

IRISH AVIATION AUTHORITY  
**ANNUAL REPORT 2015**



# IAA PERFORMANCE 2015

**2<sup>ND</sup> IN EUROPE  
FOR CIVIL  
AVIATION  
SAFETY  
OVERSIGHT**

**WORLD'S 1<sup>ST</sup>  
ONLINE DRONE  
REGISTRATION  
MODULE**

**IAA  
RECEIVES  
NO STATE  
FUNDING**

**CUSTOMER  
SATISFACTION  
RATING 93%**

**OVERFLIGHTS  
↑ 5.4%;  
DOMESTIC TRAFFIC  
↑ 6.0%**

**DIVIDEND TO  
SHAREHOLDERS  
€7.43m,  
UP 13.7%**



**CUSTOMER  
CHARGES  
AMONGST THE  
LOWEST IN  
EUROPE**

**OUR ATM SYSTEM  
– RECOGNISED IN  
EUROPE AS A LEADER  
IN TECHNICAL  
CO-OPERATION**

**COMMITTED TO  
PROMOTING THE  
IRISH AVIATION  
INDUSTRY**

**PERFORMED BETTER  
THAN EU TARGETS  
FOR DELAYS AND  
ENVIRONMENT  
(TOP QUARTILE)**

**DELIVERING  
INNOVATIVE  
ATM SOLUTIONS  
THROUGH ADVANCED  
TECHNOLOGY**

**TURNOVER ↑ 3.3%  
TO €183.4m;  
OPERATING  
PROFIT ↑ 13.2%  
TO €33.6m**





# CONTENTS

Financial and operating highlights.....	1
Directors and other information.....	2
Chairman's statement.....	3
Chief Executive's review.....	5
Directors' report.....	20
Statement of directors' responsibilities in respect of the directors' report and the financial statements.....	28
Independent auditor's report.....	29
Profit and loss account.....	31
Other comprehensive income.....	32
Balance sheet.....	33
Statement of changes in equity.....	34
Cash flow statement.....	35
Notes forming part of the financial statements.....	36
Five year summary 2011–2015.....	57



# FINANCIAL AND OPERATING HIGHLIGHTS

## Financial Highlights

	2015	2014	
	€'000	€'000	% Change
Turnover	183,404	177,475	3.3%
Operating profit	33,632	29,711	13.2%
Profit after tax	24,765	20,404	21.4%
Dividends paid	6,535	4,833	35.2%

## Air Traffic Activity

	2015	2014	
	Number	Number	% Change
En Route Overflights	317,739	301,326	5.4%
Terminal Commercial Traffic	228,084	215,171	6.0%
North Atlantic Communications	442,645	420,423	5.3%

## Employment

Average Number Employed	655	649	0.9%
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## Customer Charges

	2015	2014	
	€	€	% Change
En Route Overflight	29.60	30.62	-3.3%
Airport Terminal Traffic	156.92	156.92	-
North Atlantic Communications	45.00	45.00	-
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. Geoffrey O'Byrne-White  
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*

Ralph James  
*Safety and Security  
Regulation*

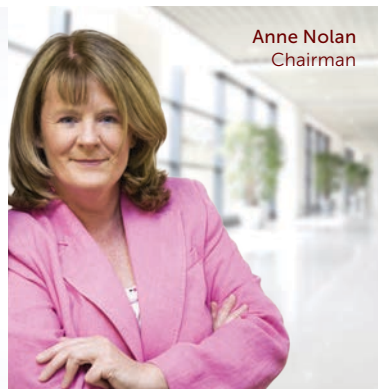
Peter Kearney  
*ATM Operations and  
Strategy*

Brendan Mulligan  
*Human Resources*

## ATTENDANCE AT 2015 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>	7	7	3	3
Eamonn Brennan <i>Chief Executive</i>	7	7	1	1
Marie Bradley	7	7	4	4
Ernie Donnelly	7	7	2	2
Pascal Fitzgerald	4	7	-	3
Basil Geoghegan	7	7	3	3
Michael Norton	6	7	2	2
Geoffrey O'Byrne-White	3	4	2	4
Kevin O'Driscoll	6	7	2	2

Anne Nolan  
Chairman



## CHAIRMAN'S STATEMENT

### Overview

Safety is our number one priority and so I am very pleased to report that in 2015, the IAA provided effective safety oversight of the Irish aviation sector to the highest international standards, whilst at the same time air navigation services were provided in Irish-controlled airspace and on the North Atlantic (communications) in a safe and efficient manner.

The management culture remains performance driven with high standards and compliance with all governance objectives in spirit as well as in practice.

Following a continuous monitoring ICAO audit, Ireland is ranked second in Europe and fourth in the world for civil aviation safety oversight while an external audit by EASA (European Aviation Safety Agency) of the IAA's regulation of air traffic management/air navigation services confirmed our compliance with the highest international standards.

The IAA is responsible for oversight of civil aviation security in the State. During the year, a programme of audits and inspections, set out under the National Civil Aviation Security Programme, was completed. With effect from

1 December 2015, new responsibilities for air traffic management security, cyber threats to aviation and landside security were assigned to the IAA.

Recently, the IAA rolled-out the world's first online drone registration module. Drone activity has increased significantly in recent times and the IAA has moved quickly to introduce new legislation to enhance drone safety. To date, more than 1,800 drones have been registered.

Improvements in traffic growth (up 5.6% in 2015) and a continuing programme of cost containment, coupled with investments in technology, have resulted in an increase in operating profit to €33.6 million, up 13.2% on last year. Turnover increased by 3.3% to €183.4 million. I am pleased to report that the board has recommended the payment of a dividend to the shareholder of €7.43 million, an increase of 13.7% over last year. The IAA does not receive any financial support from the State.



