



IRISH AVIATION AUTHORITY  
**ANNUAL REPORT 2014**





**First in Europe for safety management effectiveness**

**Committed to playing our part in enhancing aviation in Ireland**

**Total traffic activity ▲ 2.7%**  
**Domestic traffic ▲ 6.5%**

**Operating profit ▲ 15.5%**  
**to €29.7m**  
**Total assets ▲ 12.7%**  
**to €255.2m**

**ATC training alliance with Entry Point North**

**IAA receives no State funding**

**Dividend to shareholders in 2015**  
**€6.5m**

# IAA PERFORMANCE 2014



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## AIR NAVIGATION SERVICES IN THE NORTH ATLANTIC



## FINANCIAL AND OPERATING HIGHLIGHTS

<b>Financial Highlights</b>	<b>2014</b>	<b>2013</b>	<b>% Change</b>
	<b>€'000</b>	<b>€'000</b>	
Turnover	<b>177,475</b>	173,583	2.2%
Operating Profit (before exceptional item)	<b>29,711</b>	25,723	15.5%
Total Assets	<b>255,163</b>	226,355	12.7%

<b>Air Traffic Activity</b>	<b>2014</b>	<b>2013</b>	<b>% Change</b>
	<b>Number</b>	<b>Number</b>	
En Route Overflights	<b>301,331</b>	298,270	1.0%
Terminal Commercial Traffic	<b>215,783</b>	202,533	6.5%
North Atlantic Communications	<b>420,423</b>	404,842	3.8%

### Employment

Average Number Employed	<b>649</b>	659	-1.5%
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<b>Customer Charges</b>	<b>2014</b>	<b>2013</b>	<b>% Change</b>
	<b>€</b>	<b>€</b>	
En Route Overflight	<b>30.62</b>	28.20	8.6%
Airport Terminal Traffic	<b>156.92</b>	153.72	2.1%
North Atlantic Communications	<b>45.00</b>	45.00	0.0%
Safety Regulation	No change in Fees Order since 2008		

## DIRECTORS AND OTHER INFORMATION

### Directors

Ms. Anne Nolan  
*Chairman*

Mr. Eamonn Brennan  
*Chief Executive*

Ms. Marie Bradley

Mr. Ernie Donnelly

Mr. Pascal Fitzgerald

Mr. Basil Geoghegan

Mr. Michael Norton

Mr. Kevin O'Driscoll

### Secretary

Ms. Aideen Gahan

### Auditor

KPMG  
Chartered Accountants  
1 Stokes Place  
St Stephen's Green  
Dublin 2

### Bankers

Allied Irish Banks, p.l.c.  
40/41 Westmoreland Street  
Dublin 2

Bank of Ireland  
2 Burlington Plaza  
Burlington Road, Dublin 4

Danske Bank  
3 Harbourmaster Place  
IFSC, Dublin 1

### Solicitor

A & L Goodbody  
North Wall Quay, Dublin 1

### Registered office

The Times Building  
11-12 D'Olier Street, Dublin 2  
Tel: +353-1-671 8655  
Fax: +353-1-679 2934  
Web site: [www.iaa.ie](http://www.iaa.ie)

### Registered number

211082

### Senior management

Eamonn Brennan  
*Chief Executive*

Anthony Eiffe  
*Internal Audit*

Aideen Gahan  
*Company Secretary*

Donal Handley  
*Corporate Affairs*

Maeve Hogan  
*Finance*

Philip Hughes  
*Commercial, Technology  
and Training*

Kevin Humphreys  
*Safety Regulation*

Peter Kearney  
*ATM Operations and Strategy*

Brendan Mulligan  
*Human Resources*

## ATTENDANCE AT 2014 BOARD AND COMMITTEE MEETINGS

Director	Board meetings attended	Max number of board meetings director could have attended	Number of committee meetings attended	Max number of committee meetings director could have attended
Anne Nolan <i>Chairman</i>	6	6	4	4
Eamonn Brennan <i>Chief Executive</i>	6	6	1	1
Marie Bradley	3	3	-	-
Ernie Donnelly	6	6	1	1
Pascal Fitzgerald	2	2	1	1
Basil Geoghegan	6	6	4	5
Michael Norton	6	6	1	1
Geoffrey O'Byrne-White	4	6	5	6
Kevin O'Driscoll	6	6	4	4



## CHAIRMAN'S STATEMENT

**Anne Nolan**

*Chairman*

### Overview

Safety remains the top priority for our business and in 2014 we met our key objectives. We provided effective safety and security oversight of the Irish aviation sector to the highest international standards. At the same time, air navigation services were provided in Irish-controlled airspace and on the North Atlantic (communications) in a safe and cost effective manner.

Meeting these objectives every year is crucial to ensuring our ability to remain a profitable commercial State company, whilst also supporting the continued growth of the Irish civil aviation industry. Innovation remains key to our success. Some key highlights of 2014 include:

- All safety standardisation audits (EASA) were positive and continue to exceed international and European standards
- We engaged heavily in our Aireon investment (the world's first real-time global ATC satellite based ATM surveillance system) and I am very pleased that Ballygirreen has been selected as the prime site for the new global Aircraft Locating and Emergency Response Tracking (ALERT) service to track aircraft all over the world

- Working with the Department of Transport, Tourism and Sport and our UK counterparts, we finalised our five-year economic performance plan with the EU which contains targets for cost-efficiency, capacity (delays), environment (en route flight efficiency) and safety in accordance with the EU Single European Sky Performance Scheme (Reference Period 2, 2015-2019)
- We entered into a strategic air traffic control training alliance with Entry Point North Ireland (EPNI), the international air traffic control training academy
- Our customer satisfaction rating exceeded 92% in our latest customer survey
- We sponsored the inaugural aviation industry awards in June to help showcase our industry and provide due recognition to the many standout companies which underpin our sector.

These are just a few of the many highlights of our robust performance and further details are outlined in the Chief Executive's report.

## CHAIRMAN'S STATEMENT *continued*

### Financial Performance

The IAA's financial performance in the year was very strong and resulted in the board recommending a dividend to the shareholder of €6.5 million, an increase of 35% over last year. The IAA continues to operate independently without any financial support from the Exchequer.

The IAA earned an operating profit, before an exceptional gain, of €29.7 million, an increase of 15.5% over last year. Turnover increased by 2.2% to €177.5 million while operating expenses decreased by 0.1% reflecting the continuing efforts of the company in the area of cost-effectiveness. Total assets increased by 12.7% to €255.2 million. The net pension liability, measured on an FRS17 basis, increased by €18.7 million. We have taken corrective action which will see no pension increases for the foreseeable future. This change in pension assumption has resulted in an exceptional gain in the Profit and Loss Account, net of tax, of €89.2 million. The funding level of the defined benefit schemes will continue to be monitored closely.

### Corporate Governance

The board is committed to the highest standards of corporate governance. Appropriate measures have been put in place by the IAA to comply with the Code of Practice for the Governance of State Bodies and these measures are outlined in the Directors' Report. The Code of Practice is the agreed governance framework for the effective governance of State Bodies.

### Acknowledgements

I would like to thank my board colleagues for their commitment and hard work in effectively managing the IAA. During the year, Geoffrey O'Byrne-White retired from the board and I thank him for his contribution over the years. Marie Bradley and Pascal Fitzgerald joined the board.

To the Minister for Transport, Tourism and Sport, Mr. Paschal Donohoe TD, and to his predecessor, Mr. Leo Varadkar, I thank them both for their support.

I would also like to thank the staff of the IAA who have, once again, delivered to the highest standards of professionalism. Their commitment and dedication ensures that the IAA is highly regarded on a global aviation stage. I look forward to working with you all in 2015.

A handwritten signature in black ink, appearing to read 'Anne Nolan', with a long, sweeping underline.

**Anne Nolan**

*Chairman*



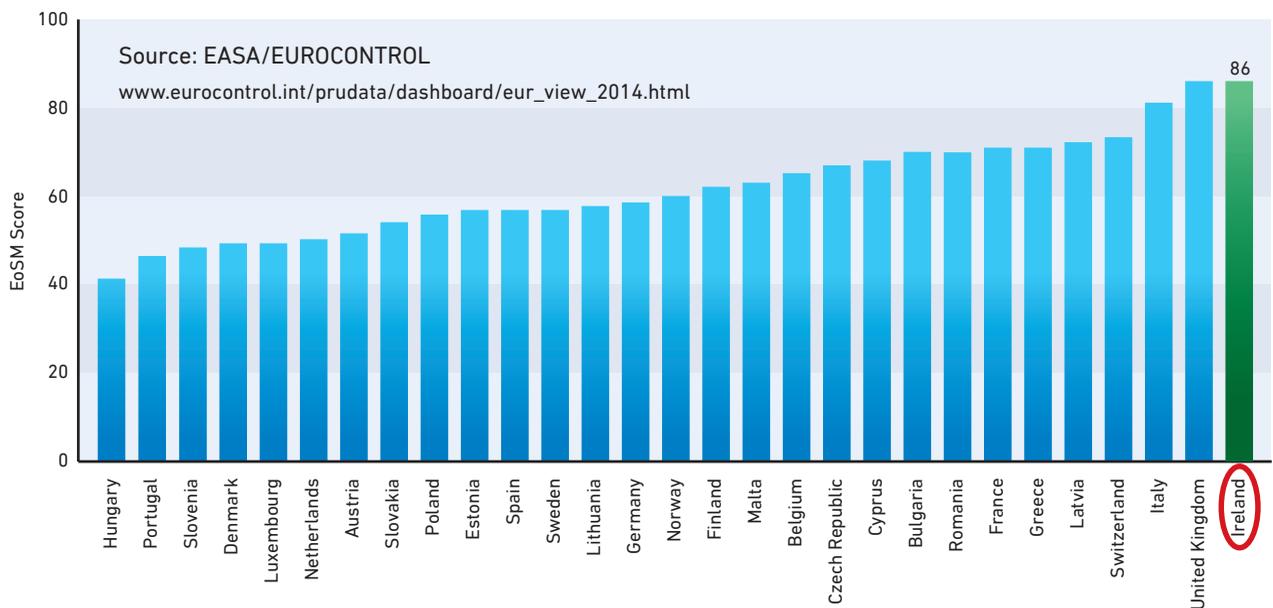
## CHIEF EXECUTIVE'S REVIEW

**Eamonn Brennan**  
*Chief Executive*

Safety is our number one priority. We continued to maintain our very strong safety record and, at the State level, in 2014, Ireland was ranked joint first out of 29 European States for the measure of Effectiveness of Safety Management (EoS<sub>M</sub>).

We continue to be one of the most competitive air navigation service providers in Europe providing a reliable and safe service to our customers.

