and global level and can influence international policy as appropriate. Whilst in-person meetings were not possible throughout 2021, the IAA nonetheless remained influential at CANSO policy meetings. With significant focus on finalising RP3 plans across Europe and on inputting into SES2+ discussions, the IAA ANSP held a critical role during 2021 as Chair of CANSO Europe's Performance and Financial Group.

Borealis

The IAA ANSP is a member of the Borealis Alliance along with the ANSPs of eight other northern and western European States. The Borealis region stretches from Estonia and Finland across Scandinavia to Iceland and down to Irish and UK airspace. The ANSPs of the nine States continued to work during 2021 on delivering a harmonised free route airspace (FRA) solution across the region, as well as examining other airspace efficiency initiatives.



Directors' report and consolidated financial statements

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Barrow-Coakley Photography

Directors and other information

| | |
|-------------------|---|
| Directors | Ms Rose Hynes <i>Chairman</i> Mr Cian Blackwell Ms Marie Bradley Mr Ernie Donnelly Mr Peter Kearney <i>Chief Executive</i> Mr Gerry Lumsden Ms Joan McGrath Mr Diarmuid Ó Conghaile Ms Eimer O'Rourke |
| Secretary | Ms Aileen Gahan |
| Registered office | The Times Building 11-12 D'Olier Street Dublin 2, D02 T449 T: 353 1 671 8655 F: 353 1 679 2934 www.iaa.ie |
| Auditor | Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm Deloitte and Touche House 29 Earlsfort Terrace Dublin 2, D02 AY28 |
| Bankers | Allied Irish Banks, p.l.c. BNP Paribas |
| Registered number | 211082 |
| Senior Management | Peter Kearney <i>Chief Executive</i> Paul Brandon <i>Head of Corporate Affairs</i> Anthony Eiffe <i>Internal Audit</i> Aileen Gahan <i>Company Secretary</i> Billy Hann <i>Director ATM Operations and Strategy</i> Maeve Hogan <i>Director Finance</i> Brendan Mulligan <i>Director Human Resources</i> Diarmuid Ó Conghaile <i>Aviation Regulator/CEO Designate of new regulator</i> |

Directors’ report

| | |
|--|--|
| <p>The directors present their annual report together with the audited consolidated and company financial statements of the Irish Aviation Authority (“the IAA”, “the Company”) and its subsidiary undertaking (with the Company and the subsidiary being together “the Group”) for the year ended 31 December 2021.</p> <p>Principal activities, risks and uncertainties, financial results and dividends</p> <p>The IAA 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. The information required by Section 327 of the Companies Act 2014 – a review of the business of the Company – is included in the Chairman’s Statement and Chief Executive’s Review.</p> <p>The IAA’s vision, to be a world leading air navigation services provider and a best-in-class civil aviation safety regulator, is founded on six key results areas – safety regulation, air traffic management (“ATM”) safety, security, service excellence, financial and stakeholder and customer relations – which drive its objectives in its day-to-day performance. The key risks and uncertainties likely to have the most significant potential impact on the IAA include:</p> <ul style="list-style-type: none">● failure of regulatory oversight or air traffic management controls that results in a serious incident in the air or on the ground● significant reliance on the performance and resilience of the IAA’s communications, navigation, surveillance and flight data infrastructure● adverse economic and market conditions including EU policy decisions that directly affect the IAA’s business and the European regulatory regime● effect of COVID-19 on the aviation industry and on the wider economic outlook● separation of the safety regulation and service provision functions● security of IAA assets. <p>Risks and uncertainties are assessed on a continual basis and the directors have developed a range of strategies to address these and other risks faced by the IAA. The corporate governance section of this directors’ report, on pages 41 to 46, sets out the IAA’s policies and approach to risks and the related internal control procedures and responsibilities.</p> <p>Details of the Group’s financial results for the year are set out in the consolidated profit and loss account on page 52 and in the related notes. As described therein, profit for the financial year after taxation was €9.5 million (2020: €0.9 million loss) on turnover of €162.3 million (2020: €155.5 million). During the year the Company declared and paid a final dividend of €40,500 (€0.0023 per share) for fiscal 2020 (2020: €7.8 million (€0.44 per share) for</p> | <p>fiscal 2019). No decision has been made in respect of the declaration of a dividend in respect of 2021.</p> <p>Directors</p> <p>The names of the current directors are set out on page 40. Except as set out below, they served for the entire year. Ms Rose Hynes was appointed to the Board as Chairman on 12 January 2021. Mr Ernie Donnelly’s term of office was extended for one year from 6 October 2021, subject to the enactment of the Air Navigation and Transport Bill.</p> <p>Interests of directors and secretary</p> <p>The directors and secretary who held office at 31 December 2021 had no interests in the shares of the IAA at the beginning of the year, or at the date of their appointment (if later), nor at the end of the year.</p> <p>Corporate governance</p> <p>Code of Practice for the Governance of State Bodies (2016)</p> <p>The directors are committed to maintaining the highest standards of corporate governance. For the year under review, the IAA complied with the Code of Practice for the Governance of State Bodies, issued in August 2016. The IAA has put in place appropriate measures to comply with this Code and continually reviews its policies and procedures to ensure continued compliance.</p> <p>Role of the Board</p> <p>The Board is responsible for the proper management of the IAA. It takes the major strategic decisions and retains full and effective control, while allowing the Chief Executive, the Aviation Regulator and the senior management team sufficient flexibility to run the business efficiently and effectively within a structured reporting framework. In preparation for the Government legislation to enact the separation of the IAA’s air navigation services and safety regulation functions, the board of directors assigned the full responsibility of the Safety Regulation Division of the IAA to the Aviation Regulator with effect from 1 January 2021.</p> <p>The Board has reserved certain matters for its review, including safety and security oversight; the approval of the annual and half-year financial statements; budgets; the corporate plan; management accounts; significant contracts; significant capital expenditure and senior management appointments.</p> <p>Appointments to the Board</p> <p>The Board comprises nine directors. Each director is appointed by the Minister for Transport. The gender composition of the Board is split 56% male and 44% female. The directors hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding four years, unless re-appointed by the Minister thereafter.</p> |
|--|--|

| | Date of appointment (*or re-appointment) |
|---------------------------------------|--|
| Rose Hynes, <i>Chairman</i> | 12 January 2021 |
| Cian Blackwell | 4 December 2018 |
| Marie Bradley | 25 June 2018* |
| Ernie Donnelly | 6 October 2021* |
| Peter Kearney, <i>Chief Executive</i> | 25 June 2018 |
| Gerry Lumsden | 4 December 2018 |
| Joan McGrath | 4 December 2018 |
| Diarmuid Ó Conghaile† | 1 January 2021 |
| Eimer O'Rourke | 4 December 2018 |

† The IAA is preparing for the separation of the Company into two legal entities, as provided in the *Air Navigation and Transport Bill 2020*. In this regard, Mr Diarmuid Ó Conghaile joined the IAA, on 1 January 2021, as the *Aviation Regulator* and as the *CEO Designate* of the new regulator.

All new directors, on appointment, take part in an induction course, where they receive financial and other information about the IAA and the roles of the board and board committees. This process typically includes meetings with key senior executives.

Effectiveness of the Board

The Board acts in the best interests of the Company with due regard to its legal responsibilities and the objectives set by the shareholder. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman determines the agenda of the Board, ensuring its effectiveness, and facilitates the effective contribution of each director. The specific skills, expertise and experience of the Board are harnessed by matching these skill sets to the Board's consideration of strategic and operational issues, where individual Board members bring their specific competencies to bear, and also to the requirements of each Board committee and the determination of the membership of those committees.

The Chairman and management maintain effective communication with the shareholder. The roles of the Chairman and Chief Executive are separate and are set out in a policy approved by the Board. All the non-executive directors are independent of management. It is the practice of the Board to meet without executive Board members present.

Throughout their time in office, the directors are provided with regular information on all aspects of the business. The Chief Executive and the Aviation Regulator report to the Board, on behalf of management, on major changes in the business and the external environment which affect significant risks. The director of finance provides the Board with monthly financial information which includes an analysis of actual financial performance compared to budget. Reports and papers are circulated to the Board and its committees on a timely basis.

The Board has approved a code of conduct for both the Board and the IAA's employees and this is available on the Company's website. The Board also has a conflicts of interest policy in place and it considers actual and potential conflicts of interest on an ongoing basis.

Access to professional advice

The Board members 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 IAA's professional advisors are available for consultation by the directors as required. Individual directors may take independent professional advice, if necessary, at the IAA's expense.

Performance evaluation

The Board conducted an end of year review of its performance, measuring it against its strategic objectives for the year.

Board committees

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

- 1 Audit and risk
- 2 Finance
- 3 Human resources and remuneration
- 4 Investment planning
- 5 Safety and security oversight.

Audit and risk committee

The audit and risk committee operates under formal terms of reference, which were reviewed during the year. The committee held four meetings during 2021 (2020: four), each of which were chaired by Ms Marie Bradley. Committee members include Mr Cian Blackwell and Ms Eimer O'Rourke.

Meetings are usually attended by the director of finance, head of internal audit and representatives from different IAA units such as operations, safety regulation, human resources, information technology, by invitation, as appropriate. The internal auditor reports directly to the audit and risk committee.

The committee may review any matters relating to the affairs of the IAA, other than safety and security oversight matters which are reserved to the Board. It reviews the annual financial statements, reports of the internal auditor, reports of the external 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. It reviews the IAA'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 IAA
- 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
- annual reporting procedures.