# CHAIRMAN'S STATEMENT (CONTINUED)

The IAA is committed to playing its role in promoting the Irish aviation industry and, during the year, sponsored a number of hugely successful aviation events including the Bray, Shannon and Foynes airshows and the Aviation Industry Awards. The IAA has also lent considerable support to the Irish Historic Flight Foundation (IHFF), a charity established to promote the historical aspects of aviation in the State.

During the year, we welcomed the publication of the National Aviation Policy by the Minister for Transport, Tourism and Sport. We look forward to playing a central role in helping to implement this Policy, including participating on the new National Aviation Forum.

## Corporate Governance

The board is committed to the highest standards of corporate governance. The IAA has put in place appropriate measures to comply with the Code of Practice for the Governance of State Bodies and regularly reports to the Minister on these activities. These measures are set out in the Directors' Report.

The Directors devoted considerable time to the four sub-committees of the board, which facilitated the smooth and efficient running of the board.

## Acknowledgements

I would like to thank my fellow board members for their hard work and commitment during the year. I would also like to thank the Minister for Transport, Tourism and Sport, Mr. Paschal Donohoe TD for his ongoing support for the IAA.

I would like to acknowledge the effective leadership of the Chief Executive, Eamonn Brennan, in delivering the many successes of the IAA. To the management and staff of the IAA, I wish to thank them for their continuing commitment and dedication in delivering to the highest international standards. I look forward to working with you all in 2016.



Anne Nolan  
Chairman

## CHIEF EXECUTIVE'S REVIEW



Our business is safety and the IAA continually strives to meet the highest international standards in our safety and security oversight of civil aviation in Ireland and our provision of safe air traffic control services to our airline customers.

Aviation is a crucial sector of the Irish economy and the IAA is deeply committed to helping to raise awareness of and promoting the Irish civil aviation industry. To meet this objective, in 2015 we supported a number of key initiatives including the Aviation Industry Awards as well as the Irish Historic Flight Foundation, a charity established to promote the historical aspects of aviation in the State. The charity has wide industry support and has plans for significant activities in the coming years. We also supported large public air displays at Bray, Shannon and Foynes, which attracted over 150,000 spectators in July. All of these activities bring the entire industry together.

Beyond the major airlines and airports, the Irish civil aviation industry comprises many sub-sectors including maintenance and repair organisations, training organisations, aviation R&D, sports aviation, aviation academia, drones and many more. It is essential that all of these different areas are supported for the

benefit of the wider economy. The air finance and leasing sector is one area of note which makes an important contribution to the State in terms of significant exchequer returns as well as employing a large number of qualified specialist professionals. All of the world's top 10 air finance lessors have a significant base in Ireland.

**Top 10 Aircraft Lessors by fleet value**  
Source: Fleets Analyzer December 2015

Rank	Lessor	Fleet Value (\$bn)
1	AerCap	31.6
2	GECAS	30.9
3	BBAM	12.8
4	SMBC Aviation Capital	10.9
5	Air Lease	10.5
6	BOC Aviation	10.2
7	CIT Aerospace	9.6
8	ICBC Leasing	7.7
9	AWAS	7.0
10	Avolon	6.4



# CHIEF EXECUTIVE’S REVIEW (CONTINUED)

We welcomed the publication in August of the National Civil Aviation Policy by Mr. Paschal Donohue TD, Minister for Transport, Tourism and Sport and are actively supporting the State in the implementation of the actions contained in the Policy as well the activities of the National Civil Aviation Development Forum, established in early 2016. We believe that the actions contained in the Policy can help maintain Ireland’s competitiveness within the European and wider global aviation industry.

Following an ICAO continuous monitoring approach audit in early 2015, Ireland has been ranked second in Europe and fourth in the world for civil aviation safety oversight. The audit concluded that Ireland had effectively implemented 94.04% of applicable ICAO Standards and Recommended Practices and related procedures. We remain committed to maintaining and improving this ranking.

Comparison with Major States Worldwide	
UAE	98.86%
Canada	95.33%
France	94.43%
Ireland	94.04%
UK (Europe)	93.63%
USA	91.35%
Germany	89.83%
China	86.43%
Brazil	85.75%
Russian Federation	83.02%

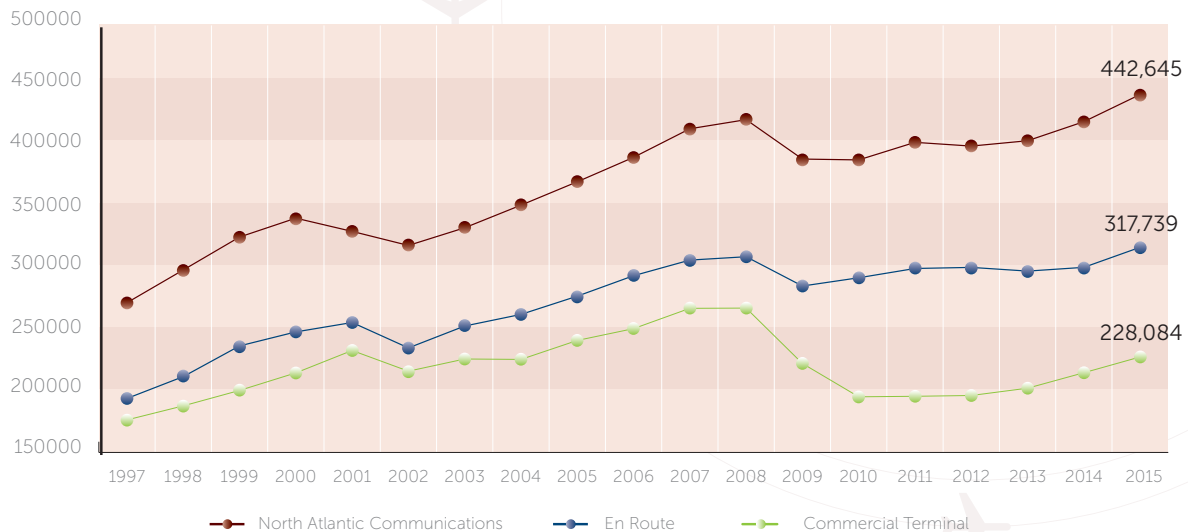
Source: ICAO

In December, we became the first country in the world to successfully roll out drone registration. The use of remotely piloted aircraft systems (RPAS) or ‘drones’ has grown significantly within a short space of time. The IAA is focused on the safe operation of drones and recently introduced new legislation to enhance drone safety. This legislation prohibits users from operating their drones in an unsafe manner and also makes it mandatory for all drones over 1kg to be registered with the IAA. So far, in excess of 1,800 drones have been registered.