### Effectiveness of Safety Management (State Level) - 2014

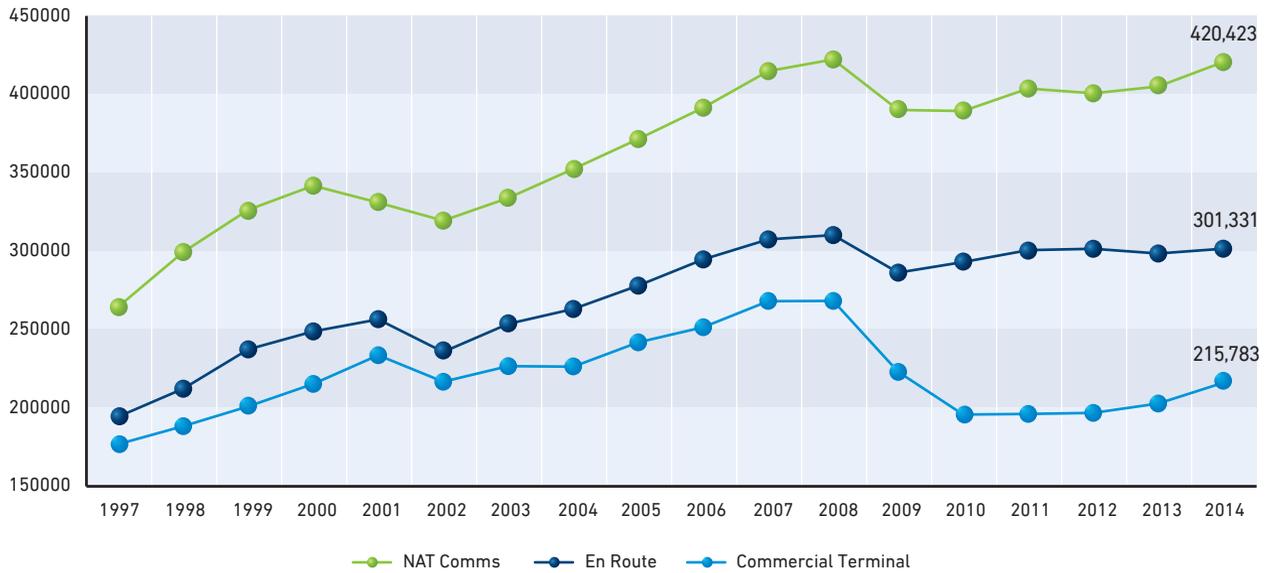


## CHIEF EXECUTIVE'S REVIEW *continued*

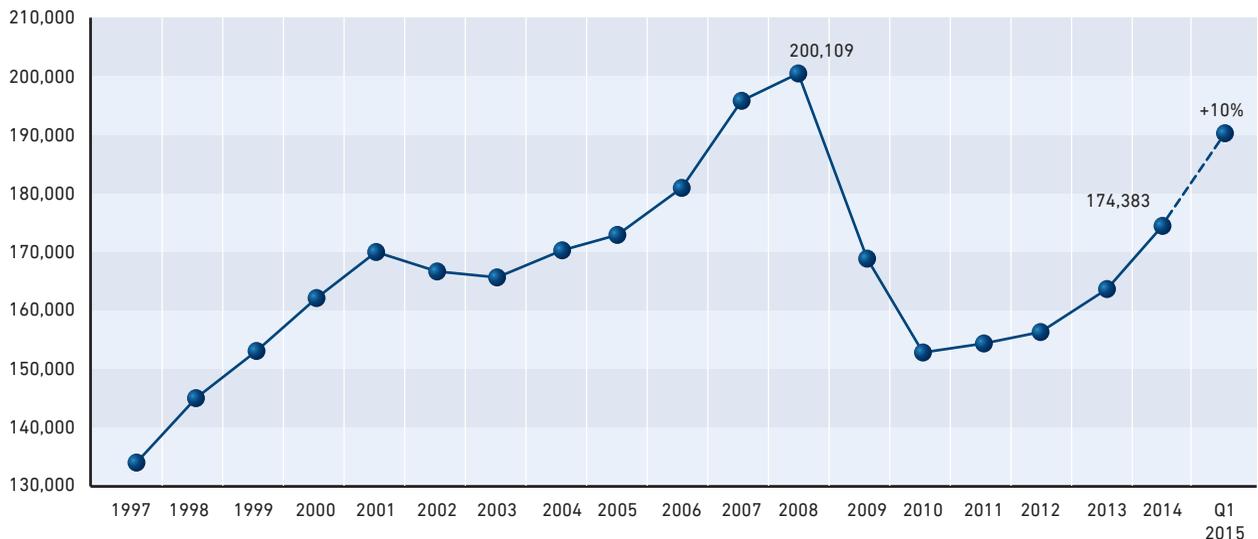
Total flights in Irish airspace grew by 2.7% during 2014. This encouraging growth marks a strong return to positive territory for almost all sectors of Irish air traffic. Ireland's en route traffic (flights that pass through Irish airspace but don't, in the main, land in Ireland) increased by 1.0% to 301,331 movements,

while North Atlantic Communications flights (Europe / North America flights) increased by 3.8% to 420,423. On the domestic front, total terminal commercial traffic grew by 6.5% in 2014 at the three State airports of Dublin, Shannon and Cork, with a total of 215,783 movements (with 81% of the volume at Dublin Airport).

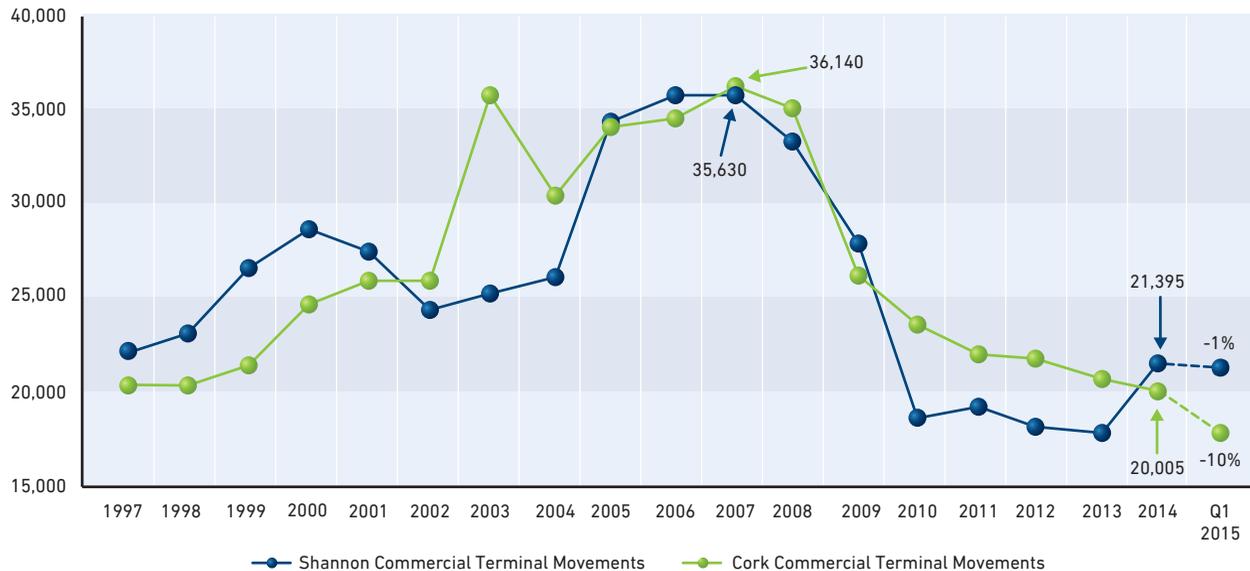
### IAA Traffic Trends 1997 to 2014



### Dublin Airport Commercial Terminal Movements (1997 to 2015)



## Cork and Shannon Airport Commercial Terminal Movements (1997 to 2015)



Dublin Airport has performed very well in recent times and grew by 6.5% in 2014, driven by the introduction of new routes by both low cost carriers and transatlantic operators. Dublin is back on track to achieve traffic levels last seen in the 2007/2008 period in the not too distant future (with strong growth recorded during Q1 2015). Air traffic growth at Shannon was also very encouraging in 2014 climbing nearly 19% over the previous year; Q1 2015 is slightly down on the previous year but the summer period is set to be stronger. Unfortunately, traffic at Cork continues to lag.

We anticipate similar positive trends in 2015 with further growth on the North Atlantic and at Dublin Airport in particular. As the economy grows, the IAA will continue to support the airlines, the airports and the travelling public through the provision of safe, cost-efficient, and industry leading air traffic services in the years ahead.

### Safety Regulation

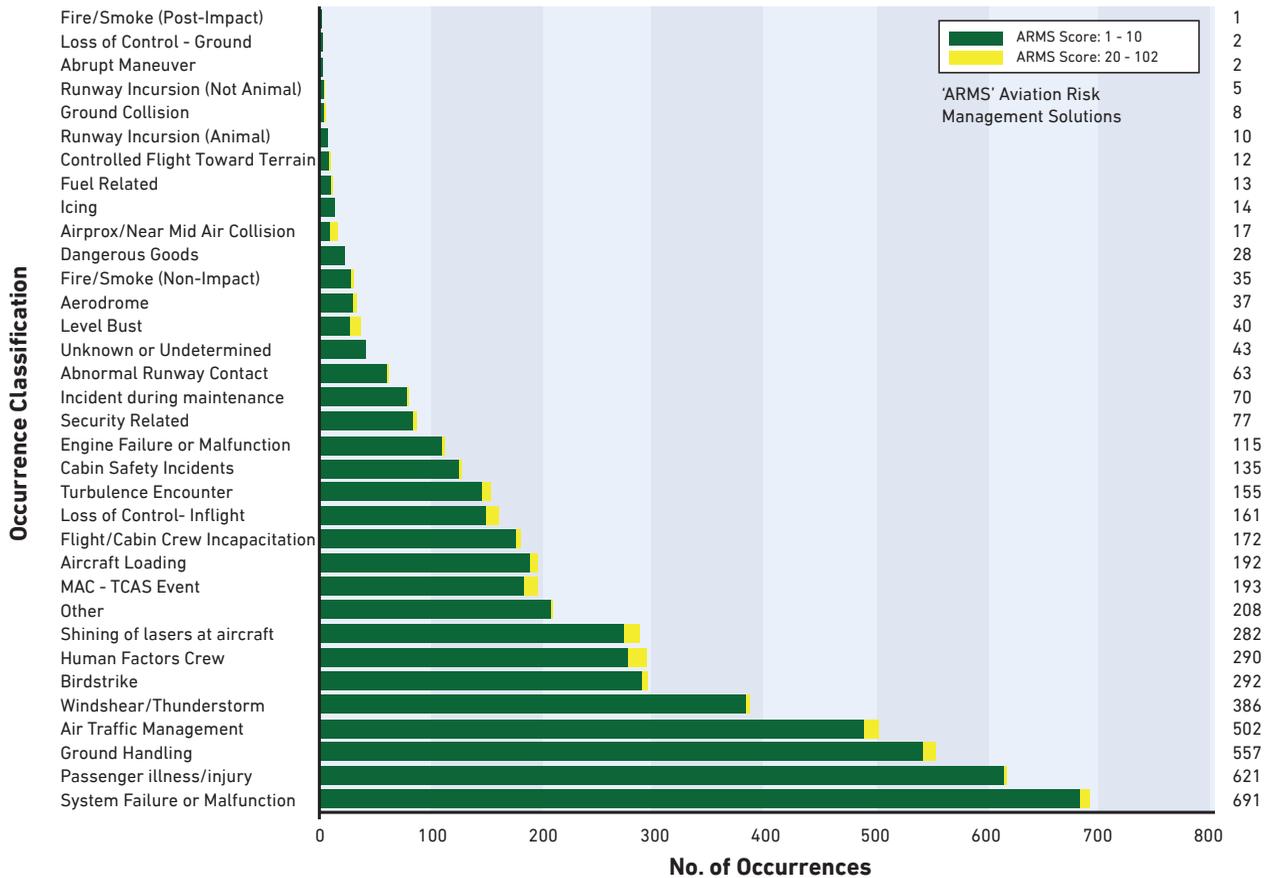
Safety is our business and, in 2014, the Safety Regulation Directorate (SRD) of the IAA provided effective safety oversight of the Irish aviation sector to the highest international standards. SRD, in turn,

was the subject of a number of independent audits and continues to perform very well in all European Aviation Safety Agency (EASA) audits and scores very well in International Civil Aviation Organisation (ICAO) rankings.

The Annual Safety Review is published in the second quarter of each year reporting on the performance for the previous year, covering all key aspects. The IAA reviewed over 7,200 safety occurrence reports in 2014, of which 97% described incidents where the safety barriers were fully effective. Where incidents are assessed as risk-bearing, actions and mitigations are taken to prevent re-occurrence. Ireland's rate of occurrence reporting is amongst the best in Europe.

We published the Irish State Safety Plan 2014 – 2017 in April 2014. The purpose of this plan is to ensure the continuous improvement of safety standards in Ireland. The State Safety Plan supports the State Safety Programme and documents the actions that the IAA SRD will undertake, on behalf of the State, in order to target the areas of greatest risk to aviation safety and to implement actions to best mitigate these risks. Safety priorities are established using a risk-based process.

## CHIEF EXECUTIVE'S REVIEW *continued*



More recently, in January 2015, we published the State Safety Programme (SSP) for Ireland which outlines the management system for the regulation and administration of safety by the State. The implementation of the SSP in Ireland is commensurate with the size and complexity of the State's civil aviation system and it requires coordination among a small number of different authorities responsible for the aviation functions of the State, including the IAA, the Department of Transport, Tourism and Sport, Irish Met Services and the Air Accident Investigation Unit of Ireland. In addition, it requires co-ordination with international organisations such as ICAO, the European Commission and EASA.

The IAA's statistical and risk targeting audit approach was utilised throughout 2014 for surveillance

activities based on specific risk profiles and individual compliance / occurrence data. Key highlights include the following:

- Irish AOC holders (air carriers with an Irish Air Operator Certificate) operate to the highest ICAO and EASA standards. All AOC holders were externally audited by the IAA in 2014 as part of the integrated oversight programme. These included operations checks, SMS (Safety Management Systems) audits, personnel / licensing audits. All audits were satisfactory and findings closed out. Ireland's AOC holders' overall safety performance is within European averages as devised by EASA. All AOC holders have an effective safety management system and quality management system in place. No Irish operator was the subject of EU blacklisting.