The external auditor meets with the committee to plan and subsequently review the results of the annual audit of the Group financial statements. Procedures are in place to ensure an appropriate relationship with the external auditor. During the year, the committee met privately with the external auditor, without management present. The audit and risk committee considers the independence of the external auditor on an annual basis and adopts a policy governing the provision of non-audit services by the external auditor. This policy considers the nature and extent of the services provided and the fees earned for audit and non-audit work. These fees are set out in note 6 of the financial statements. No issues arose in the year.

During the year, the audit and risk committee completed a self-assessment evaluation of its performance. The committee reports to the Board, annually and at quarterly intervals, or more frequently should the need arise.

During 2021, the audit and risk committee:

- reviewed the draft annual financial statements and regulated accounts prior to recommending them for approval to the Board

- considered a report from the external auditor on its audit of the annual financial statements
- monitored the audit fees and non-audit fees payable to the external auditor
- reviewed and recommended to the Board the corporate risk register 2021-2022 including the key risks to the business and consideration of the adequacy of the system of risk identification and assessment
- received and considered reports on procedures for risk management pre and post restructuring of the IAA
- reviewed and considered reports by the internal auditor on the effectiveness of financial, operational and compliance controls and risk management processes
- reviewed the work undertaken by the Internal Audit department during the year and agreed an internal audit plan for 2022
- evaluated the effectiveness of internal audit
- considered proposals for the delivery of internal audit functions in both entities post restructuring of the IAA with a focus on ensuring full risk coverage during the transition phase
- reviewed and agreed the external audit plan for 2021 including the scope of the audit
- reviewed monthly management accounts
- received and considered reports and presentations by IAA management on relevant internal control processes
- reviewed the policy and process in place in respect of the directors' compliance statement
- reviewed compliance with the 2016 Code of Practice for the Governance of State Bodies
- reviewed its own terms of reference.

Finance committee

The finance committee operates under formal terms of reference and met once during the year (2020: once). Mr Cian Blackwell chaired the committee. Ms Rose Hynes, Mr Peter Kearney and Mr Diarmuid Ó Conghaile are members of the committee.

The committee may review any matters relating to the financial management of the IAA. It reviews the annual capital and operating budgets and, as required, treasury policy, banking and financing arrangements. The committee reports to the Board following its meetings.

Human resources and remuneration committee

The human resources and remuneration committee operates under formal terms of reference. The committee met twice during the year (2020: twice). Ms Rose Hynes chaired the committee. Ms Joan McGrath and Ms Eimer O’Rourke are members of the committee.

The committee’s role is to consider the remuneration of the Chief Executive in the context of Government policy and the Code of Practice for the Governance of State Bodies and to consider senior management remuneration policy generally and developments in human resources in the IAA. The committee also has a role in senior management appointments. The committee reports to the Board following its meetings.

Investment planning committee

The investment planning committee operates under formal terms of reference and met eight times (2020: three) during the year. The committee is chaired by Ms Joan McGrath. Mr Ernie Donnelly and Mr Gerry Lumsden are members of the committee. The committee considers the IAA’s strategy in relation to capital investment and related expenditure. It reports to the Board following its meetings.

Safety and security oversight committee

The safety and security oversight committee operates under formal terms of reference and held nine meetings during the year (2020: two). Committee members include Mr Gerry Lumsden (Chair), Mr Ernie Donnelly, Mr Peter Kearney and Mr Diarmuid Ó Conghaile. Mr Cian Blackwell chaired the first meeting of the year and Mr Gerry Lumsden chaired the remaining meetings. The committee reports to the Board following its meetings.

Restructuring working group

In January 2021, in view of the work to be completed in preparation for the separation of the Company into two legal entities, a Board working group, chaired by Ms Rose Hynes, was established. The Board considered that more of the preparation for the separation should be undertaken by the Board as a whole. It implemented this through the Restructuring working group (which included all Board members) as well as through reports and decisions at board meetings. Specialised issues connected with the planning for two separate organisations, such as systems or governance functions, continued to be examined by the appropriate board committees.

Attendance at Board and committee meetings

Regular meetings of the Board and its committees are held throughout the year. The number of meetings held by the Board in 2021 was 8. These meetings and committee meetings were attended as follows:

Number of meetings attended/Number of eligible meetings

| Director | Board | Audit and Risk | Finance | Human Resources and Remuneration | Investment Planning | Safety and Security Oversight |
|----------------------|-------|----------------|---------|----------------------------------|---------------------|-------------------------------|
| Rose Hynes | 8/8 | | 1/1 | 2/2 | | |
| Cian Blackwell | 8/8 | 4/4 | 1/1 | | | 1/1 |
| Marie Bradley | 8/8 | 4/4 | | | | |
| Ernie Donnelly | 8/8 | | | | 8/8 | 9/9 |
| Peter Kearney | 8/8 | | 1/1 | | | 6/7 |
| Gerry Lumsden | 8/8 | | | | 8/8 | 8/8 |
| Joan McGrath | 8/8 | | | 2/2 | 8/8 | |
| Diarmuid Ó Conghaile | 8/8 | | 1/1 | | | 8/8 |
| Eimer O’Rourke | 8/8 | 4/4 | | 2/2 | | |

Statement on the system of internal control

The Board is ultimately responsible for the Group’s system of internal control and for monitoring its effectiveness. The system of internal control comprises those controls established in order to provide reasonable assurance regarding the safeguarding of assets against loss, the maintenance of proper accounting records and reliable financial information for use within the business or for publication and compliance with relevant laws and regulations.

The system of internal control 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, whether directly or through the audit and risk committee, has reviewed the effectiveness of the systems of internal control covering financial, operational and compliance controls and risk management systems. This review took place on 24 March 2022 and is effective up to the date of approval of the financial statements.

The IAA has a strong internal control framework in place which includes the following:

- board committees with clearly defined terms of reference
- a schedule of matters that are reserved to the Board
- a code of conduct, approved by the Board, which provides practical guidance for all staff
- a clearly defined organisational structure with appropriate segregation of duties and limits of authority
- clearly defined responsibilities with appropriately qualified staff performing these duties
- a corporate risk management framework
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure
- adherence, as appropriate, to the relevant aspects of the Public Spending Code
- a comprehensive system of financial reporting, accounting, treasury management and project appraisal
- comprehensive budgeting systems with annual budgets approved by the Board
- a comprehensive planning process that delivers a five-year corporate plan, reviewed by the shareholder and approved by the Board
- monitoring of actual performance against budgets and reporting on variances to the Board on a monthly basis
- an internal audit function which reviews key financial systems and controls and general operations and makes recommendations, where appropriate

- an audit and risk 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
- a policy to cover oversight of IAA’s wholly-owned subsidiary
- policies and procedures for the reporting and resolution of suspected fraudulent activities.

These controls were reviewed by internal audit during the year as part of its annual work programme. Internal audit reports directly to the audit and risk committee on the operation of internal controls, other than safety and security oversight controls which are reserved to the Board, and makes recommendations for improvements, if appropriate.

In December 2020, in preparation for the legislation to separate the air navigation services from safety regulation, and taking account of directions from the Minister for Transport, the Board organised the management functions so the Chief Executive managed the air navigation services and the incoming Aviation Regulator/CEO designate took responsibility, from 1 January 2021, for the safety regulation division and for the restructuring programme.

The Board confirms that, for 2021, and up to the date of approval of the financial statements, there is a process for identifying and managing risks and that an appropriate system of internal control is in place and that these systems operated effectively in the year. No material weaknesses or frauds were identified in the course of the review of the effectiveness of the system of internal control.

Risk management

The Board has overall responsibility for the Group’s approach to risk. It approves the risk management framework and monitors its effectiveness through both the audit and risk committee and directly through the Board. An on-going process exists for identifying, evaluating, and managing the significant risks faced by the IAA. This process is reviewed regularly by the Board and has been in place for the year under review and up to the date of approval of the annual report and financial statements.

Management is responsible for the identification and evaluation of significant business risks and for the design and operation of suitable internal controls. These risks are assessed on a continual basis. Management reports regularly to the Board on the key risks inherent in the business and on how these risks are managed.

The risk management process is facilitated by internal audit, which provides assurance as to the operation and validity of the system of internal control. All planned corrective actions are closely monitored for timely completion.

Management reports regularly on its review of risks, and how they are managed, to the audit and risk committee, whose role it is to review, on behalf of the Board, the key risks, other than safety and security oversight, 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 and risk committee on a quarterly basis. The audit and risk 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 and risk committee presents its findings to the Board on an annual and on a quarterly basis or more frequently should the need arise.

Directors’ remuneration

Fees for directors are determined by the Minister for Public Expenditure and Reform. The remuneration of the Chief Executive, who has a service contract, was approved by the Minister for Transport, Tourism and Sport and communicated to the board of directors. The disclosures made in these financial statements relating to directors’ fees and the remuneration of the Chief Executive are set out in note 6 and are those required under the Companies Act 2014 and the 2016 Code of Practice for the Governance of State Bodies.

Business and financial reporting

The Board recognises that it has responsibility for the preparation of the annual report and financial statements and for ensuring that the financial statements give a true and fair view of the Group’s financial performance and financial position at the year-end. The Chairman reports regularly to the Minister for Transport on all developments, operational, financial and commercial, affecting the IAA.