In 2015 the IAA safely and efficiently managed over 1 million flights, up 5.6% on 2014. This equated to an average of 2,811 flights every day managed by the IAA at Irish State airports, through Irish airspace and on the North Atlantic. No delays attributable to the IAA were incurred either in en route (flights that generally do not land in Ireland) or at the State airports – Cork, Dublin and Shannon. Our customer charges continue to be one of the lowest in Europe.



## IAA Traffic Trends 1997 to 2015



While traffic increased across all areas of our business – overflights increased by 5.4% to 317,739 movements, flights handled on the North Atlantic increased by 5.3% to 442,645 and total commercial traffic at our State airports increased by 6.0% to 228,084 movements – the increase in traffic at Dublin Airport has been significant, up 10.0%. This sustained growth has continued into 2016 and Dublin airport is now operating at 2008 levels. There is a pressing need to construct a new parallel runway as soon as possible.

We are actively supporting the development of a second runway at Dublin airport as a key piece of national infrastructure required to deliver enhanced connectivity for passengers and to drive significant economic benefits to the State.

Cork and Shannon had a number of announcements in the latter part of 2015 and the commencement of new routes is likely to see the level of activity rise in 2016.

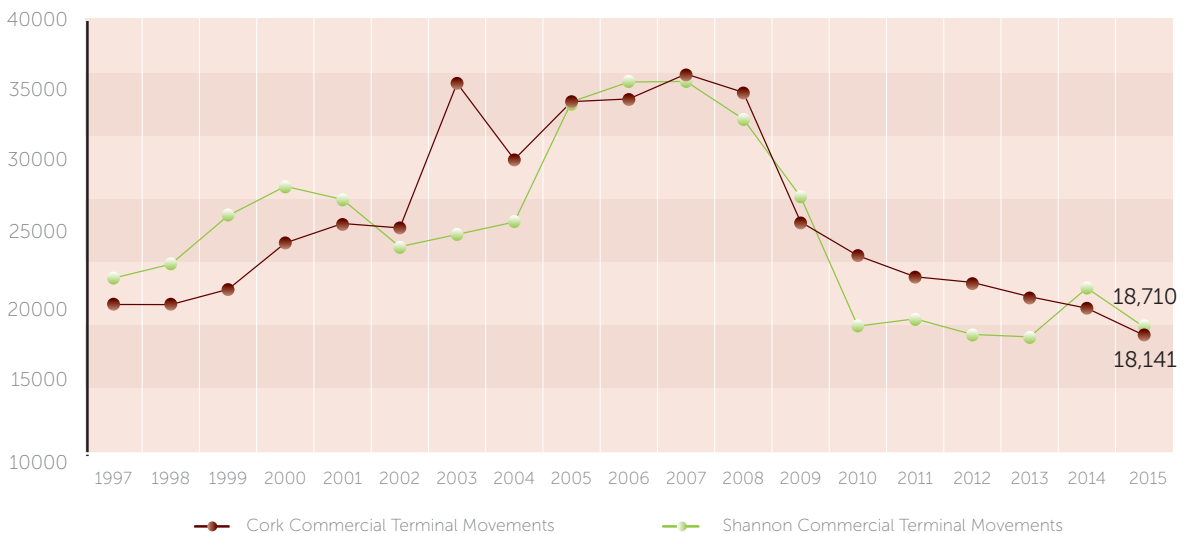


## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Dublin Airport Commercial Terminal Movements (1997 to 2015)



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



## Safety Regulation

The continuing excellent safety record of civil aviation is underpinned by robust safety regulation. The IAA continues to maintain effective oversight of the Irish aviation sectors to the highest standards and works closely

with international organisations in Europe and worldwide to further enhance both our influence and reputation.

The civil aviation system worldwide continues to grow and Ireland is no exception. The size of the industry overseen by the IAA today is as follows:



In a continuously growing civil aviation industry, regulatory authorities and organisations alike must develop innovative ways to address safety management in order to maintain and improve current levels of safety. To this end the IAA is moving towards a data-driven risk based safety oversight approach. This approach depends on the collection of safety data from a number of disparate sources, the analysis of this data to extract safety intelligence and the use of this safety intelligence to target areas of greatest concern. This approach is complementary to the work of approved organisations via their safety management systems.

One of the main challenges for effective safety management is the identification of appropriate measures of safety performance. This leads to a complex measurement system consisting of safety performance indicators both at State level and organisation level across multiple domains and throughout multiple levels of the aviation system. The main high level measures of safety performance in Ireland are published in the Annual Safety Review ([www.iaa.ie/safety/safety-performance1](http://www.iaa.ie/safety/safety-performance1)).