- The surveillance programme of Irish airports was completed in 2014 (31 audits were conducted). Likewise, the surveillance programme of Irish air navigation services providers, including the IAA's own air traffic management services, was successfully completed in 2014 (32 audits were conducted). In both areas, standards remain high and in full compliance with ICAO and EASA standards.
- The airworthiness of Irish / leased carriers is central to safety. On 31 March 2015 the Register stood at 1,202 aircraft, of which 729 were large aircraft (273 were on lease), 434 small aircraft and 39 helicopters. There were 23 aircraft in storage. All carriers continued to operate to high standards with positive audit results. The main Irish AOC fleet is:

	308 Aircraft
	47 Aircraft
	28 Aircraft
	17 Aircraft
	14 Aircraft
	9 Aircraft

- With regard to foreign-leased aircraft on the Irish Register, the IAA provides airworthiness surveillance of these aircraft in accordance with ICAO Article 83 bis. Ireland is a member of an ICAO group currently developing agreed rules in relation to the application of Article 83 bis at a global level.
- The IAA is required by EASA to conduct spot checks on foreign aircraft whilst in Ireland. The 2014 Safety Assessment of Foreign Aircraft

(SAFA) / Safety Assessment of Community Aircraft (SACA) inspection programme was successfully completed in December 2014 and we conducted a total of 174 inspections on over 100 different operators, which exceeded our EASA set target.

- Oversight of general aviation remains high and the IAA continued to support the activities of the General Aviation Safety Council of Ireland (GASCI) to further improve consultation. GASCI, which was established in 2012, continues to represent an invaluable mechanism with which to reach out to the general aviation community with a view to enhancing safety. General aviation safety standards are well within European norms. For the first time, persons involved in general aviation will be subject to EU mandatory reporting requirements applicable from November 2015.
- During 2014, the IAA has actively engaged with EASA in relation to the development of new European rules governing the operation of Remotely Piloted Aircraft Systems (Drones). This represents a new regulatory challenge which SRD are addressing constructively. At a national level, the IAA published updated information concerning the requirements and safety implications of drone operation in Ireland.
- We continue to successfully conduct surveillance activities in relation to pilot and aircraft engineering training, as well as the oversight of approved aircraft maintenance, repair, overhaul and design organisations.

During the year, we commenced work on the development of a dedicated Executive Jet register.

We worked hard to support the application of our newest large Irish AOC holder, Norwegian Air International, regarding approval from the US Department of Transportation to operate freely on the North Atlantic in accordance with the EU/US Open Skies Agreement. We look forward to a successful approval of this EU-approved airline by the US authorities as soon as possible.

## CHIEF EXECUTIVE'S REVIEW *continued*

We remain on track to complete our safety surveillance programme in 2015 across all areas, including: AOCs, aerodromes, SAFA/SACA, training, maintenance, air navigation service providers, aviation security and general aviation.

I would like to thank Kevin Humphreys, Director Safety Regulation, for his many years of dedicated service to the IAA and his previous aviation roles.

### Aviation Security Regulation

The IAA became responsible for the oversight of civil aviation security in Ireland on 1 January 2013 (as the Appropriate Authority for Aviation Security). The compliance monitoring programme was successfully completed in 2014 in relation to airports, air carriers, regulated agents, known consignors and suppliers.

### Operational Performance Review

The Operations directorate, together with the Technology directorate, is responsible for the provision of safe, efficient and reliable air traffic services which meet the needs of its customers in a cost-effective manner. During the year a number of initiatives promoting safety were implemented including a very successful Operational Safety Week which involved significant stakeholder engagement. There is early evidence that these initiatives have worked well delivering tangible improvements to air traffic services.

To meet long-term strategic requirements and ensure compatibility with the SES RP2 (Single European Sky Reference Period 2) performance requirements, the Operations Directorate has been reorganised into two distinct business units: an En Route Business Unit and a Terminal Business Unit. These business units operated successfully during 2014. Key activities delivered by these units include the following:

**Reduced Departure Intervals:** Procedures for reduced departure intervals at Dublin Airport are now fully operational for aircraft of the same category. This has increased the efficiencies of the main runway at Dublin Airport.

**Remote Towers:** The IAA has successfully secured external funding from the SESAR Joint Undertaking (SJU) to support this project, which seeks to enable the provision of Remote Tower Services at Shannon and Cork, primarily in periods of low traffic intensity, from a remote facility in Dublin. A total of 50 exercises are envisaged for the project during 2015 and 2016 with the project expected to deliver both safety and financial benefits.

**Electronic Flight Strips:** Work is underway to introduce an Electronic Flight Strips (EFS) system in the Dublin Tower which will eliminate the requirement for traditional paper strips. Efficiency and safety of tower operations will be improved through automation.

**Centralised Monitoring:** Centralised monitoring of our technical systems at our ACCs (Area Control Centres) from central locations will deliver engineering productivity efficiencies. Work commenced on the introduction of centralised monitoring at Dublin and Shannon (interchangeable on a shift basis) in 2014 and is scheduled for implementation in late 2015.

**En Route Contingency Centre (Ballygirreen):** Construction on the Contingency En Route Centre at Ballygirreen commenced, on schedule, in October 2014. Construction will take twelve months and the building will be ready for handover to Technology / Operations at the end of 2015 (in accordance with the schedule) for ATM equipment installation and commissioning. This facility will further increase the resilience of the IAA to deal with unexpected interruptions to service.

**North Atlantic Communications joint service with ISAVIA:** Phase 2 of the IAA/ISAVIA (Iceland) cooperation will be fully operational in Q2 2015 and will create a full virtual centre with full integration of both Radio systems. Both parties will have access to all assets from either centre. This has required the introduction of a new voice communications switch, with significant work undertaken during 2014.

**Airport Collaborative Decision Making (A-CDM):** In November 2014, the IAA, along with the daa and EUROCONTROL, launched Airport Collaborative

Decision Making (A-CDM) at Dublin Airport. A-CDM involves a partnership approach and the timely exchange of information between operational users and suppliers of services at airports and the network manager in EUROCONTROL, enabling fuel and emissions savings to the airlines. A-CDM also results in many benefits to air traffic control including flexible pre-departure planning, reduced apron and taxiway congestion and easing of air traffic controller workload.

### Partnerships, Alliances and Strategic Initiatives

One of the cornerstones to our business is the active participation in strategic partnerships which add value to the business and / or meet our international regulatory criteria. This approach helps the IAA generate further cost efficiencies for our customers.

#### COOPANS

The IAA is committed to employing the best technology. The successful introduction of the next phase of COOPANS, our air traffic management system cooperatively procured by the five air navigation service providers in Austria, Croatia, Denmark, Ireland and Sweden, means that seven operational centres in Europe are now running the exact same version of COOPANS software. No other grouping in Europe is anywhere close to achieving the same levels of technical cooperation.

The COOPANS Alliance is in talks with the French service provider, DSNA, to create a common air traffic control system by 2025. The members are also considering the extension of alignment to include air traffic controller training (EPN – see below), which will bring Austria and Croatia into the EPN (Entry Point North) partnership.

In line with these developments, the COOPANS partners are becoming more and more aligned and the grouping has become a member of the A6 ANSP Alliance to participate as a member of the joint ANSP / Airline / Airport consortium for the SESAR Deployment Manager function (see below).



The IAA has agreed to invest US\$29.3 million, equivalent to a 6% equity shareholding, in Aireon, developer of the world's first space-based ADS-B (Automatic Dependant Surveillance – Broadcast) global air traffic surveillance system. With this technology, air traffic control services can be provided in nearly all parts of the globe, offering airlines significant fuel savings and fuel efficiencies. It is planned that the Aireon service will be available to air navigation service providers in 2018.

Recently, we announced that the Aireon Aircraft Locating and Emergency Response Tracking (Aireon ALERT) service will be managed from the IAA's North Atlantic Communications centre in Ballygirreen. This new global service will allow rescue agencies, air traffic control providers or airlines to request the location and last flight track of any ADS-B equipped aircraft flying anywhere in the world. The selection of the IAA to host the service reflects the IAA's experience and long history in the provision of aeronautical communications, our people, location and modern equipment.



#### SESAR (Single European Sky Air Traffic Management Research and Development)

A consortium that includes the IAA, our COOPANS partners and other air navigation service providers, airlines and airports, has successfully secured the contract for the EU SESAR Deployment Manager. This consortium is a unique aviation industry partnership which will coordinate and synchronise €3 billion worth of upgrades to Europe's air traffic management infrastructure aimed at modernising European airspace.

## CHIEF EXECUTIVE'S REVIEW *continued*



### Ireland/UK Functional Airspace Block (FAB)

During 2014, the IAA and NATS, the UK air traffic services provider, focused the vast majority of FAB activities on:

**FAB Performance Plan 2015-2019:** Significant work was undertaken during 2014 to finalise an operational related cost plan concerning the Ireland / UK FAB Performance Plan for RP2 (EU Performance Scheme, Reference Period 2, 2015- 2019). The finalised plan was submitted by the Irish and UK Governments in Q4 2014 and formally approved by the EU in Q1 2015. It contains national and joint FAB-wide targets for cost-efficiency, capacity (delays), environment (en route flight efficiency) and safety. This Plan commits the FAB to making a significant contribution to the delivery of Single European Sky over the next five years.

### Dynamic Sectorisation Operational Trial (DSOT):

First phase DSOT was successfully implemented by the IAA between January and September 2014. This trial involved the temporary delegation of a portion of UK airspace from NATS to the IAA. Working closely with our various partners across the FAB, this trial demonstrated the efficiencies to be delivered to airlines when tactical switching of air traffic services between providers is in place. The trial proved our ability to provide safe, cost-effective services in neighbouring airspace and was a first in Europe. Further activities are underway in relation to the trial during 2015.

**X-MAN Trial:** In 2014, the IAA worked closely with NATS to optimise UK/Ireland FAB airspace through the use of air traffic queue management systems and procedures in order to absorb delays in the en route phase of a flight rather than in the fuel-intensive holding stacks at Heathrow. The project has successfully delivered savings to our customers.



### Entry Point North Ireland Ltd

In 2014, the IAA entered into a strategic training alliance with Entry Point North Ireland Ltd. Entry Point North is one of the largest independent air traffic management training academies in Europe and this alliance ensures that ATM training is of the highest quality, regulatory compliant and cost-effective.



The IAA continued to support the work of the nine-member ANSP alliance and has used the Alliance to market commercial service opportunities. During 2014, it was agreed that the members should focus on the implementation of Free Route Airspace across the entire airspace for the region by 2018 (IAA introduced this operational concept in 2010 but is supporting this wider Borealis initiative).

### Competitiveness, Customer Charges and Customer Feedback

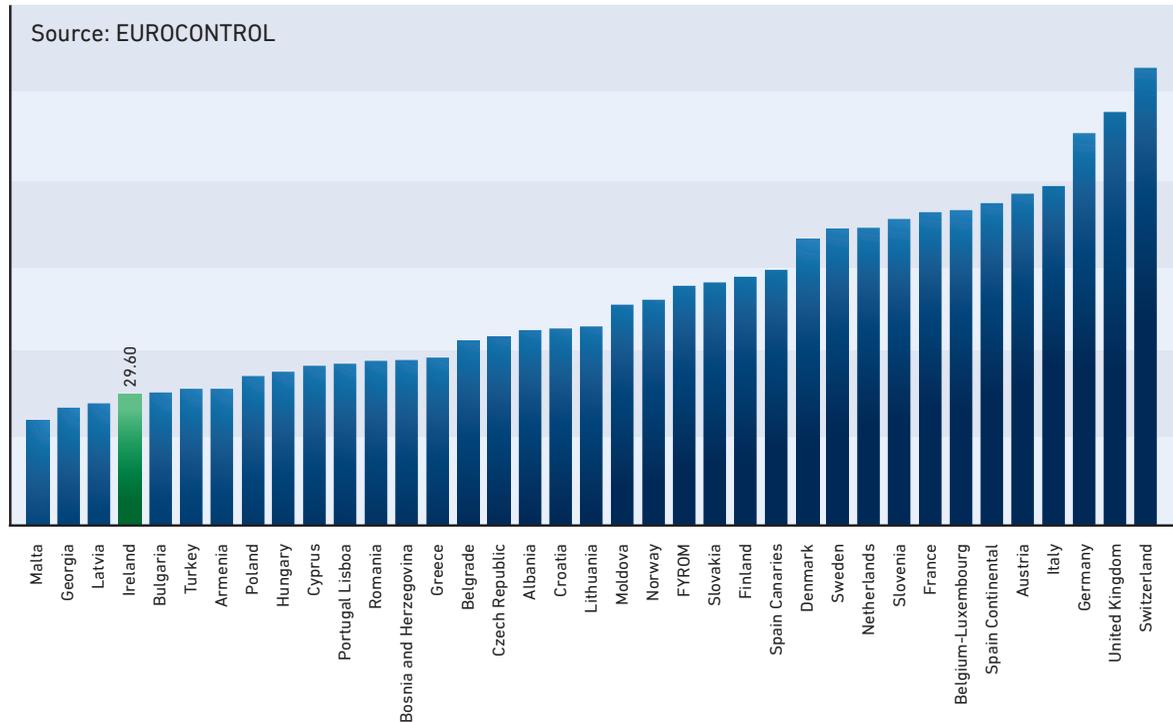
The IAA's competitive position is amongst the very best in Europe with well below average charges to customers and high levels of operational performance and project delivery. The IAA reported no air traffic management attributable delays in 2014 at Cork, Dublin and Shannon airports. Airport slot adherence statistics demonstrate a performance level above the EU standard.