The 2016 Code of Practice for the Governance of State Bodies provides for specific financial information to be disclosed. This information is reasonably stated in all material respects. In 2021, the IAA charged to the profit and loss account travel and subsistence costs of €0.8 million, shared between domestic travel and subsistence costs of €0.5 million and international travel and subsistence costs of €0.3 million. Staff welfare, including COVID-related expenditure, and hospitality costs charged to the profit and loss account amounted to €0.1 million. Consultancy costs charged to the profit and loss account amounted to €1.4 million. €0.9 million related to the IAA’s aviation regulatory reform programme, separating its safety regulation functions from the provision of air traffic management services. These costs included consideration of legal, pension, accounting, taxation and systems impacts of the structural reform. €0.2 million related to a strategic review of commercial opportunities, €0.1 million was incurred in relation to actuarial and other pensions advices, and €0.2 million related to various smaller financial and technical consultancies including technical support for procurement activities. Consultancy costs incurred and

included in tangible fixed assets amounted to €0.2 million and comprised planning and design, cyber security and other technical assessments. Consultancy costs include the cost of external advice to management that contributes to decision making or policy making and excludes outsourced ‘business as usual’ functions. Legal costs incurred in the year amounted to €0.2 million and included legal costs of €0.1 million in relation to settlements in previous years. A provision of €0.2 million was recorded in the profit and loss account in respect of legal settlements.

Going concern

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

Accounting records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Group are maintained at The Times Building, 11-12 D’Olier Street, Dublin 2.

Relevant audit information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group’s statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group’s statutory auditors are unaware.

Directors’ compliance statement

The directors, in accordance with section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company’s compliance with certain obligations specified in that section arising from the Companies Act 2014 and tax laws (‘relevant obligations’). The directors confirm that:

- a compliance policy statement has been drawn up setting out the Company’s policies with regard to such compliance;

- appropriate arrangements and structures that, in their opinion are designed to secure material compliance with the Company’s relevant obligations, have been put in place; and
- a review has been conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Company’s compliance with its relevant obligations.

Prompt payment of accounts

The IAA complies with the requirements of relevant prompt payment legislation. The IAA also complies with the European Communities (Late Payment in Commercial Transactions) Regulations 2012 (S.I. No. 580 of 2012).

The IAA’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. During the year ended 31 December 2021 substantially all payments were made within the appropriate credit period. The IAA continually reviews its administrative procedures in order to assist in minimising the time taken for invoice query and resolution. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

Post balance sheet events

There were no significant events affecting the Company since 31 December 2021 which require adjustment to, or disclosure in, the financial statements.

Political donations

The Group did not make any political donations during the year which would require disclosure under the Electoral Act, 1997.

Auditor

In accordance with Section 383(2) of the Companies Act 2014, the auditor, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, will continue in office.

On behalf of the board:

| | |
|-------------------|------------------------|
| Rose Hynes | Peter Kearney |
| <i>Chairman</i> | <i>Chief Executive</i> |

31 March 2022

Statement of directors’ responsibilities

in respect of the directors’ report and the financial statements

The directors are responsible for preparing the directors’ report and the 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 they have elected to prepare the Group and Company financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* as applied in accordance with the provisions of the Companies Act 2014.

Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group’s profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors’ report that complies with the requirements of the Companies Act 2014.

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

On behalf of the board:

| | |
|--------------------------------------|--|
| Rose Hynes <i>Chairman</i> | Peter Kearney <i>Chief Executive</i> |
|--------------------------------------|--|

Independent auditor’s report

to the members of The Irish Aviation Authority

Report on the audit of the financial statements

Opinion on the financial statements of The Irish Aviation Authority (the ‘company’)

In our opinion, the group and parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2021 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

the group financial statements:

- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 22, including a summary of significant accounting policies as set out in note 1.

the parent company financial statements:

- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 22, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” issued by the Financial Reporting Council (“the relevant financial reporting framework”). The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” issued by the Financial Reporting Council (“the relevant financial reporting framework”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

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

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet are in agreement with the accounting records.
- In our opinion the information given in the directors’ report is consistent with the financial statements and the directors’ report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors’ report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors’ remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the “Code of Practice”), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Directors’ Report does not reflect the Company’s compliance with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Murray

for and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte and Touche House, Earlsfort Terrace, Dublin 2

31 March 2022

Consolidated profit and loss account

for the year ended 31 December 2021

| | Note | 2021 €'000 | 2020 €'000 |
|---|------|------------------|---------------|
| Turnover – continuing activities | 2 | 162,256 | 155,509 |
| Operating expenses | | (155,186) | (153,442) |
| Operating profit – continuing activities | | 7,070 | 2,067 |
| Other income | 3 | 5,355 | 1,719 |
| Interest receivable and similar income | 4 | 9,224 | 9,549 |
| Interest payable and similar charges | 5 | (10,602) | (14,292) |
| Share of profit of associate | 9 | 332 | 793 |
| Profit/(loss) on ordinary activities before taxation | 6 | 11,379 | (164) |
| Tax on profit/(loss) on ordinary activities | 7 | (1,846) | (712) |
| Profit/(loss) for the financial year | | 9,533 | (876) |

Consolidated statement of other comprehensive income

for the year ended 31 December 2021

| | Note | 2021 €'000 | 2020 €'000 |
|---|------|----------------|---------------|
| Profit/(loss) for the financial year | | 9,533 | (876) |
| Other comprehensive gain/(loss) | | | |
| Re-measurement of the net defined benefit liability | 20 | 50,407 | (7,352) |
| Related deferred tax (liability)/asset | 15 | (6,301) | 919 |
| Cash in excess of pension service costs | 20 | 2,158 | 4,307 |
| Foreign exchange differences on translation of foreign operations | | 1,610 | (1,809) |
| Other comprehensive gain/(loss) for the year | | 47,874 | (3,935) |
| Total comprehensive gain/(loss) for the year | | 57,407 | (4,811) |

Consolidated balance sheet

at 31 December 2021

| | Note | 2021 €'000 | 2020 €'000 |
|--|------|-----------------|---------------|
| Fixed assets | | | |
| Tangible assets | 8 | 112,610 | 111,923 |
| Financial assets | 9 | 28,877 | 27,931 |
| | | 141,487 | 139,854 |
| Current assets | | | |
| Debtors | | | |
| - due within one year | 10 | 30,269 | 31,652 |
| - due after more than one year | 10 | 111,985 | 72,199 |
| Short term deposits | 11 | 16,879 | 98,648 |
| Cash and cash equivalents | 11 | 116,669 | 71,152 |
| | | 275,802 | 273,651 |
| Creditors: amounts falling due within one year | 12 | (39,442) | (51,285) |
| Net current assets | | 236,360 | 222,366 |
| Total assets less current liabilities | | 377,847 | 362,220 |
| Creditors: amounts falling due after more than one year | 14 | (50,650) | (41,324) |
| Provisions for liabilities | | | |
| Retirement benefit obligations | 20 | (66,792) | (117,857) |
| Net assets | | 260,405 | 203,039 |
| Capital and reserves | | | |
| Called up share capital | 16 | 22,675 | 22,675 |
| Profit and loss account | | 237,791 | 182,035 |
| Currency reserve | | (61) | (1,671) |
| Shareholders' funds – equity | | 260,405 | 203,039 |

On behalf of the board:

Rose Hynes
Chairman

Peter Kearney
Chief Executive

Company balance sheet

at 31 December 2021

| | Note | 2021 €'000 | 2020 €'000 |
|--|------|-----------------|---------------|
| Fixed assets | | | |
| Tangible assets | 8 | 112,610 | 111,923 |
| Financial assets | 9 | 15,218 | 15,218 |
| | | 127,828 | 127,141 |
| Current assets | | | |
| Debtors | | | |
| - due within one year | 10 | 40,494 | 41,086 |
| - due after more than one year | 10 | 103,407 | 65,481 |
| Short term deposits | | 16,879 | 98,648 |
| Cash and cash equivalents | | 116,355 | 70,841 |
| | | 277,135 | 276,056 |
| Creditors: amounts falling due within one year | 12 | (39,422) | (51,267) |
| Net current assets | | 237,713 | 224,789 |
| Total assets less current liabilities | | 365,541 | 351,930 |
| Creditors: amounts falling due after more than one year | 14 | (48,305) | (39,143) |
| Provisions for liabilities | | | |
| Retirement benefit obligations | 20 | (66,792) | (117,857) |
| Net assets | | 250,444 | 194,930 |
| Capital and reserves | | | |
| Called up share capital | 16 | 22,675 | 22,675 |
| Profit and loss account | | 227,769 | 172,255 |
| Shareholders' funds – equity | | 250,444 | 194,930 |

On behalf of the board:

Rose Hynes
Chairman

Peter Kearney
Chief Executive

Consolidated statement of changes in equity

for the year ended 31 December 2021

| | Called up share capital €'000 | Profit and loss account €'000 | Currency reserves €'000 | Total equity €'000 |
|---|-------------------------------------|-------------------------------------|-------------------------------|--------------------------|
| Balance at 1 January 2020 | 22,675 | 192,821 | 138 | 215,634 |
| Comprehensive income | | | | |
| Loss for the financial year | - | (876) | - | (876) |
| Other comprehensive loss | - | (2,126) | (1,809) | (3,935) |
| Total comprehensive loss for the year | - | (3,002) | (1,809) | (4,811) |
| Transactions with shareholders recognised directly in equity | | | | |
| Dividends | - | (7,784) | - | (7,784) |
| Balance at 31 December 2020 | 22,675 | 182,035 | (1,671) | 203,039 |
| Balance at 1 January 2021 | 22,675 | 182,035 | (1,671) | 203,039 |
| Comprehensive income | | | | |
| Profit for the financial year | - | 9,533 | - | 9,533 |
| Other comprehensive gain | - | 46,264 | 1,610 | 47,874 |
| Total comprehensive profit for the year | - | 55,797 | 1,610 | 57,407 |
| Transactions with shareholders recognised directly in equity | | | | |
| Dividends | - | (41) | - | (41) |
| Balance at 31 December 2021 | 22,675 | 237,791 | (61) | 260,405 |