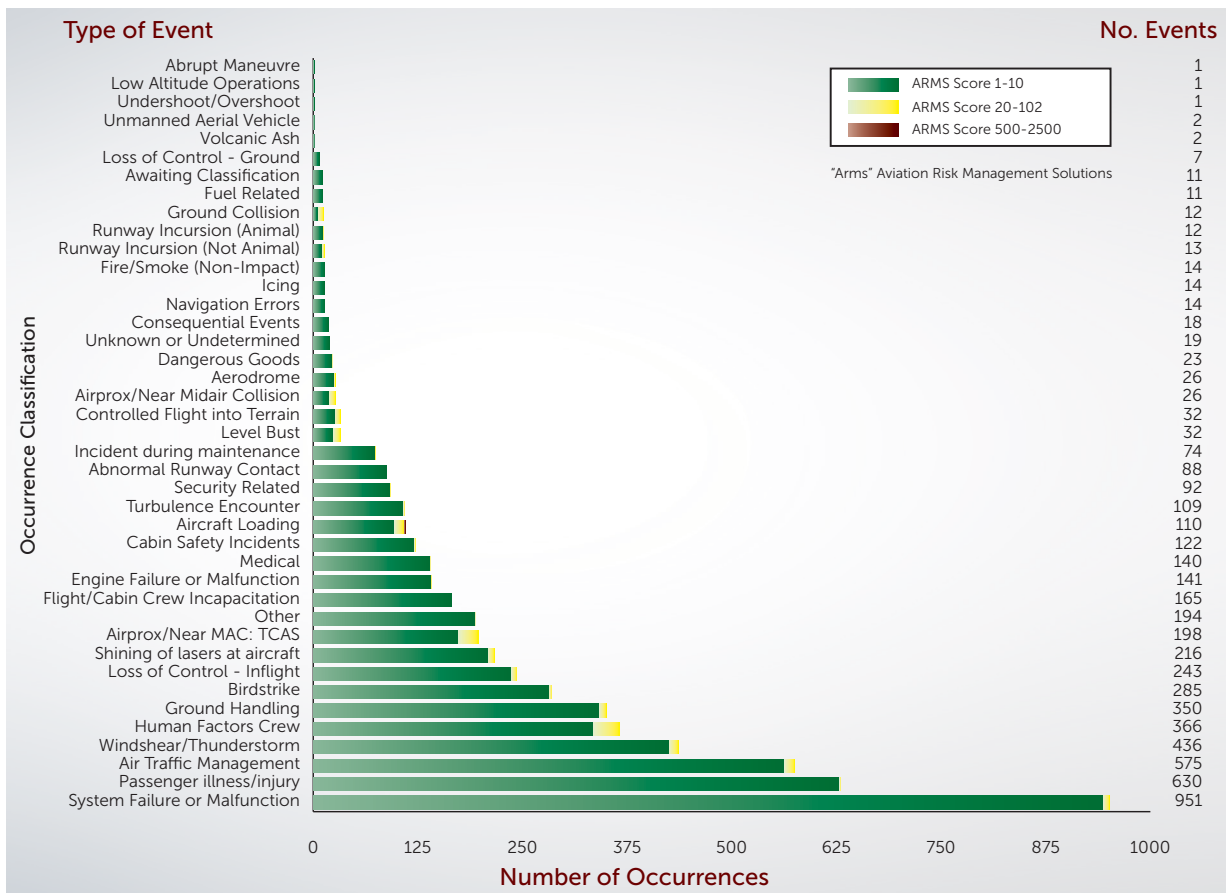




## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Over 8,100 safety occurrence reports were processed in 2015 by the IAA (up from 7,200 in 2014) and follow up investigations were performed with the reporting entities using a risk based approach.

The vast majority (97%) of safety occurrence reports investigated were very low risk. Ireland's rate of occurrence reporting is amongst the best in Europe.



The Irish aviation industry maintained its strong safety performance record in 2015, comparing favourably with the record of other States in both the EU and worldwide.

- There were no fatal accidents involving Irish commercial operators in 2015;
- There was one fatal accident that involved an Irish registered aircraft on lease to a Russian commercial operator that crashed in Egypt

with the loss of 224 lives. Although the final accident report has not yet been issued, the cause of this accident is most likely a terrorist attack;

- Sadly, there were two fatal accidents in 2015 involving general aviation aircraft. The IAA works closely with the General Aviation Safety Council of Ireland (GASCI) to provide guidance to the general aviation community to help address the main causes of accidents.

Risk mitigation actions can be determined from analysis of the root causes of accidents and incidents, as well as from the analysis of risk assessments, safety performance and regulatory compliance derived from safety oversight activities. The State Safety Plan 2015 – 2018 includes the mitigating actions the IAA is taking to address the main safety risks affecting the Irish civil aviation system ([www.iaa.ie/safety/safety-performance1](http://www.iaa.ie/safety/safety-performance1)).

In 2015, the IAA was the subject of a number of independent audits by EASA (European Aviation Safety Agency). We continue to perform very well in these audits. This included a very positive result from the first EASA ATM/ANS (air traffic management/air navigation services) standardisation audit of Ireland. Ongoing achievement of a 'best in class' ATM/ANS system requires the effective oversight of safety-related system changes. In 2015, the IAA's safety regulation division engaged in the oversight and formal acceptance of a number of major system enhancements including upgrades to surveillance system capabilities and other key air traffic management system software updates.

A total of 27 Irish airports were audited as part of the 2015 aerodrome surveillance programme and 21 oversight inspections of air navigation services were conducted as part of the 2015 surveillance programme. In both areas, standards remain high and in compliance with ICAO and EASA standards.

Oversight of general aviation remains high and the IAA continued to support the activities of the General Aviation Safety Council of Ireland (GASCI).

There are just over 1,200 aircraft on the Irish register. The activity levels to support aircraft registration and de-registration are shown above. The surge of registration activities that followed the economic crisis has now thankfully abated and there are currently approximately 225 transactions per year on the Irish register.



As the civil aviation safety regulator in an open and progressive country, the IAA remains attentive to new ideas and innovative approaches from Irish industry. This extends to safely accommodating the needs of new business ideas such as new airline structures and new aircraft types from non-traditional sources. CityJet, for example, will shortly commence operations with four new Russian Sukhoi SSJ100 Superjets, a first for Ireland for this type of 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. We recently provided the vice-chair of the ICAO Article 83 bis task force, out of which new procedures on the implementation of Article 83 bis will be developed by ICAO by the end of 2016 to better support international leasing.