The 2014 publication by EUROCONTROL of the ACE (ATM Cost-Effectiveness) report, confirmed that the IAA's gate-to-gate financial cost effectiveness was reported as €334 per flight hour compared to a European average of €437.

The current IAA en route unit rate for 2015 is €29.60 (national unit rate), compared to €30.62 in 2014. The IAA has consistently maintained one of the lowest en

route user charge unit rates, making Irish airspace economically attractive to airspace users. Our terminal charges remain within the lowest quartile.

### EUROCONTROL En route unit rates € - 2015



### Costs

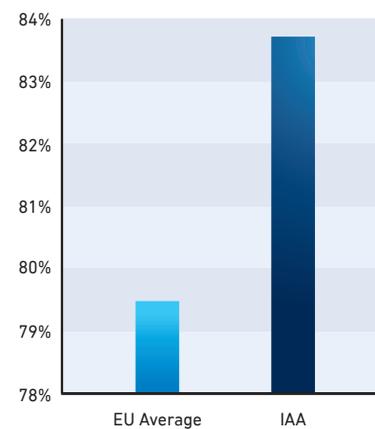
#### Gate-to-Gate Costs



IAA costs are lower and decreasing faster than the EU average with continuous improvement

### Safety

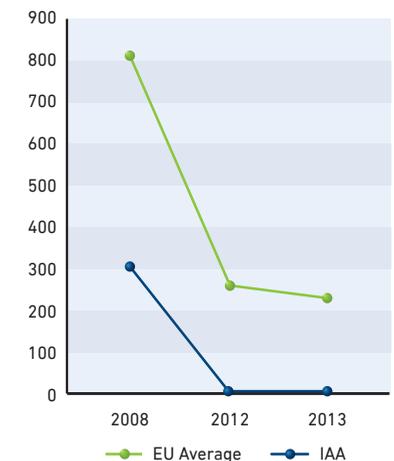
#### EoS



IAA EoS is above EU average with continuous improvement

### Delays

#### Delay



IAA delays have been and remain negligible

## CHIEF EXECUTIVE'S REVIEW *continued*

### Customer Feedback

The IAA briefed a total of 32 customers (including all of its top 25 customers) during 2014 on key strategic/operational issues on a face-to-face basis at their HQ facilities. Our 2014 customer care programme was, once again, very successful and resulted in an overall score to the IAA of 92.6%, measured across five main headings - service delivery and operational efficiency; financial cost-effectiveness; safety; customer communications and relations; innovation and continuous improvement. The IAA has used this programme over the years to establish a value-driven long term relationship with our customers. Our customer care surveys help us to understand the needs of our customers and to improve on our services.

Measure	Satisfaction Score
Financial Cost Effectiveness	89.97%
Service Delivery	92.60%
Safety	94.31%
Customer Relations	95.34%
Innovation	90.66%

### Financial Review

Our 2014 financial performance was very strong. Turnover in the year was €177.5 million, an increase of 2.2% over 2013. Traffic activity in the areas of en route, terminal and North Atlantic Communications increased when compared with last year and further growth is forecast for 2015. Operating profit, before an exceptional pensions past service credit, of €29.7 million was 15.5% higher than in 2013 due to a continued focus on operating costs and more efficient use of resources. A dividend of €6.5 million has been proposed by the IAA's board of directors.

### Pensions

Low bond yields represent a significant challenge to the ability of defined benefit pension schemes to pay pensions given that a low bond yield means that the cost of long-term financial promises is very high. The unprecedented low levels of interest rates and therefore bond yields, reflected in the reduction in the discount rate from 4.0% to 2.25%, has resulted in a

significant increase in the deficit of the main defined benefit pension schemes. This has meant that difficult decisions have needed to be made in order to protect the solvency of the schemes. Based on affordability considerations, the rate of pension increases, which are discretionary, are now assumed to be 0% on the basis that the pension fund cannot afford pension increases at this time. This decision is reflected in the IAA's Profit and Loss Account as an exceptional past service credit of €102.0 million. Although a significant contribution towards alleviating the increase in the deficit, it is still not sufficient as the pension deficit at 31 December 2014 has increased from €113.8 million at the end of 2013 to €132.5 million at the end of 2014. It is fair to say that, at this time, a pensions increase assumption greater than 0% is hard to forecast but it is the company's intention to monitor the situation closely into the future. The general principle is that pension increases can only be paid when the fund can afford to do so. The 2015 triennial actuarial valuation is being undertaken with a final report due towards the middle of the year.

### Turnover

En route navigation services accounted for €112.1 million or 63.2% of total turnover. These services are provided to aircraft (overflights) that, in the main, do not land in Ireland. We are strategically located in Europe with up to 90% of transatlantic air traffic passing through Irish-controlled airspace. Turnover from terminal navigation services, provided to aircraft for approach, landing and take-off at Cork, Dublin and Shannon airports, accounted for €21.1 million or 11.9% of turnover. North Atlantic Communications services contributed 10.4% or €18.4 million to total turnover. The IAA provides a voice communications service out to halfway across the Atlantic Ocean from our communications centre at Ballygirreen, Co. Clare.

Turnover from safety regulation functions accounted for €19.7 million or 11.1% of turnover. The IAA is responsible for the registration and certification of aircraft, aircraft personnel, aircraft-operating and maintenance organisations and aerodromes. Commercial revenue accounted for 2.5% of turnover or €4.5 million and was driven mainly by ATM-related training provided to Entry Point North Ireland Ltd.

## Operating Expenses

Operating expenses in 2014 were marginally lower than in 2013 at €147.8 million (2013: €147.9 million). We have continued to focus on cost-containment initiatives and the most effective use of existing resources, including enhanced use of technology, thereby increasing our operating profit margin (before exceptional items) from 14.8% in 2013 to 16.7% in 2014.

## Balance Sheet

Total assets of €255.2 million represent an increase of 12.7% over 2013. During the year, we invested €11.2 million (US\$15.3 million) in Aireon LLC, a space-based air traffic surveillance venture that is set to revolutionise air traffic management. Our commitment of a further US\$14.0 million will see our equity shareholding in Aireon reach 6% in 2017.

Included in liabilities is a net pension deficit, after related deferred tax, of €132.5 million, an increase of €18.7 million from 2013. The fair value of plan assets in the IAA's main defined benefit scheme increased from €392.0 million at 31 December 2013 to €450.7 million at 31 December 2014. The present value of the defined benefit obligations increased from €522.1 million to €602.2 million over the same period. While returns on pension scheme assets was very positive in the year, the reduction in the discount rate from 4.0% at 31 December 2013 to just 2.25% at 31 December 2014 had a significant impact on the liabilities of the scheme. This scheme is closed to new members since 1 January 2012 when a hybrid pension scheme was established for new employees joining the IAA from that date.

## Other Developments

### Corporate Social Responsibility (CSR)

During the year, the IAA published its inaugural Corporate Social Responsibility report. We are committed to adopting responsible, sustainable business practices, while having a positive long-term impact on our community, stakeholders, staff and industry.

### AVIATION INDUSTRY AWARDS 2015



In 2014, one of the many activities undertaken in support of our CSR objectives was our support of the first Aviation Industry Awards which recognised the achievements of those working to ensure a safe and efficient aviation industry. Due to its success, the IAA is again supporting the Aviation Industry Awards in May 2015.

## Human Resources

The focus on cost containment continues. Agreement was reached with staff representatives on an engineering restructuring agreement which also included the introduction of a graduate engineering programme. Twelve graduate engineers commenced on the programme in 2014.

Two intakes to our much sought after student air traffic controller programme also took place in 2014 and a further intake is planned in 2015.

During the year, a social media policy was agreed with staff representatives while attention was also successfully applied to effective managing attendance initiatives.

## Acknowledgements

I would like to thank our Chairman, Anne Nolan and her fellow board members, for their support and guidance throughout the year.

I would like to thank Mr. Tom O'Mahony, Secretary General and Mr. John Fearon, Assistant Secretary, together with their colleagues at the Department of Transport, Tourism and Sport, for their support and assistance during the year.

Finally, I would also like to thank my management colleagues and staff for their dedication and commitment in delivering on our many successes.



**Eamonn Brennan**

Chief Executive





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# FINANCIAL STATEMENTS

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Irish Aviation Authority ("IAA") for the year ended 31 December 2014.

### Principal activities, financial results and dividends

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.

Details of the financial results of the IAA for the year are set out in the profit and loss account on page 31 and in the related notes.

The information required by Section 13 of the Companies (Amendment) Act, 1986 – on the development of the business and important events – is included in the Chairman's Statement and Chief Executive's Review. As described therein, the performance of the IAA in the current year was again positive, with profit for the financial year of €21.8 million, before an exceptional past service credit of €89.2 million (net impact after tax), on turnover of €177.5 million.

During the year the IAA declared and paid a final dividend of €4.8 million (€0.27 per share) for fiscal 2013 (2013: €3.0 million - €0.17 per share). In addition to the €3.0 million dividend paid in the prior year a special dividend of €2.0 million (€0.11 per share) was paid in 2013 (total dividends 2013: €5.0 million).

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

Key performance indicators	2014	2013
	Number	Number
En route overflights	<b>301,331</b>	298,270
Terminal commercial traffic	<b>215,783</b>	202,533
North Atlantic communications	<b>420,423</b>	404,842

The IAA's vision is founded on six key results areas – safety regulation, air traffic management ("ATM") safety, security, service excellence, financial and stakeholder relations – which drive its objectives in its day-to-day performance. The key risks and uncertainties facing the future development of the IAA include:

- maintenance and improvement of safety standards
- further development of the Functional Airspace Block and Single European Sky regulations
- adverse economic and market conditions
- separation of the service provision and safety regulation functions
- IAA's significant reliance upon its IT infrastructure.

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 19 to 23, sets out the IAA's policies and approach to risks and the related internal control procedures and responsibilities.

### Directors

Ms. Anne Nolan's term of office expired on 12 June 2014 and she was re-appointed to the board, as Chairman, on 13 June 2014. Ms. Marie Bradley was appointed to the board on 13 June 2014. Mr. Pascal Fitzgerald was appointed to the board on 1 August 2014. Mr. Geoffrey O'Byrne-White retired from the board on 9 December 2014.

### Interests of directors and secretary

The directors and secretary who held office at 31 December 2014 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. The directors of the IAA are appointed by the Minister for Transport, Tourism and Sport and hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding four years.

## Corporate governance

The directors are committed to maintaining the highest standards of corporate governance. The IAA complies with the Code of Practice for the Governance of State Bodies. The following summarises the IAA's approach to corporate governance.

### Principles of good corporate governance

The directors are accountable to the IAA's shareholders – the Minister for Transport, Tourism and Sport and the Minister for Public Expenditure and Reform – for good corporate governance. This report describes how the relevant principles of good corporate governance, set out in the Code of Practice for the Governance of State Bodies, are applied.

#### The Board

The board comprises seven non-executive directors and one executive director who were appointed by the Minister for Transport, Tourism and Sport. The directors hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding four years. The board has considered designating an individual director as the senior independent director, but in view of the manner of appointment of directors, has concluded that this is not appropriate.

The board 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 and his senior management team sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

The board has reserved certain items for its review, including safety; the approval of the annual financial statements; budgets; the corporate plan; management accounts; significant contracts; significant capital expenditure and senior management appointments.