Company statement of changes in equity

for the year ended 31 December 2021

| | Called up share capital €'000 | Profit and loss account €'000 | Total equity €'000 |
|---|-------------------------------------|-------------------------------------|--------------------------|
| Balance at 1 January 2020 | 22,675 | 182,030 | 204,705 |
| Comprehensive income | | | |
| Profit for the financial year | - | 135 | 135 |
| Other comprehensive loss | - | (2,126) | (2,126) |
| Total comprehensive loss for the year | - | (1,991) | (1,991) |
| Transactions with shareholders recognised directly in equity | | | |
| Dividends | - | (7,784) | (7,784) |
| Balance at 31 December 2020 | 22,675 | 172,255 | 194,930 |
| Balance at 1 January 2021 | 22,675 | 172,255 | 194,930 |
| Comprehensive income | | | |
| Profit for the financial year | - | 9,291 | 9,291 |
| Other comprehensive income | - | 46,264 | 46,264 |
| Total comprehensive income for the year | - | 55,555 | 55,555 |
| Transactions with shareholders recognised directly in equity | | | |
| Dividends | - | (41) | (41) |
| Balance at 31 December 2021 | 22,675 | 227,769 | 250,444 |

Consolidated cash flow statement

for the year ended 31 December 2021

| | Note | 2021 €'000 | 2020 €'000 |
|---|------|-----------------|---------------|
| Cash flows from operating activities | | | |
| Profit/(loss) for the financial year | | 9,533 | (876) |
| Adjustment for: | | | |
| Depreciation of tangible fixed assets | 8 | 10,673 | 10,317 |
| Loss on disposal of tangible fixed assets | | - | 2 |
| Impairment loss on tangible fixed asset | | - | 886 |
| Interest receivable and similar income | 4 | (9,224) | (9,549) |
| Interest payable and similar charges | 5 | 10,602 | 14,292 |
| Share of profit of associate | 9 | (332) | (793) |
| Taxation | 7 | 1,846 | 712 |
| | | 23,098 | 14,991 |
| Increase in debtors | | (38,725) | (43,117) |
| Decrease in creditors | | (6,527) | (11,172) |
| | | (22,154) | (39,298) |
| Tax paid | | (1,500) | (1,632) |
| Net cash from operating activities | | (23,654) | (40,930) |
| Cash flows from investing activities | | | |
| Acquisition of tangible fixed assets | | (11,775) | (13,776) |
| Dividends received | 9 | - | 385 |
| Investment in short term deposits | | 81,769 | 113,788 |
| Interest received | | 46 | 23 |
| Net cash from investing activities | | 70,040 | 100,420 |
| Cash flows from financing activities | | | |
| Interest paid | | (857) | (681) |
| Dividends paid | 17 | (41) | (7,784) |
| Net cash from financing activities | | (898) | (8,465) |
| Net increase in cash and cash equivalents | | 45,488 | 51,025 |
| Cash and cash equivalents at 1 January | | 71,152 | 20,149 |
| Effect of exchange rate fluctuations on cash held | | 29 | (22) |
| Cash and cash equivalents at 31 December | 11 | 116,669 | 71,152 |

Notes forming part of the financial statements

1 Accounting policies

General information and basis of preparation

The Irish Aviation Authority ("IAA", "the Company") is a private limited company formed under the Irish Aviation Authority Act, 1993 (the "IAA Act"), and registered under the Companies Act 2014.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is Euro. All amounts in the financial statements have been rounded to the nearest €1,000.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements and have, unless otherwise stated, been applied consistently to all periods presented in the financial statements. Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Under Section 304 of the Companies Act 2014 the Company is exempt from the requirement to present its own profit and loss account.

Going concern

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

At 31 December 2021, the Group had cash and cash equivalents and short terms deposits of €133.5 million (2020: €169.8 million) and access to an overdraft facility of €10.0 million. In July 2021, the Company secured committed bank loan facilities of €60.0 million of which €30.0 million is committed for five years and the remaining €30.0 million is committed for three years with options to extend to five years. These facilities were undrawn at 31 December 2021. While the landscape has improved for the Group and the Company since last year with projections of higher traffic volumes in 2022 underpinned by a revised regulatory determination, there continues to be uncertainty around the timing, rate and extent of recovery in air traffic volumes. The Group's cash flow forecasts show that the Group and the Company should be able to operate within the level of its available liquidity for the foreseeable future. Management will continue to monitor the cash position of the Group alongside the traffic recovery profile.

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

True and fair view override

Ireland is a party to a multilateral agreement (EUROCONTROL) relating to the collection of en route navigation service charges. A bilateral agreement is in place with EUROCONTROL for the collection of terminal service charges. Under Section 47 of the IAA Act, the IAA performs en route and terminal functions on behalf of the State. Differences in income earned and eligible regulated costs arising from traffic volume risk and cost risk sharing are recovered from, or returned to, users of en route and terminal navigation services, consistent with the underlying EU regulations, by amendment of charges in later years.

The costs to be taken into account for the purpose of the EUROCONTROL agreement are defined in the EUROCONTROL charging principles and in the EC Charging Regulations in a manner that includes all cash payments to pension funds. Consequently, the directors have determined that it is appropriate to incorporate all cash contributions made to the IAA's pension fund in operating expenses to the extent they exceed the pensions charge determined in accordance with FRS 102 'Employee Benefits', and to record an offsetting credit in the statement of other comprehensive income ("OCI"), in order to present a true and fair view of its comprehensive income and its assets, liabilities and financial position. Further details of the impact of this accounting treatment is shown in the employee benefits accounting policy on page 62.

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that investments in associates are accounted for using the equity method in the consolidated financial statements (and at cost less impairment in the Company financial statements) and other financial fixed assets are measured at fair value.

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its 100% owned subsidiary, IAA North Atlantic Inc., up to 31 December 2021.

A subsidiary is an entity that is controlled by the holding undertaking. The results of the subsidiary undertaking are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights. The Group's share of the profits or losses of associates is included in the consolidated profit and loss account and its interest in its net assets is recorded on the balance sheet using the equity method.

In the Company financial statements, investments in subsidiaries and associates are carried at cost less impairment.

1.3 Turnover

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

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services provided. Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

En route and terminal revenues

The provision of en route and terminal services are economically regulated activities underpinned by Commission Implementing Regulation (EU) 2019/317 of 11 February 2019 laying down a performance and charging scheme in the single European sky and Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic. As described above, the IAA is entitled to recover its regulatory approved eligible costs through charges to the en route and terminal airspace users. For the period 2020-2024, these eligible costs are set out in the State's draft Performance Plan for the Reference Period 3 (RP3) 2020-2024, issued to the European Commission in November 2021. Differences arising between actual revenues and expected revenues, as defined in the underlying regulations, are provided for in an accrued/deferred income account and are adjusted against income arising from en route and terminal activities. Accrued/deferred income is recovered/reimbursed by way of an adjustment to customer charges in future years, typically on an 'n+2' basis. In response to COVID-19, accrued/deferred income for 2020 and 2021 only will be recovered from the airspace users through an adjustment to customer charges, spread equally, over seven years, 2023-2029. Further information on en route and terminal revenues is provided in Note 21.

Deferred revenue

The IAA recognises revenue for certificates of airworthiness, charged annually on aircraft based in the EU, in line with its monitoring and performance obligations on a straight line basis over a twelve month period.

1 Accounting policies (continued)

1.4 Tangible fixed assets and depreciation

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

| | |
|---|-------------|
| Buildings | 20-30 years |
| Completed installations and other works | 8-12 years |
| Office equipment | 3-5 years |

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

1.5 Financial fixed assets

Associates are those entities in which the Group has significant influence, but not control of the financial and operating policies. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its associates are recognised in the Group profit and loss account. The Group's interest in the net assets of associates are included as investments in associates in the Group's balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post-acquisition retained profits or losses arising on the Group's investment.

In the Company financial statements, investments in associates are carried at cost less allowance for any impairment in value of individual investments.

Other financial fixed assets are recognised initially at the transaction price. At the end of each reporting period the investment is measured at fair value with changes in fair value recognised in profit or loss, unless the fair value cannot be reliably measured, in which case cost is used.

1.6 Leased assets

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

1.7 Foreign currencies

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

The results of foreign operations are translated into Euro at the average exchange rates for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. The assets and liabilities of foreign operations are translated into Euro at the exchange rates ruling at the year-end date. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.8 Government grants

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

1 Accounting policies (continued)

1.9 Taxation

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

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

1.10 Employee benefits

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

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

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

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as re-measurement gains and losses in the statement of other comprehensive income ("OCI"). The OCI includes an offset amounting to the additional pension charge, described in paragraph (b), expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 59.

The Group and Company thus departs from the requirements of FRS 102 in order that the results comply with the requirements of the agreements under which its operations are governed and, in the context of these agreements, that the financial statements give a true and fair view. The impact of the departure is to increase the pension cost by €2,158,000 (2020: €4,307,000) above the actuarially determined service costs, for recovery under the charging mechanism in the year ended 31 December 2021, and to record an offsetting credit in the OCI, thereby maintaining the profit and loss reserves and assets, liabilities and financial position of the Group and Company in line with the requirements of FRS 102.