The implementation of new EU regulations concerning air operations was completed fully in 2015 in both the IAA and in all required Irish AOC holders (air carriers with an Irish Air Operator Certificate). This is the culmination of extensive efforts by both the industry and the IAA over the last three years. New EU regulations concerning European Flight Time Limitations in respect of flight crew and cabin crew were issued in early 2016. The IAA participated fully in the consultation process for this regulation during 2015 and supported Irish industry throughout.



## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

We currently oversee 13 Irish AOCs, 10 fixed wing and 3 helicopters. These AOCs are subject to a schedule of audits over a 24 month cycle using a risk and performance based approach. A number of these AOC holders are currently engaged in the process of major expansion programmes, which are considered as part of the development of the oversight programme.

The number of aircraft operated by the main Irish AOC holders increased in 2015 and currently stands at:

	335 Aircraft
	46 Aircraft
	33 Aircraft
	32 Aircraft
	18 Aircraft
	16 Aircraft

We continue to support Norwegian Air International's application to operate on the North Atlantic in accordance with the EU/US Open Skies Agreement.

The Executive Jet (EJ) register, aimed at the private and corporate aviation sector, opened on 1 September 2015.

### Aviation Security Regulation

The IAA is the appropriate authority in Ireland responsible for coordination and implementation of civil aviation security in the State as set out in the National Civil Aviation Security Programme. Accordingly the IAA approves all regulated entities implementing aviation security measures. During the year, a programme of audits, inspections and tests was carried out in relation to airports, air carriers, regulated agents, known consignors and suppliers.

Approximately 630 regulated entities and instructors are subject to approval, compliance monitoring, and enforcement whilst approximately 1,200 people are certified by or on behalf of the IAA (screeners, access control persons, vehicle examiners, patrols and surveillance at airports). During 2015, approvals and certificates were issued in accordance with all necessary regulations. Furthermore, the IAA continued to roll out the screener certification programme.

To support the industry, the IAA invested significant time and resources to help facilitate the implementation of the EU regulatory aviation security requirements. Briefings and industry co-ordination meetings were delivered on a regular basis throughout 2015. The IAA also hosted a workshop regarding "cyber threats to civil aviation" to promote awareness in the industry of this important aspect of aviation security.

With effect from 1 December 2015, new responsibilities for air traffic management security, cyber threats to aviation and landside security were assigned to the IAA. The IAA also assumed responsibility for the establishment of special screening procedures and equipment approval.

## Operational Performance Review

The Operations and Technology directorates delivered a safe, efficient and reliable service to our airline customers in 2015. We met, and exceeded, the targets of the EU Performance Scheme for environment and capacity, offering direct routings for airlines with no IAA attributable air traffic management delays. Airport slot adherence statistics continue to demonstrate a performance level above the EU standard.

During the year, we delivered a number of key projects as follows:

**Point Merge:** Following its hugely successful implementation on Dublin's Runway 28, Point Merge was introduced to Runway 10 in April. Point Merge improves the way aircraft are sequenced to land providing significant savings to airlines in terms of reduced fuel and CO<sub>2</sub> emissions as well as reducing delays to passengers.

**Remote Towers:** In June, the IAA signed a contract with Saab to deliver remote towers at Cork and Shannon with a remote tower control centre at Dublin. This project aims to provide air navigation services remotely when traffic is low, combining safe air traffic control services at a more manageable cost. We plan to trial this technology later this year.

**North Atlantic Communications Joint Service with ISAVIA:** In June, the IAA and ISAVIA (the air navigation services provider in Iceland) commenced operations with their new voice communications control system. The system, installed in Ballygirreen and Gufunes (Iceland) allows both centres to operate as one virtual centre. No other radio stations in the world have this facility.

**En Route Contingency Centre:** The civil works for the IAA's new En Route Contingency Centre, built at Ballygirreen, are now complete. The focus has now shifted to the technical fit-out with the facility expected to be fully operational in mid-2017.

## Alliances and Partnerships

Over the years, the IAA has successfully aligned itself with key partners to help deliver its objectives.



The COOPANS alliance is an international partnership between the air navigation service providers of Ireland, Austria, Croatia, Denmark and Sweden with Thales as the chosen industry supplier. The partners operate a fully harmonised, world-class, safe and cost-effective air traffic management system. In 2015, the partners successfully upgraded their common air traffic management system across 7 centres over a two-week period. This was done seamlessly with no impact on operations, demonstrating a level of co-operation which is unique in the industry. Work is continuing between the COOPANS Alliance and the DSNA (the air navigation services provider in France) to investigate the possibility of introducing a common system in the years ahead. COOPANS has reduced our system provision cost by 30%.

I am very pleased that, in March 2016, COOPANS was given due recognition by the European Commission as a winner of their inaugural Single European Sky Awards programme, declaring that:

*"The COOPANS initiative represents a successful approach in harmonising ATM systems across Europe, proposing an innovative and effective industrial partnership that builds on SESAR solutions. It also aims to develop synergies to implement innovative and harmonised technical solutions contributing to the high level performance objectives of the Single Sky, in particular in terms of increasing the capacity of systems and reducing service provision costs. The jury also recognised the significant export potential."*



## CHIEF EXECUTIVE'S REVIEW (CONTINUED)



We continue to co-operate effectively with Entry Point North in its provision of air traffic training services to the IAA.



During the year, we increased our shareholding in Aireon LLC, a US company developing space-based global air traffic surveillance systems. Our investment to date of US\$ 18.4 million equates to an equity shareholding of 3.75%. We will increase our shareholding to 6% by 2017. Aireon will revolutionise the way air traffic is managed and we are currently working with other AIREON investors to obtain regulatory approval from EASA (European Aviation Safety Agency) for the operational use of satellite-based ADS-B data. The Aireon ALERT service, to be hosted at our Ballygirreen location and providing enhanced surveillance services, will be operational in 2018.