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. Throughout their time in office, the directors are provided with regular information on all aspects of the business. Reports and papers are circulated to the board and its committees on a timely basis.

Regular meetings of the board are held throughout the year. The number of meetings held by the board in 2014 was six. These meetings were attended as follows:

	Date of appointment	Board meetings attended	Max number of board meetings director could have attended
Anne Nolan, <i>Chairman</i>	13 June 2014	6	6
Eamonn Brennan, <i>Chief Executive</i>	8 September 2011	6	6
Marie Bradley	13 June 2014	3	3
Ernie Donnelly	24 May 2012	6	6
Pascal Fitzgerald	1 August 2014	2	2
Basil Geoghegan	20 May 2013	6	6
Michael Norton	6 October 2011	6	6
Geoffrey O'Byrne-White	Retired during year	4	6
Kevin O'Driscoll	16 September 2013	6	6

## DIRECTORS' REPORT *continued*

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.

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.

The board conducted an end of year evaluation of its performance, measuring it against its strategic objectives, considering the achievements and identifying any areas where the board could improve its planning or procedures, and also identifying training needs. The board uses a similar process to evaluate the performance of committees each year. The board has considered a more formal process for evaluation of individual directors, including the appointment of an external facilitator, but in light of the manner of appointment of directors, has concluded that such evaluation would not be appropriate at this time.

All of the non-executive directors are independent of management. The remuneration of the executive director, who has a service contract, was approved by the Personnel, Appointments and Remuneration

committee and a proportion of that remuneration was performance-related and, in this way, was linked to the IAA's and the individual's objectives. Fees for directors are determined by the Minister for Public Expenditure and Reform. The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Code of Practice for the Governance of State Bodies.

The board uses four committees to assist in the effective discharge of its responsibilities:

1. **Audit**
2. **Finance**
3. **Personnel, appointments and remuneration**
4. **Investment planning**

### **Audit committee**

The audit committee operates under formal terms of reference, which were reviewed during the year. The committee held four meetings during 2014. The members of the committee and the number of meetings attended were:

<b>Members</b>	<b>Meetings attended</b>	<b>Eligible to attend</b>
Kevin O'Driscoll, <i>Chairman</i>	4	4
Geoffrey O'Byrne-White, <sup>(1)</sup> <i>(retired)</i>	2	3
Pascal Fitzgerald	1	1
Basil Geoghegan	2	2
Anne Nolan	1	1

*(1) Geoffrey O'Byrne-White acted as chairman up to the date of his retirement from the board on 9 December 2014.*

The committee may review any matters relating to the affairs of the IAA, other than safety matters which are reserved to the board. It reviews the annual financial statements, reports of the internal auditor, the accounting policies, proposed changes in accounting policies, compliance with accounting standards, the accounting implications of major transactions and the appointment and fees of the external auditor.

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 IAA's financial statements. The audit committee considers the independence of the external auditors on an annual basis and has adopted a policy governing the provision of non-audit services by the external auditor. The internal auditor reports directly to the audit committee.

Meetings are usually attended by the chief executive, director of finance, head of internal audit and representatives from operations, information technology, insurance, health and safety, legal and compliance, by invitation, as appropriate.

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

During 2014, the audit committee reviewed:

- draft financial statements for 2013 prior to recommending them for approval to the board
- a report from the external auditors on its audit of the financial statements for the year ended 31 December 2013
- corporate risk register 2014-2015 including the key risks to the business and consideration of the adequacy of the system of risk identification and assessment
- the effectiveness of financial, operational and compliance controls and risk management processes
- internal audit plan for 2014 and internal audit reports
- effectiveness of the internal audit function
- external audit plan for 2014 including the scope of the audit
- corporate governance compliance
- audit fees and non-audit fees payable to the external auditor
- its own terms of reference

#### Finance committee

The finance committee operates under formal terms of reference and met once during the year. The members of the committee and number of meetings attended were:

Members	Meetings attended	Eligible to attend
Anne Nolan, <i>Chairman</i>	1	1
Eamonn Brennan	1	1
Basil Geoghegan	1	1
Geoffrey O'Byrne-White ( <i>retired</i> )	1	1

The committee may review any matters relating to the financial management of the IAA. It reviews the annual capital and operating budgets, treasury policy, insurance and banking and financing arrangements.

## DIRECTORS' REPORT *continued*

### Personnel, appointments and remuneration committee

The personnel, appointments and remuneration committee operates under formal terms of reference and met twice during the year. The members of the committee and the number of meetings attended were:

Members	Meetings attended	Eligible to attend
Anne Nolan, <i>Chairman</i>	2	2
Basil Geoghegan	1	2
Geoffrey O'Byrne-White (retired)	2	2

The committee determines and approves the remuneration of senior management, having availed of independent advice from a remuneration consultant who had no other connection with the IAA. The committee also approves senior management appointments. Details of directors' fees and emoluments are set out in note 6 of the financial statements in accordance with the requirements of the Code of Practice for the Governance of State Bodies.

### Investment planning committee

The investment planning committee operates under formal terms of reference and met once during the year. The members of the committee and the number of meetings attended were:

Members	Meetings attended	Eligible to attend
Michael Norton, <i>Chairman</i>	1	1
Ernie Donnelly	1	1

The committee considers the IAA's strategy in relation to capital investment and related expenditure.

### Internal control

The board is ultimately responsible for the IAA's system of internal control and for monitoring its effectiveness. 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.

An on-going process exists for identifying, evaluating and managing the significant risks faced by the IAA. This process accords with the Turnbull Guidance, is regularly reviewed 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.

The board has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. 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 and may be associated with a variety of internal or external sources, including control breakdowns, disruptions in information systems, competition, natural catastrophes and regulatory requirements.

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

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

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

The IAA's system of internal financial control comprises those controls established in order to provide reasonable assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and reliable financial information for use within the business or for publication.

The board has reviewed the effectiveness of the systems of internal control covering financial, operational and compliance controls and risk management systems. The IAA has a strong control framework in place which includes the following:

- a code of ethics, approved by the board, which provides practical guidance for all staff
- a clearly defined organisation structure with appropriate segregation of duties and limits of authority
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure
- a comprehensive system of financial reporting, accounting, treasury management and project appraisal
- comprehensive budgeting systems with annual budgets approved by the board
- monitoring of performance against budgets and reporting on it to the board on a monthly basis
- an internal audit function which reviews key financial systems and controls and general operations
- an audit committee which approves audit plans and deals with significant control issues raised by internal or external audit and which reviews and recommends the year-end financial statements for approval by the board
- policies and procedures for the reporting and resolution of suspected fraudulent activities.

### Going concern

The directors, after making enquiries, believe that the IAA has adequate resources to continue in operation for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

## DIRECTORS' REPORT *continued*

### Accounting records

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

### 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 2013 (S.I. No. 580 of 2013).

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 2014 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

On 27 March 2015, the board proposed the payment of a dividend for 2014 of €6.5 million (€0.37 per share).

### Electoral Act, 1997

The IAA made no political donations during the year or the prior year.

### Auditor

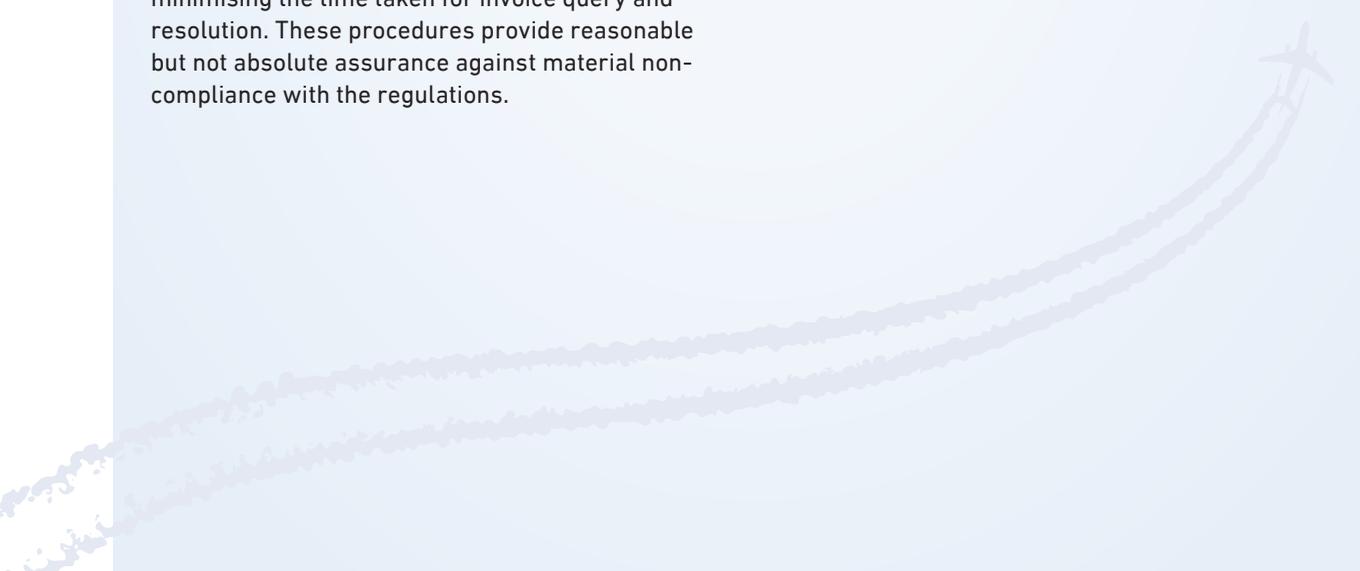
In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, have expressed their willingness to continue in office.

On behalf of the board:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

27 March 2015



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the IAA's financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable Irish law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

The IAA's financial statements are required by law to present fairly the financial position and performance of the IAA. The Companies Acts, 1963 to 2013 provide in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The financial statements are required by law to give a true and fair view of the state of affairs of the IAA and of the profit or loss of the IAA for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 IAA will continue in business.

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

The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Acts, 1963 to 2013.

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

On behalf of the board:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

*27 March 2015*

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

We have audited the financial statements ("financial statements") of the Irish Aviation Authority ("IAA") for the year ended 31 December 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the IAA's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 IAA and the IAA's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 25, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the IAA's affairs as at 31 December 2014 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

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

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The financial statements are in agreement with the books of account and, in our opinion, proper books of account have been kept by the IAA.

In our opinion, the information given in the directors' report is consistent with the financial statements.

The net assets of the IAA, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the IAA.

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

We have nothing to report in respect of the following:

- Under the Companies Acts, 1963 to 2013 we are required 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 ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code, as included in the Directors' Report on pages 22 and 23, does not reflect the IAA's compliance with paragraph 13.1(iii) of the Code, or if it is not consistent with the information of which we are aware from our audit work on the financial statements, and we report if it does not.

Caroline Flynn  
**for and on behalf of**  
**KPMG**  
**Chartered Accountants,**  
**Statutory Audit Firm**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

27 March 2015

## STATEMENT OF ACCOUNTING POLICIES

The Irish Aviation Authority (“IAA”) is a private limited company formed under the Irish Aviation Authority Act, 1993 (the “IAA Act”), and registered under the Companies Acts, 1963 to 2013. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the IAA’s financial statements.

### **Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention and applicable law and Irish generally accepted accounting practice which includes compliance with the financial reporting standards of the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland.

### **True and fair view override**

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

The costs to be taken into account for the purpose of the EUROCONTROL agreement are defined in the EUROCONTROL charging principles and in the EC Charging Regulations in a manner that includes all cash payments to pension funds. Consequently, the directors have determined that it is appropriate to incorporate all cash contributions made to the IAA’s pension fund in operating expenses in addition to the pensions charge determined in accordance with FRS 17 ‘Retirement Benefits’, and to record an offsetting credit in the statement of total recognised gains and losses (“STRGL”), in order to present a true and fair view of its results

and state of affairs. Further details of the impact of this accounting treatment is shown in the pensions accounting policy on page 30.

### **Turnover**

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

### **En route and terminal revenues**

As described above, the IAA is entitled to recover differences between income and costs relating to en route navigation service charges where these differences arise from traffic volume risk and cost risk sharing. Differences arising are provided for in an accrued/deferred income account and are adjusted against income arising from en route activity. Income from terminal navigation charges, relating to approach, landing and take-off services, is accounted for in a similar manner. Amounts are accrued in turnover and recognised as either receivables or payables in the balance sheet.

### **Deferred revenue**

The IAA recognise revenue for certificates of airworthiness on the annual charge to aircraft based in the EU, in line with its performance obligations on a straight line basis over a twelve month period.