1.11 Basic financial instruments

Basic financial assets, including trade receivables, accrued income, other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest and recognised against revenue. Such assets are subsequently carried at amortised cost using the effective interest method and recognised as interest income.

Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, using the effective interest method, less any impairment losses in the case of trade debtors.

1 Accounting policies (continued)

Cash, cash equivalents and short-term deposits

Cash represents cash held at banks and available on demand. Cash equivalents are highly liquid investments (other than cash) that are readily convertible into known amounts of cash, typically cash deposits ranging from one day to three months. Short-term deposits represent cash deposits ranging from three months to one year. Cash and cash equivalents and short-term deposits are recorded initially at fair value and then subsequently stated at amortised cost and are categorised as loans and receivables.

2 Turnover

| | 2021 | 2020 |
|-------------------------------|---------|---------|
| | €'000 | €'000 |
| Activity | | |
| En route | 104,670 | 101,912 |
| Terminal | 19,814 | 19,407 |
| North Atlantic communications | 11,834 | 9,514 |
| Safety regulation | 21,119 | 20,226 |
| Exempt air traffic | 1,070 | 967 |
| Commercial and other | 3,749 | 3,483 |
| | 162,256 | 155,509 |

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

3 Staff numbers and costs

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

| | 2021 | 2020 |
|-------------------------|--------|--------|
| | Number | Number |
| Air traffic controllers | 294 | 304 |
| Engineers | 81 | 79 |
| Radio officers | 48 | 52 |
| Other operational | 105 | 106 |
| Safety regulation | 124 | 117 |
| Corporate services | 62 | 67 |
| Total employees | 714 | 725 |

3 Staff numbers and costs (continued)

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

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Wages and salaries | 63,391 | 66,710 |
| Social welfare costs | 5,740 | 5,930 |
| Other compensation costs† | 1,392 | 11 |
| Pension costs – current service cost (note 20) | 14,197 | 13,212 |
| Pension costs – defined contribution (note 20) | 243 | 227 |
| Pension costs – additional cash cost (note 20) | 2,158 | 4,307 |
| Other post-employment costs (note 20) | 293 | 321 |
| | 87,414 | 90,718 |

† In response to the impact of COVID-19 on the IAA's business, voluntary measures were put in place to address a surplus in operational staffing arising from the significant decline in air traffic volumes. A voluntary early retirement scheme and a voluntary severance scheme were offered to employees. Nine employees availed of the schemes at a total cost of €1.4 million. The employees left the Company in May 2021.

The Company availed of the Government Employment Wage Subsidy Scheme (EWSS). The amount accrued in respect of 2021 was €5.4 million (2020: €1.7 million) which has been recognised as Other Income in the profit and loss account. The Company deregistered its interest in the Scheme with effect from 24th December 2021.

Wages and salaries can be further analysed as follows:

| | 2021 €'000 | 2020 €'000 |
|------------|---------------|---------------|
| Basic pay | 52,233 | 56,320 |
| Overtime | 1,328 | 766 |
| Allowances | 9,830 | 9,624 |
| | 63,391 | 66,710 |

The number of employees paid in excess of €50,000 are categorised into the following bands:

| | 2021 Number | 2020 Number |
|---------------------|----------------|----------------|
| €50,000 - €75,000 | 184 | 192 |
| €75,001 - €100,000 | 144 | 117 |
| €100,001 - €125,000 | 249 | 220 |
| €125,001 - €150,000 | 42 | 101 |
| €150,001 - €175,000 | 9 | 11 |
| €175,001 and over | 2 | 3 |

4 Interest receivable and similar income

| | 2021 €'000 | 2020 €'000 |
|---|---------------|---------------|
| Interest income on defined benefit assets | 7,143 | 8,241 |
| Dividend income from other financial assets | 1,242 | 1,286 |
| Other interest | 52 | 22 |
| Foreign exchange gain | 787 | - |
| | 9,224 | 9,549 |

5 Interest payable and similar charges

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Interest expense on defined benefit liabilities | 8,359 | 9,643 |
| Fair value loss on other financial assets (note 9) | 1,326 | 3,161 |
| Bank interest | 816 | 617 |
| Bank loan facility fees | 101 | - |
| Foreign exchange loss | - | 871 |
| | 10,602 | 14,292 |

6 Statutory and other information

The profit/(loss) for the financial year is stated after charging the following:

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Depreciation (note 8) | 10,673 | 10,317 |
| Met Éireann charge | 9,371 | 6,499 |
| Rentals payable under operating leases - buildings | 4,322 | 3,921 |
| Rentals payable under operating leases - other | 90 | 94 |
| Impairment loss on tangible fixed asset | - | 886 |

Auditor's remuneration - group

| | | |
|---|------------|------------|
| - audit | 85 | 85 |
| - other assurance | 56 | 97 |
| - tax services | | |
| - compliance | 29 | 27 |
| - advisory | 19 | 38 |
| Total auditor's remuneration - group | 189 | 247 |

6 Statutory and other information (continued)

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Auditor's remuneration - company (included above) | | |
| - audit | 85 | 85 |
| - other assurance | 56 | 97 |
| - tax services | | |
| - compliance | 8 | 8 |
| - advisory | 18 | 37 |
| Total auditor's remuneration - company | 167 | 227 |
| | 2021 € | 2020 € |
| Directors' remuneration | | |
| <i>Fees payable to directors</i> | | |
| Ms Rose Hynes (<i>Chairman</i>) (<i>appointed 12 January 2021</i>) | 20,500 | - |
| Mr Cian Blackwell | 12,600 | 12,600 |
| Ms Marie Bradley | 12,600 | 12,600 |
| Mr Ernie Donnelly† | - | - |
| Mr Peter Kearney (<i>Chief Executive</i>) | - | - |
| Mr Gerry Lumsden | 12,600 | 12,600 |
| Mr Michael McGrail (<i>Chairman</i>) (<i>retired 18 December 2020</i>) | - | 21,200 |
| Ms Joan McGrath | 12,600 | 12,600 |
| Mr Diarmuid Ó Conghaile† | - | - |
| Ms Eimer O'Rourke | 12,600 | 12,600 |
| | 83,500 | 84,200 |

† Mr Donnelly and Mr Ó Conghaile did not receive a director's fee and were paid as employees of the IAA.

In aggregate, expenses paid to, or paid on behalf of, directors, in respect of services as director were €1,729 in total during 2021 (2020: €1,649). These expenses primarily related to ICT consumables.

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Emoluments and pension contributions relating to the Chief Executive's contract of employment | | |
| Annual basic salary | 205 | 217 |
| Other taxable benefits | 14 | 14 |
| Pension contributions | 73 | 81 |
| | 292 | 312 |

Mr Peter Kearney was appointed as Chief Executive on 6 June 2018. Pursuant to his Chief Executive's contract, the salary of Mr Kearney is €225,000 per annum. During the year, in response to COVID-19, his salary was reduced following the introduction, on a Company-wide basis, of a banded pay cut. His pay was restored, along with all other employees, on 26 November 2021. He is a member of the defined benefit superannuation scheme "The Irish Aviation Authority Staff Superannuation Scheme 1996" in common with other staff members. Mr Kearney was appointed to the board on 25 June 2018. He did not receive a director's fee.

7 Tax on profit/(loss) on ordinary activities

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Analysis of tax charge in the year | | |
| <i>Current tax</i> | | |
| Corporation tax | 1,662 | 907 |
| Adjustments in respect of prior periods | (56) | 14 |
| | 1,606 | 921 |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | 230 | (195) |
| Adjustments in respect of prior periods | 10 | (14) |
| | 240 | (209) |
| Tax on profit/(loss) on ordinary activities | 1,846 | 712 |

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Profit and loss total tax reconciliation | | |
| Profit/(loss) on ordinary activities before tax | 11,379 | (164) |
| Expected current tax at 12.5% (2020: 12.5%) | 1,422 | (20) |
| <i>Effects of:</i> | | |
| Permanent differences | 414 | 726 |
| Expenses not deductible for tax purposes | 54 | 284 |
| Income not taxable at the standard rate | 57 | 50 |
| Corporation tax in respect of prior years | (56) | 14 |
| Deferred tax in respect of prior years | 10 | (14) |
| Effect of foreign tax | (55) | (328) |
| Tax on profit/(loss) on ordinary activities | 1,846 | 712 |

8 Tangible fixed assets

| | Buildings €'000 | Completed installations and other works €'000 | Installations in progress €'000 | Office equipment €'000 | Total €'000 |
|---------------------------------|--------------------|---|---------------------------------------|------------------------------|----------------|
| Group and Company | | | | | |
| <i>Cost</i> | | | | | |
| At beginning of year | 35,291 | 163,089 | 69,116 | 13,468 | 280,964 |
| Additions in year | - | - | 11,273 | 87 | 11,360 |
| Brought into use in year | 36,312 | 8,237 | (44,549) | - | - |
| Disposals in year | - | - | - | (97) | (97) |
| At end of year | 71,603 | 171,326 | 35,840 | 13,458 | 292,227 |
| Accumulated depreciation | | | | | |
| At beginning of year | 25,289 | 131,729 | - | 12,023 | 169,041 |
| Charge in year | 1,569 | 8,395 | - | 709 | 10,673 |
| Disposals in year | - | - | - | (97) | (97) |
| At end of year | 26,858 | 140,124 | - | 12,635 | 179,617 |
| At 31 December 2021 | 44,745 | 31,202 | 35,840 | 823 | 112,610 |
| At 31 December 2020 | 10,002 | 31,360 | 69,116 | 1,445 | 111,923 |