The IAA is participating with a number of other air traffic management companies, airlines and airports in the management of the EU SESAR (Single European Sky Air Traffic Management Research and Development) Deployment Manager. The Deployment Manager has a budget in the order of €3 billion to be assigned to the modernisation of European airspace.



In early 2015, the UK/Ireland FAB (Functional Airspace Block) Performance Plan 2015 to 2019 was approved by the EU. This Plan sets out the State's en route and terminal customer charges for the five years and contains national and joint FAB targets for safety, environment (en route flight efficiency), capacity (delays) and cost-efficiency. I am pleased to report that Ireland met all of its targets in 2015.

Within the scope of FAB activities, the IAA worked closely with NATS in the UK in relation to the X-Man trial and the completion of the Dynamic Sectorisation Operational Trial (DSOT).



The IAA continued to support the work of Borealis, a nine-member ANSP alliance, and has used the Alliance to market commercial service opportunities. During 2015, work continued on the implementation of Free Route Airspace across the entire airspace for the region by 2018 (the IAA introduced this operational concept in 2010 but is supporting this wider Borealis initiative).

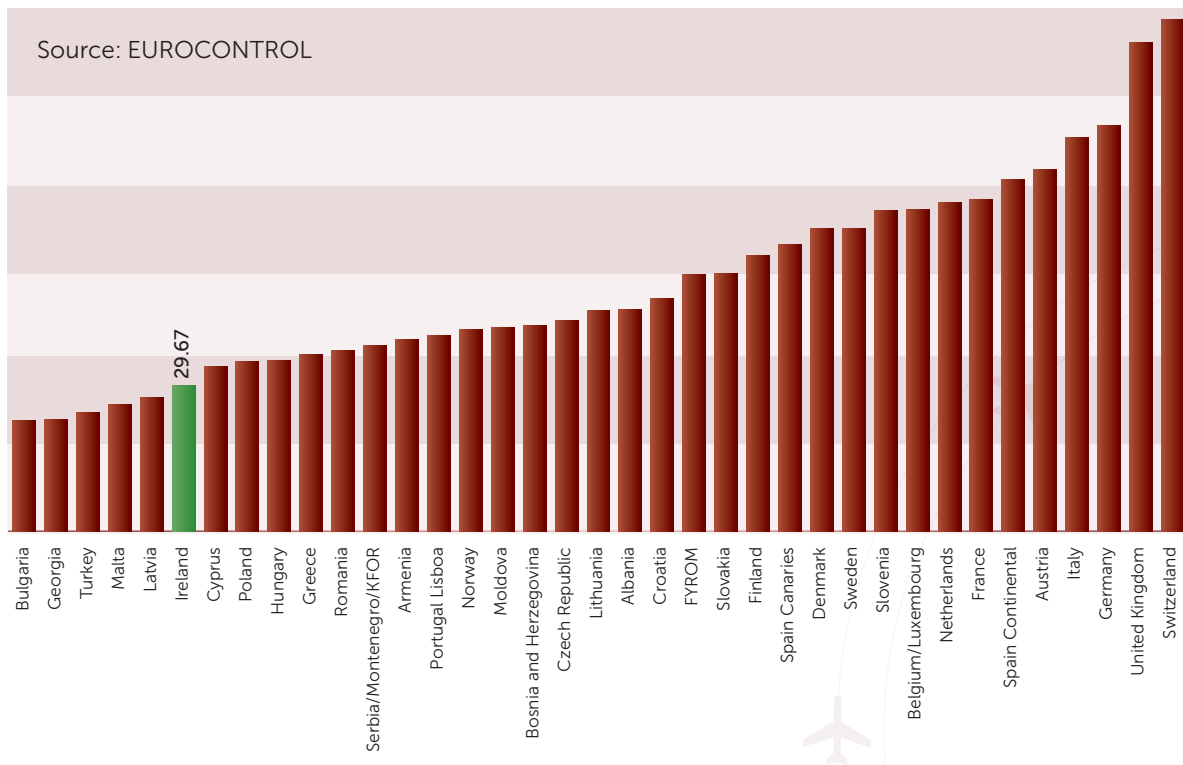


## Cost Competitiveness

We are continually striving to deliver a safe and efficient air traffic service at competitive prices. In 2015, we remained one of the lowest en route cost service providers in Europe. Our gate-to-gate financial cost effectiveness is some 24% more efficient than the European average and our

gate-to-gate costs have increased by just 2.9% over the last eight years compared to an estimated increase of 4.7% in the European average. We are one of the most productive air navigation service providers in Europe. Our en route customer charge for 2016 of €29.67 is, once again, one of the lowest in Europe.

### EUROCONTROL En route unit rates € - 2016





# CHIEF EXECUTIVE'S REVIEW (CONTINUED)

## Customer Feedback

The IAA operates a highly regarded customer care programme and reports annually on customer responses. In 2015, we achieved an average satisfaction rating of 92.95% based on responses from 30 of our top customers. The areas surveyed were safety, innovation, financial cost-effectiveness, service delivery and customer relationship management. This is an invaluable exercise for the IAA in helping us to understand the needs of our customers and how we can improve on our services.