## Tangible fixed assets and depreciation

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

Buildings	5%
Completed installations and other works	8 $\frac{1}{3}$ % – 12 $\frac{1}{2}$ %
Office equipment	20% – 33 $\frac{1}{3}$ %

Assets are depreciated from the date they are commissioned for use. Assets under construction/ installations in progress are carried at historical cost and are not depreciated until they are brought into use. In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill', the carrying amounts of the IAA's tangible fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment.

## Financial fixed assets

A joint venture is an investment in an entity in which the IAA holds an interest on a long-term basis and is jointly controlled by the IAA and one or more other parties under a contractual arrangement.

Investments in joint ventures are carried on the balance sheet as financial fixed assets and are valued at cost, as adjusted by post-acquisition changes in the IAA's share of the net assets of the joint venture, less allowance for any impairment in value of individual investments.

Other financial fixed assets are recorded at cost less any allowance for impairment in value.

## Leased assets

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

## Foreign currencies

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

## Taxation

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

A 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.

## STATEMENT OF ACCOUNTING POLICIES *continued*

### Pension costs

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

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

- a. the actuarially determined cost of pension benefits promised to employees during the year plus any benefit improvements granted to members during the year (current/past service cost),
- b. the expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount rate, such amounts being included in financing costs, and
- c. an additional charge to operating expenses reflecting the difference between the actuarially determined pension charge (current/past service cost) included above and total cash payments to the pension fund in the year.

Any differences between the expected return on assets and what was actually achieved, and any changes in the liabilities due to changes

in assumptions, or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses. The STRGL includes an offset amounting to the additional pension charge, described in paragraph (c) above, expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 28.

The IAA thus departs from the requirements of FRS 17 in order that the results present a true and fair view and comply with the requirements of the agreements under which its operations are governed. The impact of the departure is to increase the actuarially determined service cost by €16,169,000 (2013: €17,596,000) for recovery under the charging mechanism in the year ended 31 December 2014, and to record an offsetting credit in the STRGL, thereby maintaining the profit and loss reserves and net assets of the IAA in line with the requirements of FRS 17.

The IAA also operates a defined contribution pension scheme: "The Irish Aviation Authority Defined Contribution Pension Plan 2012" – for staff whose employment commenced since 1 January 2012. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of 2014.

### Cash flow statement

Cash for the purpose of the cash flow statement represents cash held at banks and available on demand.

Liquid resources (other than cash) comprise bank fixed deposits with maturities of greater than one day and less than three months. These deposits are readily convertible into known amounts of cash.

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2014

		2014	2014	2014	2013
	Notes	Before Exceptional €'000	Exceptional €'000	Total €'000	Total €'000
<b>Turnover – continuing activities</b>	1	<b>177,475</b>	-	<b>177,475</b>	173,583
Operating expenses		<b>(147,764)</b>	-	<b>(147,764)</b>	(147,860)
Exceptional past service credit	2	-	102,000	<b>102,000</b>	-
<b>Operating profit – continuing activities</b>		<b>29,711</b>	102,000	<b>131,711</b>	25,723
Interest receivable and similar income	3	<b>1,478</b>	-	<b>1,478</b>	302
Interest payable and similar charges	4	<b>(289)</b>	-	<b>(289)</b>	(90)
Net finance expense	5	<b>(3,575)</b>	-	<b>(3,575)</b>	(4,589)
<b>Profit on ordinary activities before taxation</b>	6	<b>27,325</b>	102,000	<b>129,325</b>	21,346
Tax on profit on ordinary activities	7	<b>(5,540)</b>	(12,750)	<b>(18,290)</b>	(5,235)
<b>Profit for the financial year</b>	23	<b>21,785</b>	89,250	<b>111,035</b>	16,111

On behalf of the board:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
<b>Profit for the financial year</b>	23	<b>111,035</b>	16,111
<i>Adjustments in relation to defined benefit schemes:</i>			
Actuarial gains on plan assets	22	<b>36,335</b>	11,092
Experience gains/(losses) on scheme liabilities	22	<b>13,698</b>	(18,898)
Effect of changes in actuarial assumptions	22	<b>(186,001)</b>	10,243
		<b>(135,968)</b>	2,437
Related deferred tax asset/(liability)	14 (ii)	<b>16,996</b>	(305)
Cash in excess of pension service cost	2	<b>16,169</b>	17,596
<b>Total recognised gains for the financial year</b>	24	<b>8,232</b>	35,839

## BALANCE SHEET

at 31 December 2014

	Notes	2014 €'000	2013 €'000
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible assets	8	79,003	85,718
Financial assets	9	11,933	739
		<b>90,936</b>	<b>86,457</b>
<b>Current assets</b>			
Debtors	10	37,989	33,741
Cash at bank and in hand		126,238	106,157
		<b>164,227</b>	<b>139,898</b>
<b>Total assets</b>		<b>255,163</b>	<b>226,355</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	15	22,675	22,675
Profit and loss account	23	61,311	57,912
<b>Shareholders' funds – equity</b>	24	<b>83,986</b>	<b>80,587</b>
<b>Non current liabilities</b>			
<b>Creditors:</b> amount falling due after more than one year	13	6,541	-
Pension liability, net of tax	22	133,548	114,351
<b>Provisions for liabilities and charges</b>	14	-	148
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	11	31,088	31,269
<b>Total equity and liabilities</b>		<b>255,163</b>	<b>226,355</b>

On behalf of the board:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

## CASH FLOW STATEMENT

for the year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
<b>Net cash inflow from operating activities</b>	(see below)	<b>46,434</b>	35,383
Returns on investments and servicing of finance	17	1,094	104
Net taxation paid		(3,984)	(3,994)
Capital expenditure and financial investment	17	(7,436)	(9,046)
Acquisitions and disposals	17	(11,194)	(739)
Equity dividends paid	16	(4,833)	(5,015)
<b>Increase in cash in year</b>	18	<b>20,081</b>	16,693

### Reconciliation of operating profit to net cash inflow from operating activities

	2014 €'000	2013 €'000
<b>Operating profit</b>	<b>131,711</b>	25,723
Non cash pension credits	(102,000)	-
Depreciation of tangible fixed assets	14,929	15,770
Increase in debtors	(3,753)	(2,704)
Increase/(decrease) in creditors	5,547	(3,406)
<b>Net cash inflow from operating activities</b>	<b>46,434</b>	35,383

## NOTES

*forming part of the financial statements*

### 1. Turnover

	2014	2013
	€'000	€'000
<b>Activity</b>		
En route	<b>112,079</b>	115,477
Terminal	<b>21,135</b>	21,379
North Atlantic communications	<b>18,442</b>	18,028
Safety regulation	<b>19,670</b>	16,051
Exempt air traffic	<b>1,652</b>	1,552
Commercial	<b>4,497</b>	1,096
	<b>177,475</b>	173,583

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

### 2. Staff numbers and costs

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

	2014	2013
Operations	<b>432</b>	437
Technology and training	<b>68</b>	73
Safety regulation	<b>92</b>	93
Finance, human resources, corporate affairs and others	<b>57</b>	56
Total employees	<b>649</b>	659
Student air traffic controllers	<b>20</b>	18

## NOTES *continued*

### 2. Staff numbers and costs *(continued)*

	2014	2013
	€'000	€'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	59,131	60,290
Social welfare costs	4,298	4,069
Pension costs – current service cost (note 22)	7,453	7,502
Pension costs – past service cost (note 22)	(2,404)	(2,389)
Pension costs – defined contribution (note 22)	30	13
Pension costs – additional cash cost (note 22)	16,169	17,596
Other post-employment costs (note 22)	510	563
	<b>85,187</b>	<b>87,644</b>
In addition to the above:		
Pension costs – exceptional past service credit (note 22)*	(102,000)	-

\*The exceptional past service credit arises from a change in the rate of pension increase assumption, which, given the current deficit position of the 1996 and 2008 defined benefit pension schemes has meant that there will be no further increase granted on pensions payable with effect from 1 January 2015.

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

### 3. Interest receivable and similar income

	2014	2013
	€'000	€'000
Foreign exchange gain	1,183	-
Bank interest	149	151
Other interest	146	151
	<b>1,478</b>	<b>302</b>

### 4. Interest payable and similar charges

	2014	2013
	€'000	€'000
On bank loans and overdrafts	289	90
	<b>289</b>	<b>90</b>

## 5. Net finance expense

	2014 €'000	2013 €'000
Expected return on plan assets (note 22)	17,359	16,678
Interest on plan liabilities (note 22)	(20,934)	(21,267)
	<b>(3,575)</b>	<b>(4,589)</b>

## 6. Statutory and other information

### Directors' remuneration

	2014 €'000	2013 €'000
<b>Fees paid to directors</b>		
Ms. Anne Nolan, <i>Chairman</i>	22	22
Mr. Eamonn Brennan, <i>Chief Executive</i> <sup>(a)</sup>	-	-
Ms. Marie Bradley	6	-
Ms. Lorraine Burke	-	12
Mr. Pat Dalton	-	3
Mr. Ernie Donnelly <sup>(b)</sup>	-	-
Mr. Pascal Fitzgerald	5	-
Mr. Basil Geoghegan	13	8
Dr. Rosheen McGuckian	-	12
Mr. Michael Norton	13	13
Mr. Geoffrey O'Byrne-White	12	13
Mr. Kevin O'Driscoll	13	3
	<b>84</b>	<b>86</b>

(a) The chief executive voluntarily waived his board fees since December 2011.

(b) Mr. Ernie Donnelly, as a public sector employee, does not receive board fees.

In aggregate, directors were reimbursed expenses of €1,291 in total during 2014 (2013: €3,966).

## NOTES *continued*

### 6. Statutory and other information (*continued*)

	2014 €'000	2013 €'000
Emoluments and pension contributions relating to the chief executive's contract of employment		
- annual basic salary	232	232
- performance-related remuneration paid in respect of previous year	-	-
- other taxable benefits	62	41
- pension contributions	50	79
	<b>344</b>	352

The chief executive voluntarily waived 10% of his official salary in each year 2009 to 2014 and waived his board fees since December 2011. The IAA operates a Department of Finance approved performance-related pay scheme for all chief executives of commercial semi-State bodies that provides for a long and short term performance-related pay element based on pre-agreed objectives. No performance-related pay was paid to the chief executive in respect of years 2010 - 2014.

	2014 €'000	2013 €'000
Auditor's remuneration		
- audit	50	50
- other assurance	20	21
- tax advisory services	8	8
- other non-audit	95	290

	2014 €'000	2013 €'000
Depreciation	14,929	15,770
Met Eireann charges	8,098	8,176
Rentals payable under operating leases — buildings	979	3,553
Rentals payable under operating leases — other	106	114

## 7. Tax on profit on ordinary activities

	2014 €'000	2013 €'000
Corporation taxation	<b>4,389</b>	3,634
Deferred tax charge/(credit) (note 14):		
- Origination and reversal of pension timing differences dealt with in the profit and loss account	<b>14,324</b>	1,625
- Origination and reversal of other timing differences	<b>(423)</b>	(24)
	<b>18,290</b>	5,235

### Current tax reconciliation

Profit on ordinary activities before tax	<b>129,325</b>	21,346
Expected current tax at 12.5% (2013: 12.5%)	<b>16,166</b>	2,668
Effects of:		
- (Credits)/expenses not deductible for tax purposes*	<b>(11,957)</b>	847
- Capital allowances in excess of depreciation	<b>72</b>	(31)
- Income not taxable at standard rate	<b>110</b>	149
- Other timing differences	<b>(2)</b>	1
<b>Total current tax charge</b>	<b>4,389</b>	3,634

\*Of which (€12,750,000) relates to an exceptional past service credit.

## NOTES *continued*

### 8. Tangible fixed assets

	Buildings €'000	Completed installations and other works €'000	Installations in progress €'000	Office equipment €'000	Total €'000
<b>Cost</b>					
At beginning of year	30,464	130,870	12,719	7,146	181,199
Additions in year	–	139	7,454	621	8,214
Brought into use in year	–	4,639	(5,092)	453	–
Disposals in year	–	–	–	(102)	(102)
<b>At end of year</b>	<b>30,464</b>	<b>135,648</b>	<b>15,081</b>	<b>8,118</b>	<b>189,311</b>
<b>Accumulated depreciation</b>					
At beginning of year	14,701	75,605	–	5,175	95,481
Charge in year	1,523	12,485	–	921	14,929
Disposals in year	–	–	–	(102)	(102)
<b>At end of year</b>	<b>16,224</b>	<b>88,090</b>	<b>–</b>	<b>5,994</b>	<b>110,308</b>
<b>At 31 December 2014</b>	<b>14,240</b>	<b>47,558</b>	<b>15,081</b>	<b>2,124</b>	<b>79,003</b>
At 31 December 2013	15,763	55,265	12,719	1,971	85,718

### 9. Financial fixed assets

	2014 €'000	2013 €'000
Interest in joint venture, at cost	739	739
Other financial assets	11,194	–
	<b>11,933</b>	739

The IAA has a 25% interest in Entry Point North AB, a provider of air traffic management training solutions. This interest was acquired on 20 December 2013.