9 Financial fixed assets

| | Interest in associate €'000 | Other financial assets €'000 | Total €'000 |
|------------------------------------|-----------------------------------|---------------------------------------|----------------|
| Group | | | |
| At 1 January 2020 | 3,574 | 29,373 | 32,947 |
| Dividends received | (385) | - | (385) |
| Share of profit of associate | 793 | - | 793 |
| Foreign exchange movements | - | (2,263) | (2,263) |
| Change in value of financial asset | - | (3,161) | (3,161) |
| At 31 December 2020 | 3,982 | 23,949 | 27,931 |
| Share of profit of associate | 332 | - | 332 |
| Foreign exchange movements | - | 1,940 | 1,940 |
| Change in value of financial asset | - | (1,326) | (1,326) |
| At 31 December 2021 | 4,314 | 24,563 | 28,877 |

9 Financial fixed assets (continued)

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Company | | |
| Interest in associate, at cost | 1,384 | 1,384 |
| Ordinary shares in subsidiary undertaking, at cost | 13,834 | 13,834 |
| | 15,218 | 15,218 |

The IAA has a 33¹/₃% interest in Entry Point North AB, Box 30, SE-230 32, Malmö-Sturup, Sweden, a provider of air traffic management training solutions.

The Group has a 4.389% preferred interest in Aireon Holdings LLC, a company providing a global satellite-based surveillance capability for air navigation service providers through Automatic Dependent Surveillance-Broadcast (ADS-B) receivers on the Iridium NEXT satellite constellation. There are five other investors in Aireon, namely Iridium, Nav Canada (Canada), ENAV (Italy), NATS (UK) and Naviar (Denmark). The preferred interest provides for a 5% annual cumulative dividend calculated from the date of the initial capital contributions. Consistent with the agreements governing the investment, it is intended that the Group's preferred interest will be converted to a 5.333% common interest by January 2024 or otherwise redeemable for cash in three annual instalments beginning in January 2024. The cash payments will include any outstanding preference dividends. The investment is held by IAA North Atlantic Inc, 108 West 13th Street, Wilmington, New Castle County, 19801, USA, a 100% owned subsidiary undertaking of the IAA.

The Group's investment is reported at fair value. An income valuation approach, namely a discounted cashflow model, which takes account of the present value of the maintainable profits of the company, has been used to determine the fair value of the investment. The Group has impaired the investment down to US\$27.8 million (2020: US\$29.4 million) as a result of continued uncertainty arising from the impact of COVID-19 on the aviation industry. The fair value adjustment of US\$1.6 million (€1.3 million) (2020: US\$3.6 million (€3.2 million)) has been recognised in the consolidated profit and loss account.

None of the shares of the above subsidiary undertaking are listed. In the opinion of the directors the shares in, and loans to, the company's subsidiary are worth at least the amounts at which they are stated in the balance sheet.

10 Debtors

| | Group | | Company | |
|---------------------------------|----------------|---------------|----------------|---------------|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| Trade debtors, net | 25,131 | 24,092 | 25,131 | 24,092 |
| Prepayments | 3,094 | 2,688 | 3,094 | 2,688 |
| Accrued income | 89,884 | 52,349 | 89,884 | 52,349 |
| Other debtors | 8,916 | 7,109 | 339 | 388 |
| Corporation tax | 1,417 | 1,493 | 1,417 | 1,493 |
| Value added tax | 192 | 285 | 192 | 285 |
| Deferred tax asset (note 15) | 13,620 | 15,835 | 13,620 | 15,835 |
| Due from subsidiary undertaking | - | - | 10,224 | 9,437 |
| | 142,254 | 103,851 | 143,901 | 106,567 |

Debtors and accrued income of €111,985,000 (2020: €72,199,000) in the Group and debtors and accrued income of €103,407,000 (2020: €65,481,000) in the Company fall due after more than one year. Non-current accrued income of €89,200,000 in the Group and in the Company, recoverable over 7 years, 2023 – 2029, is measured at the present value of the future receipts discounted at a market rate of interest.

Amounts owed by subsidiary undertaking are interest free, unsecured and payable on demand.

Included in trade debtors are amounts past due of €14,229,000 (2020: €19,454,000) of which €3,846,000 (2020: €3,919,000) is provided for within bad debt provisions.

11 Cash and cash equivalents and short term deposits

| Group | At 1 January €'000 | Cash flows €'000 | Effect of foreign exchange €'000 | Utilisation of deposits €'000 | At 31 December €'000 |
|---------------------------|-----------------------|---------------------|--|-------------------------------------|-------------------------|
| Cash and cash equivalents | 71,152 | (36,281) | 29 | 81,769 | 116,669 |
| Short term deposits | 98,648 | - | - | (81,769) | 16,879 |
| | 169,800 | (36,281) | 29 | - | 133,548 |

During the year, the IAA put in place committed bank loan facilities totalling €60 million. The facilities are unsecured with terms up to five years from July 2021. The facilities were undrawn at 31 December 2021.

12 Creditors: amounts falling due within one year

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| Trade creditors | 2,797 | 5,115 | 2,797 | 5,115 |
| Other creditors including tax and social welfare (note 13) | 2,294 | 1,899 | 2,294 | 1,899 |
| Accruals | 18,254 | 15,462 | 18,234 | 15,444 |
| Deferred income | 16,097 | 28,809 | 16,097 | 28,809 |
| | 39,442 | 51,285 | 39,422 | 51,267 |

13 Taxation and social welfare included in other creditors

| | Group | | Company | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| PAYE | 2,233 | 1,826 | 2,233 | 1,826 |
| Relevant contracts tax | 12 | 20 | 12 | 20 |
| Professional services withholding tax | 49 | 53 | 49 | 53 |
| | 2,294 | 1,899 | 2,294 | 1,899 |

14 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| Deferred income | 42,712 | 37,893 | 42,712 | 37,893 |
| Deferred tax liability (note 15) | 7,938 | 3,431 | 5,593 | 1,250 |
| | 50,650 | 41,324 | 48,305 | 39,143 |

15 Deferred tax asset

| | | Group | | Company | |
|--|------|----------------|---------------|----------------|---------------|
| | Ref | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| Deferred tax (liability)/asset—excluding employee benefits-related | (i) | (2,248) | (1,945) | 97 | 236 |
| Deferred tax asset – employee benefits-related (non-current) | (ii) | 7,930 | 14,349 | 7,930 | 14,349 |
| Deferred tax asset – buildings – (non-current) | | 5,593 | 1,250 | 5,593 | 1,250 |
| Deferred tax liability – buildings – (non-current) | | (5,593) | (1,250) | (5,593) | (1,250) |
| Deferred tax asset, net | | 5,682 | 12,404 | 8,027 | 14,585 |

(i) Deferred taxation – excluding employee benefits-related

| | Group | | Company | |
|---|----------------|---------------|---------------|---------------|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| At beginning of year | (1,945) | (2,725) | 236 | 145 |
| Charged to profit and loss account (note 7) | (122) | 571 | (139) | 91 |
| Effect of foreign exchange | (181) | 209 | - | - |
| At end of year | (2,248) | (1,945) | 97 | 236 |

The deferred tax liability at the end of the year represents the full potential liability arising on timing differences.

Included in deferred taxation – excluding employee benefits-related is €2,345,000 (2020: €2,181,000) in the Group and €Nil (2020: €Nil) in the Company due after more than one year relating to income taxable at a future date.

(ii) Deferred taxation – employee benefits-related

| | Group | | Company | |
|--|----------------|---------------|----------------|---------------|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| At beginning of year | 14,349 | 13,792 | 14,349 | 13,792 |
| Changes in actuarial assumptions recognised in OCI | (6,301) | 919 | (6,301) | 919 |
| Charged to profit and loss account (note 7) | (118) | (362) | (118) | (362) |
| At end of year | 7,930 | 14,349 | 7,930 | 14,349 |

16 Called up share capital — equity

| | 2021 €'000 | 2020 €'000 |
|---|---------------|---------------|
| Group and Company | | |
| Authorised, allotted, called up and fully paid | | |
| 17,858,000 ordinary shares of €1.27 each | 22,675 | 22,675 |

17 Equity dividends paid

| | 2021 €'000 | 2020 €'000 |
|--|---------------|---------------|
| Group and Company | | |
| Declared and paid during the year | | |
| Final dividend paid: €0.0023 per share (2020: €0.44 per share) | (41) | (7,784) |

Total dividend paid in 2021 of €40,500 or €0.0023 per share is in respect of 2020 (2020: €7,784,000 or €0.44 per share in respect of 2019).

18 Related parties**Group and Company**

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

In 2014, the IAA entered into a commercial arrangement to provide air traffic management training services to Entry Point North Ireland DAC, a 100% owned subsidiary of Entry Point North (EPN) AB, an associate of the IAA (note 9). Entry Point North Ireland DAC also provides air traffic management training services to the IAA on an arm's-length basis. During the year, the IAA earned revenue of €2.7 million (2020: €2.5 million) and incurred costs of €5.5 million (2020: €5.2 million) in transactions with Entry Point North Ireland DAC. As at 31 December 2021, there were no balances outstanding between the IAA and Entry Point North Ireland DAC (2020: €Nil).