### Revenue Key Customers 2015

2015 Ranking	Airline Customer	2015 Share
1	IAG (British Airways & Aer Lingus)	18.0%
2	United Airlines	8.4%
3	Delta	8.1%
4	Ryanair	7.4%
5	Air France/KLM	7.2%
6	American Airlines / US Airways	7.1%
7	Lufthansa	5.0%
8	Virgin Atlantic	4.4%
9	Air Canada / AC Rouge	4.1%
10	Swiss	1.5%
11	Thomson Airways	1.5%
12	Emirates	1.2%
13	Thomas Cook	1.2%
14	Turkish Airlines	1.1%
15	Air Transat	1.1%
16	Stobart Air	1.0%
17	Alitalia	0.9%
18	Federal Express	0.9%
19	Air Berlin	0.8%
20	Qatar Airways	0.7%
	<b>Total</b>	<b>81.6%</b>

Over 81% of the IAA's air navigation revenue is generated from its top 20 customers. The acquisition of Aer Lingus by IAG now means the combined revenue of both British Airways and Aer Lingus amounts to 18% of the IAA's air navigation services income.

## Financial Review

### Highlights

Turnover	€183.4m
Operating profit	€33.6m
Profit after tax	€24.8m
Capital expenditure	€13.8m
Dividend proposed	€7.4m

Our 2015 financial performance was very strong. Turnover increased by 3.3% to €183.4 million, driven by improvements in traffic levels across all areas of the business. Operating profit (before exceptional items) improved by 13.2% to €33.6 million.

In line with previous years, I am pleased to confirm that a dividend of €7.4 million has been proposed by the board of directors.

### Turnover

En route overflights, flights that generally do not land in Ireland, contributed €116.4 million (63.5%) to total revenue, up 3.9% on 2014. Terminal navigation services - approach, landing and take-off services provided at the main State airports, Cork, Dublin and Shannon - contributed €21.4 million or 11.7% to total revenue. North Atlantic communications, whereby the IAA provides a voice communications service out to halfway across the North Atlantic contributed €20.0 million or 10.9% to total revenue, up 8.2% on 2014. Income from Safety Regulation, comprising registration and certification of aircraft, aircraft personnel, aircraft-operating and maintenance organisations and aerodromes, accounted

for €20.2 million or 11.0% of total turnover. Commercial revenue of €3.7 million comprised mainly air traffic management training services provided to Entry Point North Ireland Limited.

The IAA receives no operational or capital funding from the State. Its revenue is generated through charges and fees, which are amongst the lowest in Europe, raised from its regulatory clients and airline customers in respect of its regulatory and operational activities.

## Operating Expenses

Operating expenses increased by 1.4% to €149.8 million. We are compliant with the 2015 cost targets set out in the EU-approved FAB performance plan 2015 to 2019.

## Balance Sheet

During the year we increased our investment in Aireon LLC to a shareholding of 3.75% valued at US\$ 18.4 million. We are committed to increasing our shareholding to 6% by 2017. Included in liabilities are retirement benefit obligations of €125.5 million, an improvement of €26.9 million on last year. Plan assets have increased from €451.5 million to €470.3 million while liabilities have improved by €8.6 million to €594.3 million mainly due to an improvement in the discount factor used to value liabilities. The main defined benefit scheme, in which the majority of employees have accrued pension entitlements, is closed to new members since 1 January 2012. Employees joining the IAA from that date are members of a hybrid pension scheme. We will continue to monitor our pension schemes closely with a view to eliminating the pension deficit at the earliest opportunity. With difficult global markets, conditions for the long term sustainability of defined benefit schemes generally in the broader economy are an issue.

## Other

### ISO Certification

The IAA is the first air navigation service provider in Europe and one of the first companies in Ireland to attain ISO 9001:2015 certification for its quality management systems. ISO is the world's most recognised standard.

### Human Resources

A significant five-year collective agreement was signed with IMPACT union covering the period 2015 to 2019. The Agreement records revised terms and conditions of employment for new entrants to the grades of air traffic controller, radio officer, airworthiness and flight operations inspectors. The duration of the agreement aligns with the current economic regulatory period under Single European Sky legislation 2015 to 2019. The Agreement also makes provision for a 1.5% annual pay increase in respect of the years 2016 to 2019 inclusive.

Agreement was reached with staff representatives on a new Internal Dispute Resolution Board (IDRB). The Board comprises three independent senior industrial relations practitioners and will manage disputes of a collective nature within the IAA. Outcomes from the IDRB will be binding on all parties.

Our Pension Recovery Plan, agreed with staff representatives in 2010, continues to come under pressure from low bond yields, low interest rates and equity market volatility. The plan, which comprises a number of measures, notably, a cap on pensionable pay increases based on CPI to a max of 3% and additional pension contributions, aims to eliminate the deficit in the main defined benefit pension plan by 2018. The current volatility in the market may require engagement with staff representative bodies sooner if the funding standard cannot be met.



## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

A whistleblowing policy was developed and agreed with staff as a requirement under the Protected Disclosures Act, 2014. In addition, a revised Respect and Dignity in the Workplace policy was also agreed with staff representatives. Training and development courses for managers and staff continued in 2015 as well as a number of mental health awareness programmes. The area of mental health wellbeing will continue to be a priority in 2016.

### Challenges in 2016

Looking forward to 2016, our key challenges include:

- Maintaining the high safety standards of all industry stakeholders;
- Delivering a safe, efficient and cost-effective service to our customers using the most modern technology;
- Meet the performance targets set by the EU as part of the Single European Sky;
- Maintain the high standards of aviation security compliance monitoring;
- Participation in the formulation of European regulatory policy and influencing policy where appropriate;
- Development of further international partnerships.

### Acknowledgements

I would like to take this opportunity to thank our Chairman, Anne Nolan, and her fellow board members, for their support during the year.