During 2014, the IAA invested US\$15.3 million (€11.2 million) into the equity capital of Aireon LLC, a company developing space-based global air traffic surveillance systems. The IAA's investment in Aireon LLC represents 3.125% of the equity of Aireon LLC. This percentage ownership will increase to 6% by 2017, through a series of additional scheduled investments totalling US\$14.0 million.

## 10. Debtors

	2014 €'000	2013 €'000
Trade debtors	32,094	26,163
Prepayments and accrued income	4,843	6,712
Other debtors	144	376
Value added tax	633	374
Corporation tax receivable	-	116
Deferred tax asset	275	-
	<b>37,989</b>	<b>33,741</b>

Debtors are due within one year except for €256,000 (2013: €463,000) relating to accrued income to be recovered through 2016 en route and terminal charges.

## 11. Creditors: amounts falling due within one year

	2014 €'000	2013 €'000
Trade creditors	2,512	1,609
Other creditors including tax and social welfare (note 12)	2,195	20
Accruals and deferred income	26,381	29,640
	<b>31,088</b>	<b>31,269</b>

## 12. Taxation and social welfare included in other creditors

	2014 €'000	2013 €'000
PAYE/PRSI	1,906	20
Corporation tax	289	-
	<b>2,195</b>	<b>20</b>

## 13. Creditors: amounts falling due after more than one year

	2014 €'000	2013 €'000
Deferred income	6,541	-
	<b>6,541</b>	<b>-</b>

## NOTES *continued*

### 14. Deferred tax (asset)/liabilities

	Ref	2014 €'000	2013 €'000
Deferred taxation – excluding pension-related	(i)	(275)	148
Deferred taxation – pension-related	(ii)	(18,930)	(16,258)
		(19,205)	(16,110)
Less deferred taxation included in pension liability		18,930	16,258
<b>Total deferred taxation – excluding pension-related</b>		<b>(275)</b>	<b>148</b>

(i) Deferred taxation – excluding pension-related

At beginning of year	148	172
Credited to profit and loss account (note 7)	(423)	(24)
<b>At end of year</b>	<b>(275)</b>	<b>148</b>

The deferred tax asset at the end of the year represents the full potential liability arising on timing differences between capital allowances and depreciation and on general provisions.

(ii) Deferred taxation – pension-related

	2014 €'000	2013 €'000
At beginning of year	(16,258)	(18,188)
Changes in actuarial assumptions	(16,996)	305
Charged to profit and loss account (note 7)	14,324	1,625
<b>At end of year</b>	<b>(18,930)</b>	<b>(16,258)</b>

## 15. Called up share capital — equity

	2014	2013
	€'000	€'000
<b>Authorised, allotted, called up and fully paid</b>		
17,858,000 ordinary shares of €1.27 each	<b>22,675</b>	22,675

## 16. Equity dividends paid

	2014	2013
	€'000	€'000
<b>Declared and paid during the year:</b>		
Final dividend for 2013: €0.27 per share (2012: €0.17 per share)	<b>(4,833)</b>	(3,015)
Special dividend for 2013: €Nil (2012: €0.11 per share)	–	(2,000)
	<b>(4,833)</b>	(5,015)

## 17. Gross cash flows

	2014	2013
	€'000	€'000
<b>Returns on investments and servicing of finance</b>		
Foreign exchange gain	<b>1,183</b>	–
Interest paid	<b>(289)</b>	(79)
Interest received	<b>200</b>	183
	<b>1,094</b>	104

	2014	2013
	€'000	€'000
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	<b>(7,436)</b>	(9,046)
	<b>(7,436)</b>	(9,046)

	2014	2013
	€'000	€'000
<b>Acquisitions and disposals</b>		
Payments to acquire interest in financial asset/joint venture	<b>(11,194)</b>	(739)
	<b>(11,194)</b>	(739)

## NOTES *continued*

### 18. Reconciliation of net cash flow to movement in net funds

	2014	2013
	€'000	€'000
Increase in cash in year	<b>20,081</b>	16,693
Net funds at beginning of year	<b>106,157</b>	89,464
<b>Net funds at end of year</b>	<b>126,238</b>	106,157

Analysis of net funds	At 1 January 2014	Cash flow	At 31 December
	€'000	€'000	2014
			€'000
Cash at bank and in hand	106,157	20,081	<b>126,238</b>

### 19. Related parties

In common with many other government bodies, the IAA deals in the normal course of business with other government bodies and departments, such as Dublin Airport Authority plc., Shannon Airport Authority Ltd, Electricity Supply Board ("ESB"), the Department of Transport, Tourism and Sport and Met Eireann. 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 Ltd, a 100% owned subsidiary of Entry Point North (EPN) AB. Entry Point North Ireland Ltd also provides air traffic management training services to the IAA on an arm's-length basis. During the year, the IAA earned revenue of €3.6 million and incurred costs of €6.4 million in transactions with Entry Point North Ireland Ltd. As at 31 December 2014, there is a net payable balance to Entry Point North Ireland Ltd amounting to €1.2 million.

## 20. Commitments

### (i) Capital commitments

	2014 €'000	2013 €'000
<b>Future capital expenditure approved by the directors:</b>		
Not contracted for	<b>38,964</b>	24,552
Contracted for	<b>6,406</b>	6,906
	<b>45,370</b>	31,458

### (ii) Operating lease commitments

	2014 €'000		2013 €'000	
	Buildings	Motor Vehicles	Buildings	Motor Vehicles
<b>Expiring:</b>				
Within one year	–	<b>17</b>	–	–
Between one and two years	–	<b>67</b>	–	23
Between two and five years	<b>101</b>	<b>28</b>	101	83
More than five years	<b>3,344</b>	–	3,266	–
	<b>3,445</b>	<b>112</b>	3,367	106

## 21. Contingent liabilities

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

## NOTES *continued*

### 22. Pension

	2014 €'000	2013 €'000
FRS 17 pension liability (see A below)	<b>132,505</b>	113,803
Supplementary ex-gratia pension liability (see C below)	<b>1,043</b>	548
<b>Total pension liability, net of tax</b>	<b>133,548</b>	114,351

Pensions for all permanent employees, whose employment commenced prior to 1 January 2012, are funded through two defined benefit pension schemes, 'The Irish Aviation Authority Staff Superannuation Scheme 1996' and 'The Irish Aviation Authority Staff Superannuation Scheme 2008', and the assets accumulated are vested in independent trustees. Pensions for all permanent employees, whose employment commenced since 1 January 2012, are funded through a defined benefit pension scheme, 'The Irish Aviation Authority Hybrid Pension Plan 2012' and the assets accumulated 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 valuation is 1 January 2012 and covers all accrued benefits. This valuation was conducted by qualified independent actuaries.

The valuations employed for FRS 17 purposes have been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2014 and to take account of financial conditions at this date. The valuations used for FRS 17 purposes have been completed using the projected unit method, and assets for this purpose have been valued at market value.

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

The 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.



## 22. Pension (continued)

### A. The Irish Aviation Authority Staff Superannuation Scheme 1996 and The Irish Aviation Authority Staff Superannuation Scheme 2008

#### (i) Principal actuarial assumptions

	2014 Projected Unit	2013 Projected Unit
<b>Weighted average assumptions to determine benefit obligations</b>		
Expected rate of return on plan assets	2.25%	4.39%
Expected return on plan assets at beginning of period*	4.39%	4.60%
Discount rate	2.25%	4.00%
Rate of general compensation increase (staff/senior staff)†	1.50%	1.80%
Rate of price inflation	1.50%	1.80%
Rate of pension increase†	0.00%	1.80%

\* The expected rate of return on assets for 2014 has been reduced by 0.75% to reflect the pension levy paid in 2014.

† This is the long-term assumption applicable from 2015 onwards in respect of staff/senior staff increases.

The board has 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:

	2014	2013
<b>Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:</b>		
Current active and deferred members	24.8	24.7
Current pensioner members	22.0	21.9
<b>Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:</b>		
Current active and deferred members	25.7	25.7
Current pensioner members	23.3	23.3

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.

## NOTES *continued*

### 22. Pension (*continued*)

#### (ii) Amounts recognised in the balance sheet

	2014 €'000	2013 €'000
Present value of wholly or partly funded obligations	<b>(602,181)</b>	(522,062)
Fair value of plan assets	<b>450,746</b>	392,001
<b>Deficit</b>	<b>(151,435)</b>	(130,061)
Related deferred tax asset	<b>18,930</b>	16,258
<b>Net liability</b>	<b>(132,505)</b>	(113,803)

#### (iii) Movements in fair value of plan assets

	2014 €'000	2013 €'000
Fair value of plan assets at beginning of year	<b>392,001</b>	360,886
Expected return on plan assets	<b>17,359</b>	16,678
Actuarial gains on plan assets	<b>36,335</b>	11,092
Employer contributions	<b>21,017</b>	22,581
Member contributions	<b>3,315</b>	2,836
Benefits paid from plan	<b>(19,281)</b>	(22,072)
<b>Fair value of plan assets at end of year</b>	<b>450,746</b>	392,001



## 22. Pension (continued)

### (iv) Movements in present value of defined benefit obligations

	2014 €'000	2013 €'000
Benefit obligation at beginning of year	(522,062)	(506,391)
Current service cost	(7,252)	(7,374)
Past service cost	2,404	2,389
Exceptional past service credit *	102,000	-
Interest on plan liabilities	(20,934)	(21,267)
Member contributions	(3,315)	(2,836)
Experience gains/(losses) on scheme liabilities	13,698	(18,898)
(Losses)/gains due to actuarial assumption changes	(186,001)	10,243
Benefits paid from plan	19,281	22,072
<b>Benefit obligation at end of year</b>	<b>(602,181)</b>	<b>(522,062)</b>

\* This gain of €102 million arises from the change in rate of pension increase assumption noted in (i) above.

### (v) Components of pension cost

	2014 €'000	2013 €'000
<b>Expense recognised in the profit and loss account</b>		
Current service cost	(7,252)	(7,374)
Past service cost	2,404	2,389
Exceptional past service credit	102,000	-
Additional cash cost	(16,169)	(17,596)
Interest on plan liabilities (note 5)	(20,934)	(21,267)
Expected return on plan assets (note 5)	17,359	16,678
<b>Total pension cost recognised in the profit and loss account</b>	<b>77,408</b>	<b>(27,170)</b>
<b>Amounts recognised in statement of total recognised gains and losses</b>		
Actuarial (losses)/gains immediately recognised	(135,968)	2,437
<b>Cumulative amount of actuarial losses immediately recognised</b>	<b>(301,141)</b>	<b>(165,173)</b>

## NOTES *continued*

### 22. Pension *(continued)*

#### (vi) Plan assets

The asset allocations as at 31 December 2014:

	2014 Percentage of plan assets	2014 Expected return on plan assets	2013 Percentage of plan assets	2013 Expected return on plan assets
Equity securities	50.3%	2.3%	51.2%	6.3%
Bond securities	44.8%	2.3%	42.9%	2.2%
Other	4.9%	2.3%	5.9%	3.9%
	100.0%	2.3%	100.0%	4.4%

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

Under the new accounting standard that IAA are intending to adopt (FRS 102 – Financial Reporting Standard applicable in the UK and Republic of Ireland), the long-term expected return on assets assumption will be the same as the discount rate.