Total compensation of key management personnel in the year amounted to €1.6 million (2020: €1.7 million) comprising salaries and other short-term employee benefits of €1.3 million (2020: €1.3 million) and post-employment benefits of €0.3 million (2020: €0.4 million). Key management compensation represents compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group. These include the board members and senior executives.

19 Commitments

| | 2021 €'000 | 2020 €'000 |
|---|---------------|---------------|
| Group and Company | | |
| (i) Capital commitments | | |
| Future capital expenditure approved by the directors: | | |
| Not contracted for | 93,500 | 104,717 |
| Contracted for | 13,776 | 14,437 |
| | 107,276 | 119,154 |

19 Commitments (continued)**(ii) Operating lease commitments**

The total of future minimum lease payments under non-cancellable operating leases are as follows:

| | 2021 Buildings €'000 | 2021 Motor Vehicles €'000 | 2020 Buildings €'000 | 2020 Motor Vehicles €'000 |
|----------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
| Group and Company | | | | |
| <i>Payable:</i> | | | | |
| Within one year | 3,809 | 78 | 3,625 | 102 |
| Between one and five years | 11,650 | 47 | 11,826 | 130 |
| More than five years | 19,985 | - | 20,619 | - |
| | 35,444 | 125 | 36,070 | 232 |

20 Employee benefits

| | 2021 €'000 | 2020 €'000 |
|---|---------------|---------------|
| Group and Company | | |
| Defined benefit pension liability (see A below) | 63,438 | 114,787 |
| Supplementary ex-gratia pension liability (see B below) | 3,354 | 3,070 |
| Total retirement benefit obligations | 66,792 | 117,857 |

The pension entitlements of employees arise under a number of defined benefit schemes, the assets of which are vested in independent trustees.

The IAA undertakes actuarial valuations of the defined benefit pension schemes at least every three years. The date of the latest actuarial valuations is 1 January 2021 and covers all accrued benefits. These valuations were conducted by qualified independent actuaries.

The valuations employed for FRS 102 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 2021 and to take account of financial conditions at this date. The valuations used for FRS 102 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 IAA has no unfunded schemes with the exception of the supplementary ex-gratia liability. There are no outstanding or pre-paid contributions at year-end.

20 Employee benefits (continued)

A. The Irish Aviation Authority Defined Benefit Schemes

| | 2021 Projected unit | 2020 Projected Unit |
|---|---------------------------|---------------------------|
| (i) Actuarial assumptions | | |
| <i>Weighted average assumptions to determine benefit obligations</i> | | |
| Discount rate | 1.40% | 1.15% |
| Rate of general compensation increase † | 2.50% | 1.25% |
| Rate of price inflation | 2.00% | 1.25% |
| Rate of pension increase † | 0.00% | 0.00% |
| † This is the long-term assumption in respect of general compensation increases. The board decided, given the current deficit position of the Schemes, and communicated to all staff and pension trustees, that there will be no further increases granted on pensions payable under the Schemes with effect from 1 January 2015. | | |
| 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: | | |
| | 2021 | 2020 |
| <i>Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:</i> | | |
| Current active and deferred members | 24.1 | 24.3 |
| Current pensioner members | 22.5 | 22.5 |
| <i>Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:</i> | | |
| Current active and deferred members | 26.0 | 26.3 |
| Current pensioner members | 24.2 | 24.4 |
| 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. | | |
| | 2021 €'000 | 2020 €'000 |
| (ii) Amounts recognised in the balance sheet | | |
| Present value of wholly or partly funded obligations | (725,984) | (735,142) |
| Fair value of plan assets | 662,546 | 620,355 |
| Net liability | (63,438) | (114,787) |

20 Employee benefits (continued)

A. The Irish Aviation Authority Defined Benefit Schemes (continued)

| | 2021 €'000 | 2020 €'000 |
|---|------------------|------------------|
| (iii) Movements in fair value of plan assets | | |
| Fair value of plan assets at beginning of year | 620,355 | 588,203 |
| Re-measurement: return on plan assets excluding interest income | 37,330 | 25,891 |
| Interest income | 7,143 | 8,241 |
| Employer contributions | 16,355 | 17,519 |
| Member contributions | 3,529 | 3,860 |
| Benefits paid from plan | (22,166) | (23,359) |
| Fair value of plan assets at end of year | 662,546 | 620,355 |
| (iv) Movements in present value of defined benefit obligations | | |
| Benefit obligation at beginning of year | (735,142) | (698,543) |
| Current service cost | (14,197) | (13,212) |
| Interest expense | (8,359) | (9,643) |
| Member contributions | (3,529) | (3,860) |
| Re-measurement: actuarial gains/(losses) | 13,077 | (33,243) |
| Benefits paid from plan | 22,166 | 23,359 |
| Benefit obligation at end of year | (725,984) | (735,142) |
| (v) Components of pension cost | | |
| <i>Expense recognised in the profit and loss account</i> | | |
| Current service cost (note 3) | (14,197) | (13,212) |
| Additional cash cost (note 3) | (2,158) | (4,307) |
| Interest income on defined benefit assets (note 4) | 7,143 | 8,241 |
| Interest expense on defined benefit liabilities (note 5) | (8,359) | (9,643) |
| Total pension cost recognised in the profit and loss | (17,571) | (18,921) |
| Amounts recognised in other comprehensive income | | |
| Actuarial gains/(losses) immediately recognised | 50,407 | (7,352) |
| Additional cash cost | 2,158 | 4,307 |
| | 52,565 | (3,045) |
| Total for the year | 34,994 | (21,966) |
| Cumulative amount of actuarial losses recognised in other comprehensive income | (245,539) | (295,946) |

20 Employee benefits (continued)**A. The Irish Aviation Authority Defined Benefit Schemes (continued)**

| | 2021 | 2020 |
|---|--------------------|-------------|
| | Amount of | Amount of |
| | plan assets | plan assets |
| | €'000 | €'000 |
| (vi) Plan assets | | |
| <i>The asset allocations as at 31 December:</i> | | |
| Equity securities | 148,051 | 169,065 |
| Bond securities | 384,285 | 324,958 |
| Other | 130,210 | 126,332 |
| | 662,546 | 620,355 |

Interest income on plan assets will be charged at 1.40% (2020: 1.15%).

| | 2021 | 2020 |
|--------------------------------|---------------|--------|
| | €'000 | €'000 |
| <i>Actual return on assets</i> | | |
| Actual return on plan assets | 44,473 | 34,132 |

€'000

(vii) Other required disclosure amounts

| | |
|--|---------------|
| Contributions expected to be paid by the IAA during 2022 | 16,500 |
|--|---------------|

B. Supplementary ex-gratia pension liability

| | 2021 | 2020 |
|--|--------------|-------|
| | €'000 | €'000 |
| At beginning of year | 3,070 | 2,757 |
| Amounts provided for supplementary ex-gratia pension liability | 293 | 321 |
| Payments made during the year | (9) | (8) |
| Amounts falling due after more than one year | 3,354 | 3,070 |

This is a provision for supplementary ex-gratia pension payments, up to age 65, outside of the IAA pension schemes, to bridge the gap for certain employees who are eligible to retire between the ages of 60 and 65, however are not eligible for the state pension until they reach the state retirement age.

C. The Irish Aviation Authority Defined Contribution Pension Schemes

The IAA operates two defined contribution pension schemes - 'The Irish Aviation Authority Defined Contribution Pension Plan 2012' and 'The Aviation Regulator Pension Scheme'. The pension charge for the year represents contributions payable by the IAA to the schemes and amounted to €242,892 (2020: €226,588).

21 Accounting estimates and judgements**Key sources of estimation uncertainty**

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

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

Pension assumptions

The valuation of the defined benefit pension schemes is a significant estimate in the IAA's financial statements. Further details are given in note 20. The directors have reviewed and assessed as reasonable the assumptions made by independent professional actuaries in assessing the fair value of the defined benefit pension schemes.

Fair value investment in Aireon

The Group's investment in Aireon Holdings LLC is measured at fair value with adjustments to fair value recorded in the profit and loss account. Further details are given at Note 9. A discounted cash flow (DCF) model was used to determine the fair value of the investment. This valuation model considered the present value of expected future maintainable profits, discounted using a risk-adjusted discount rate.

The critical assumptions and estimates used when determining the fair value are:

- A discount rate of 11.2% and a growth rate of 2%
- Expected timing of future cashflows, after tax, which is based on Aireon management's long term operating plan (February 2022).

En route and terminal revenues

En route and terminal activities are regulated by the National Supervisory Authority in Ireland (the IAA's safety regulation division and the Commission for Aviation Regulation (CAR)) and the European Commission's (EC) single European sky. Under the regulatory framework, a State Performance Plan is submitted to the EC for approval, in advance of the start of the five-year regulatory period. The current regulatory period is for the years 2020-2024, known as RP3. COVID-19 created an exceptional situation which required special rules to be put in place that resulted in a revision to the RP3 Union-wide performance targets in 2021 and a subsequent restatement of the RP3 Performance Plan. In November 2021, the NSA submitted its draft State Performance Plan to the EC for its final approval.

The 2021 reported en route and terminal revenues have been determined by reference to this draft Plan. This Plan is draft until it is approved by the European Commission. Approval by the EC is expected in March 2022 or early Q2 2022. Management have assessed the risk of this Plan not being approved as low on the basis that the Plan has passed the initial review stages and has been found to be consistent with the Union-wide performance targets. Any change to the Plan in the future is likely to impact the reported revenues.

22 Post balance sheet events

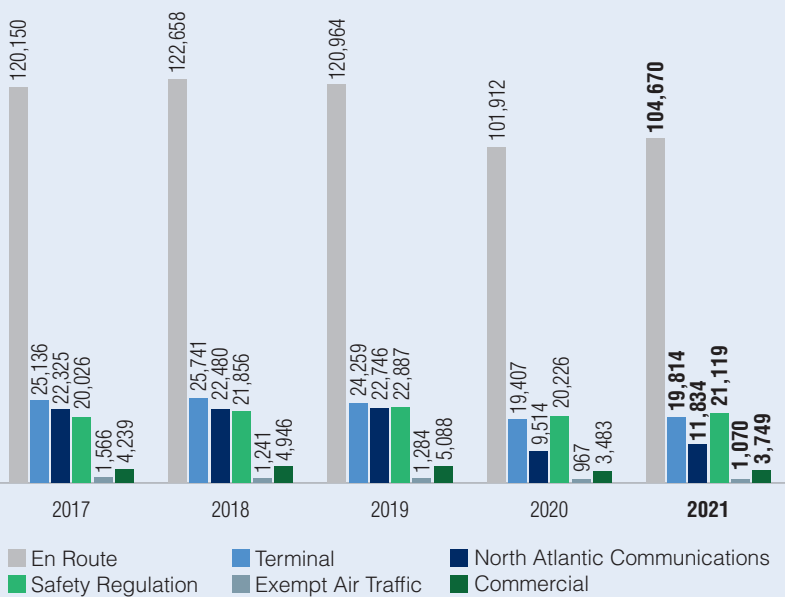
There were no significant events affecting the Company since 31 December 2021 which require adjustment to, or disclosure in, the financial statements.

23 Approval of the financial statements

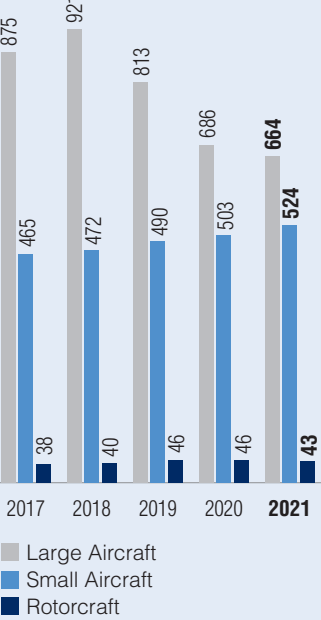
The financial statements were approved by the directors on 31 March 2022.

Five Year Summary 2017-2021

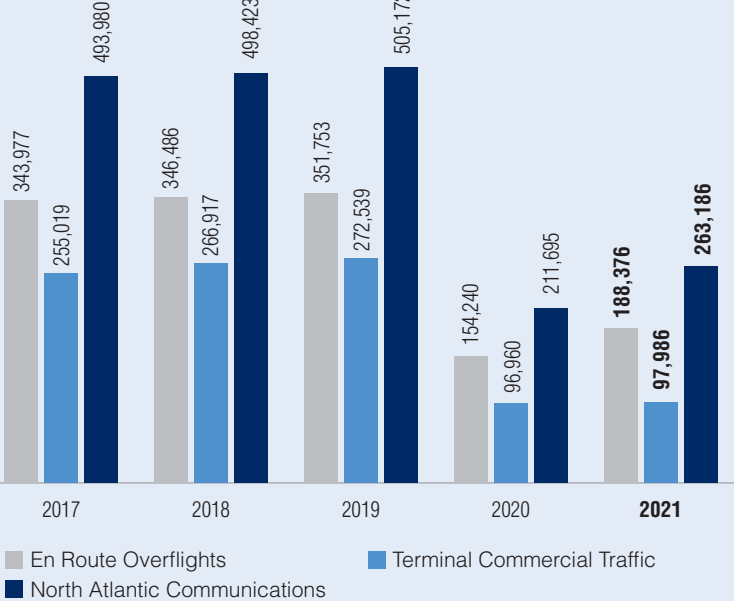
Turnover €'000



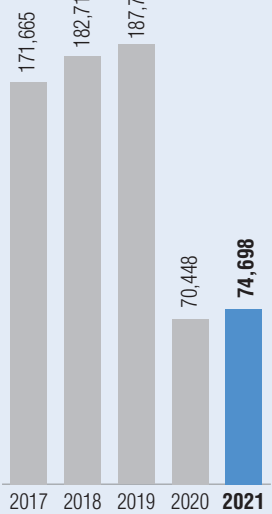
Registered Aircraft



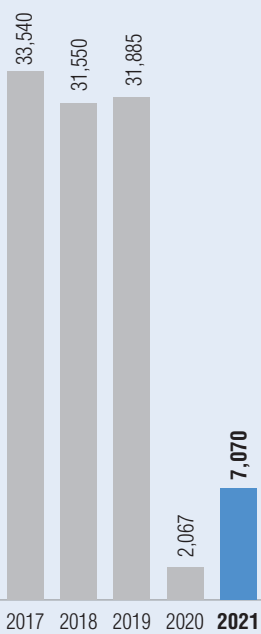
Air Traffic Activity



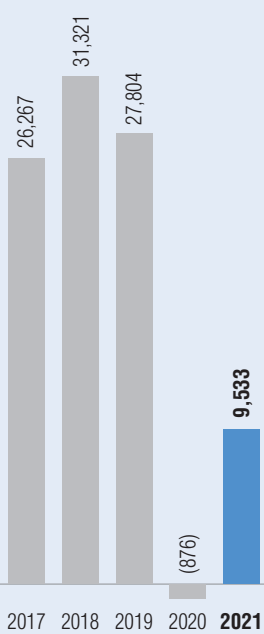
Terminal Service Units



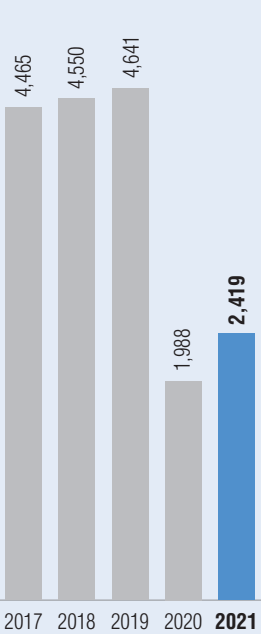
Operating Profit €'000



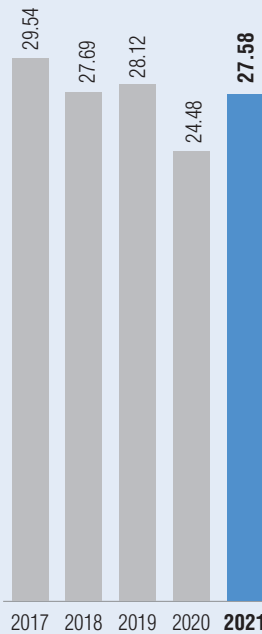
Profit after Tax €'000



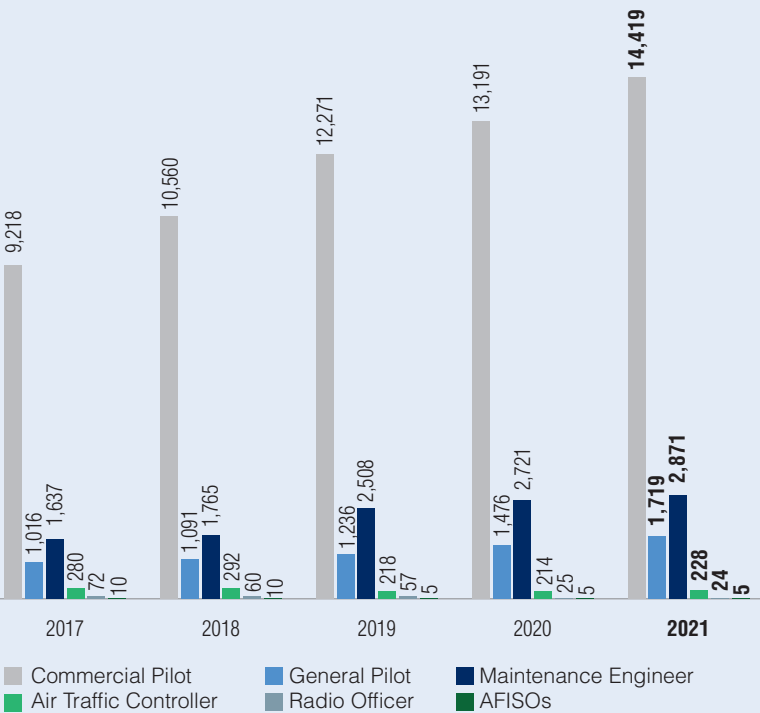
En Route Service Units ('000)



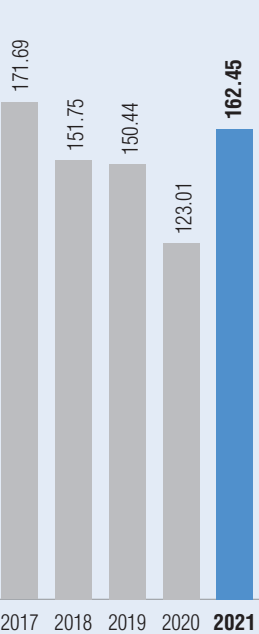
En Route Service Unit Rate (€)



Valid Licences



Terminal Unit Rate (€)



Notes



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