	2014 €'000	2013 €'000
<b>Actual return on assets</b>		
Actual return on plan assets	53,694	27,770

## 22. Pension (continued)

### (vii) History of experience adjustments

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
Present value of scheme liabilities	<b>(602,181)</b>	(522,062)	(506,391)	(457,969)	(394,978)
Fair value of scheme assets	<b>450,746</b>	392,001	360,886	306,532	289,303
<b>Deficit</b>	<b>(151,435)</b>	(130,061)	(145,505)	(151,437)	(105,675)

#### Experience adjustments

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000

#### Experience adjustments on scheme assets:

Amount	<b>36,335</b>	11,092	27,709	(25,529)	11,936
Percentage of plan assets	<b>8.1%</b>	2.8%	7.7%	8.3%	4.1%

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000

#### Experience adjustments on scheme liabilities:

Amount	<b>13,698</b>	(18,898)	10,168	(9,582)	(1,239)
Percentage of plan liabilities	<b>2.3%</b>	3.6%	2.0%	2.1%	0.3%

### (viii) Other required disclosure amounts

	€'000
Contributions expected to be paid by the IAA to the plan during 2015	<b>20,600</b>

## NOTES *continued*

### 22. Pension (*continued*)

#### B. The Irish Aviation Authority Hybrid Pension Plan 2012

The 'Irish Aviation Authority Hybrid Pension Plan 2012' was set up on 1 January 2012. Pensions for all permanent employees, whose employment commenced since 1 January 2012, are funded through a defined benefit pension scheme and the assets accumulated are vested in independent trustees.

There are no outstanding or pre-paid contributions at year-end.

##### (i) Amounts recognised in the balance sheet

	2014	2013
	€'000	€'000
Present value of wholly or partly funded obligations	(736)	(310)
Fair value of plan assets	736	310
<b>Surplus/(deficit)</b>	<b>-</b>	<b>-</b>

##### (ii) Movements in fair value of plan assets

	2014	2013
	€'000	€'000
Fair value of plan assets at beginning of year	310	88
Actuarial gain/(loss) on plan assets	74	(2)
Employer contributions	201	128
Member contributions	151	96
<b>Fair value of plan assets at end of year</b>	<b>736</b>	<b>310</b>

## 22. Pension (continued)

### (iii) Movements in present value of defined benefit obligations

	2014	2013
	€'000	€'000
Benefit obligation at beginning of year	(310)	(88)
Current service cost	(201)	(128)
Actuarial (loss)/gain	(74)	2
Member contributions	(151)	(96)
<b>Benefit obligation at end of year</b>	<b>(736)</b>	<b>(310)</b>

### (iv) Components of pension cost

	2014	2013
	€'000	€'000
<b>Expense recognised in the profit and loss account</b>		
Current service cost	(201)	(128)

### (v) Plan assets

The asset allocations as at 31 December 2014:

	2014	2014	2013	2013
	Percentage of plan assets	Expected return on plan assets	Percentage of plan assets	Expected return on plan assets
Equities	27.0%	2.3%	30.0%	6.3%
Bonds	73.0%	2.3%	70.0%	2.2%
Cash	–	–	–	–
	<b>100.0%</b>	<b>2.3%</b>	<b>100.0%</b>	<b>3.4%</b>

## NOTES *continued*

### 22. Pension (*continued*)

#### (vi) History of experience adjustments

	2014	2013
	€'000	€'000
Present value of scheme liabilities	(736)	(310)
Fair value of scheme assets	736	310
<b>Surplus/(deficit)</b>	<b>-</b>	<b>-</b>

#### C. Supplementary ex-gratia pension liability

	2014	2013
	€'000	€'000
At beginning of year	548	-
Amounts provided for supplementary ex-gratia pension liability	510	563
Payments made during the year	(15)	(15)
<b>Amounts falling due after more than one year</b>	<b>1,043</b>	<b>548</b>

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.

#### D. The Irish Aviation Authority Defined Contribution Pension Plan 2012

The IAA operates a defined contribution pension scheme 'The Irish Aviation Authority Defined Contribution Pension Plan 2012' which was set up on 1 January 2012, for staff whose employment commenced since that date. The pension charge for the period represents contributions payable by the IAA to the scheme and amounted to €29,941 (2013: €13,033).

### 23. Reconciliation of movement in profit and loss account

	2014 €'000	2013 €'000
Profit and loss account at beginning of year	57,912	27,088
Dividends paid (note 16)	(4,833)	(5,015)
Profit for the financial year	111,035	16,111
Other recognised (losses) and gains	(102,803)	19,728
<b>Profit and loss account at end of year</b>	<b>61,311</b>	<b>57,912</b>

### 24. Reconciliation of movement in shareholders' funds

	2014 €'000	2013 €'000
Shareholders' funds at beginning of year	80,587	49,763
Dividends paid (note 16)	(4,833)	(5,015)
Total recognised gains for the financial year	8,232	35,839
<b>Shareholders' funds at end of year</b>	<b>83,986</b>	<b>80,587</b>

### 25. Post balance sheet events

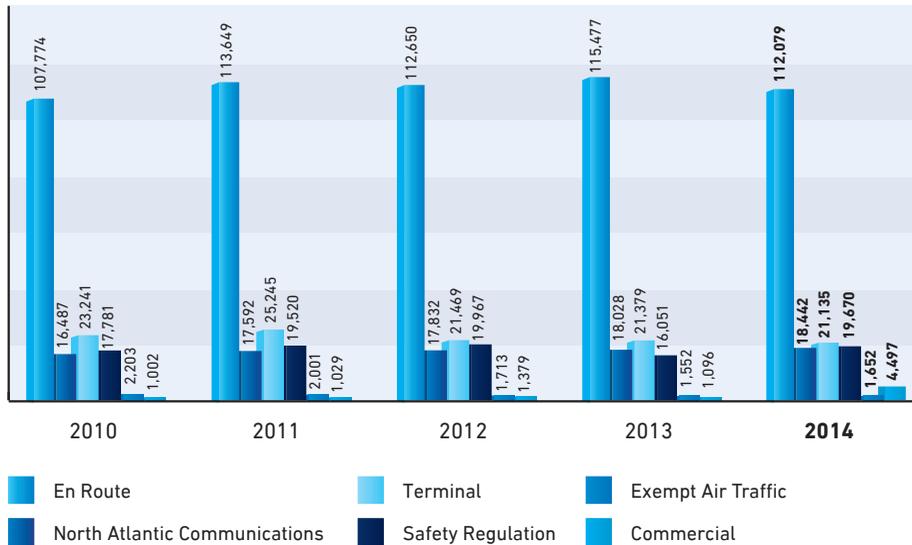
On 27 March 2015, the board proposed the payment of a dividend of €6.5 million (€0.37 per share).

### 26. Approval of the financial statements

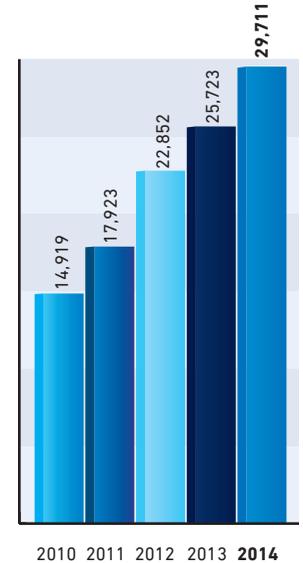
The financial statements were approved by the directors on 27 March 2015.

## FIVE YEAR SUMMARY 2010 - 2014

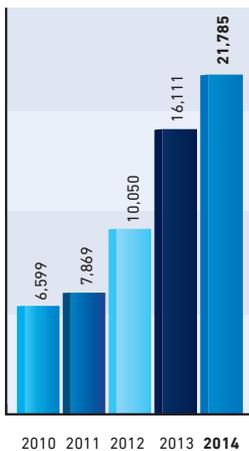
### Turnover €'000



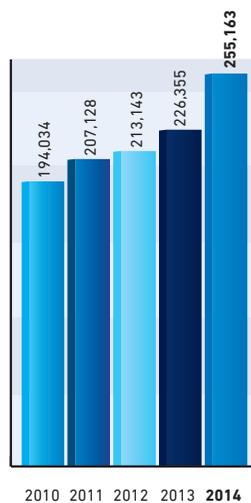
### Operating Profit €'000 (before exceptional item)



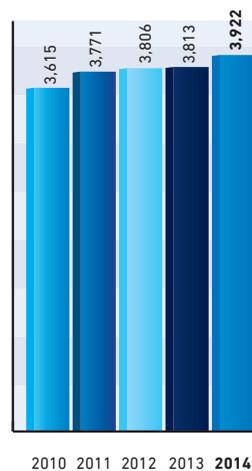
### Profit After Tax €'000 (before exceptional item)



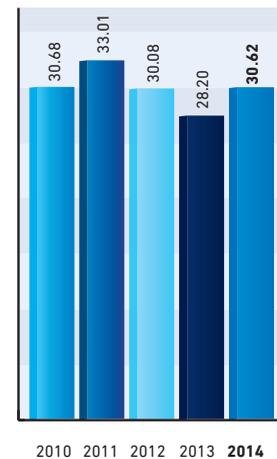
### Total Assets €'000



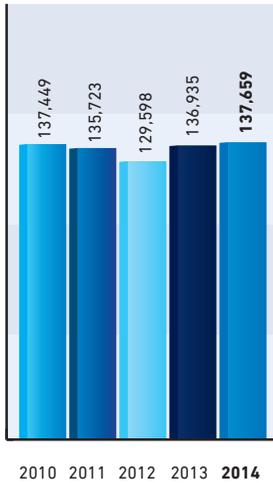
### En Route Service Units ('000)



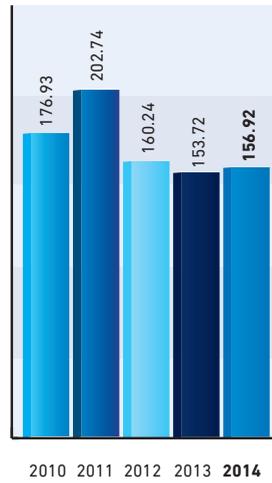
### En Route Service Unit Rate (€)



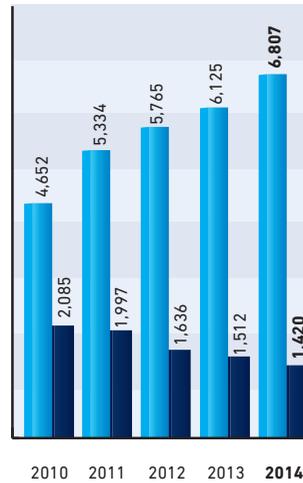
### Terminal Service Units



### Terminal Service Unit Rate (€)

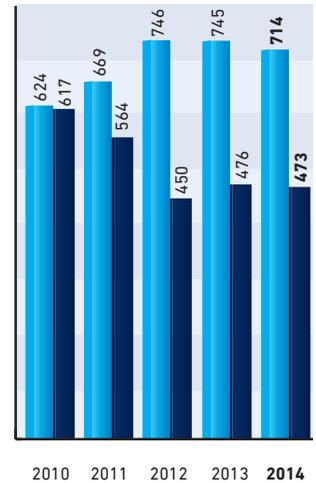


### Valid Licences



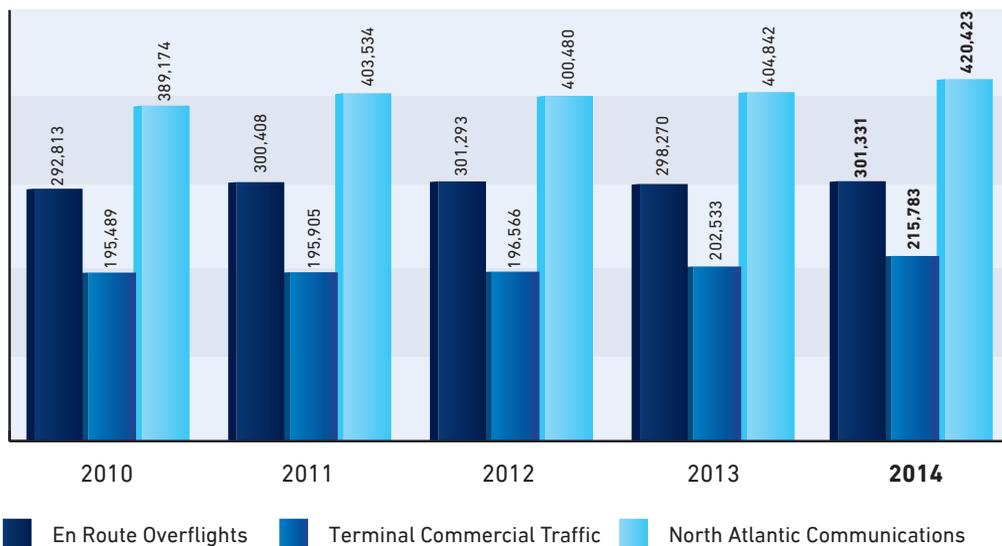
Commercial  
General

### Registered Aircraft



Large Aircraft  
Small Aircraft

### Air Traffic Activity



En Route Overflights Terminal Commercial Traffic North Atlantic Communications



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