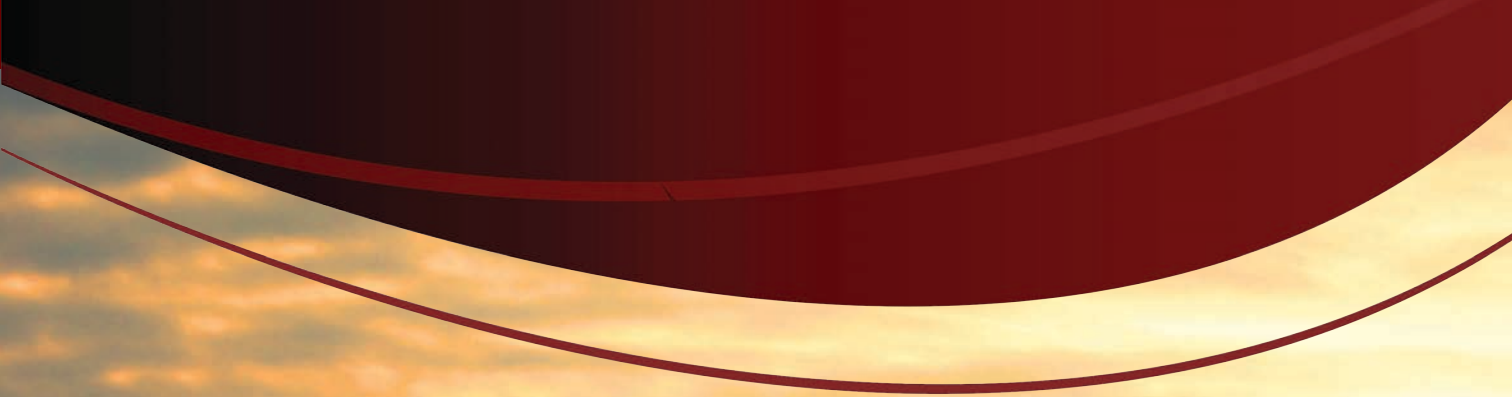
I would like to thank Mr Graham Doyle, Secretary General, and his predecessor Mr. Tom O'Mahony and Mr. Fintan Towey, Assistant Secretary, and his predecessor Mr. John Fearon, together with their colleagues at the Department of Transport, Tourism and Sport, for their support and assistance during the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

Finally, I would like to thank my management team and staff for their hard work and professionalism. Without the team the success story would not be a reality. Their efforts ensure that the IAA continues to deliver to the highest standards in all aspects of its business.

Ni neart le chur le cheile agus go mbeire muid beo ar an am seo arís.

Is mise,

Eamonn Brennan  
Chief Executive



# 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 2015.

## Principal activities, risks and uncertainties, 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 327 of the Companies Act 2014 – a review of the business of the company – is included in the Chairman's Statement and Chief Executive's Review. As described therein, the performance of the IAA in the current year was again positive, with profit for the financial year of €24.8 million, on turnover of €183.4 million.

During the year the IAA declared and paid a final dividend of €6.5 million (€0.37 per share) for fiscal 2014 (2014: €4.8 million - €0.27 per share).

The directors do not anticipate any significant change to their business for the foreseeable future.

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	2015	2014
	Number	Number
En route overflights	317,739	301,326
Terminal commercial traffic	228,084	215,171
North Atlantic communications	442,645	420,423

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
- compliance with Single European Sky regulations while maintaining high standards of service
- adverse economic and market conditions
- IAA's significant reliance upon its IT and communications 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 21 to 26, sets out the IAA's policies and approach to risks and the related internal control procedures and responsibilities.

## Directors

The names of the directors who served during the year are set out on page 2. Except as set out below, they served for the entire year.

Mr. Geoffrey O'Byrne-White was re-appointed to the board on 23 April 2015. Mr. Eamonn Brennan's term of office expired and he was re-appointed to the board on 8 September 2015. Mr. Michael Norton's term of office expired and he was re-appointed to the board on 6 October 2015.

## Interests of directors and secretary

The directors and secretary who held office at 31 December 2015 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, unless re-appointed by the Minister thereafter.

## 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 eight 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, unless re-appointed by the Minister thereafter. 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.



## DIRECTORS' REPORT (CONTINUED)

### Principles of good corporate governance (continued)

#### The Board (continued)

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 2015 was seven. These meetings were attended as follows:

	Date of appointment (*or re-appointment)	Board meetings attended	Max number of board meetings director could have attended
Anne Nolan, <i>Chairman</i>	13 June 2014	7	7
Eamonn Brennan, <i>Chief Executive</i>	8 September 2015*	7	7
Marie Bradley	13 June 2014	7	7
Ernie Donnelly	24 May 2012	7	7
Pascal Fitzgerald	1 August 2014	4	7
Basil Geoghegan	20 May 2013	7	7
Michael Norton	6 October 2015*	6	7
Geoffrey O'Byrne-White	23 April 2015*	3	4
Kevin O'Driscoll	16 September 2013	6	7

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.

## Principles of good corporate governance (continued)

### The Board (continued)

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 three meetings during 2015. The members of the committee and the number of meetings attended were:

Members	Meetings attended	Eligible to attend
Marie Bradley, <i>Chairman</i>	3	3
Pascal Fitzgerald	-	3
Geoffrey O'Byrne-White	2	3
Kevin O'Driscoll	1	1

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.



## DIRECTORS' REPORT (CONTINUED)

### Principles of good corporate governance (continued)

#### Audit committee (continued)

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 2015, the audit committee reviewed:

- corporate risk register 2015-2016 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 2015 and internal audit reports
- a report from the external auditor on its audit of the financial statements for the year ended 31 December 2014 and audit fees and non-audit fees payable to the external auditor (full board)

- external audit plan for 2015 including the scope of the audit
- the impact of conversion of the 2014 financial statements to FRS 102
- corporate governance compliance
- 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
Basil Geoghegan, <i>Chairman</i>	1	1
Eamonn Brennan	1	1
Anne Nolan	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.

#### 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	2	2
Geoffrey O'Byrne-White	-	1

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 twice 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>	2	2
Marie Bradley	1	1
Ernie Donnelly	2	2
Kevin O'Driscoll	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 2014 UK Corporate Governance Code and the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", 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



## DIRECTORS' REPORT (CONTINUED)

### Principles of good corporate governance (continued)

#### Internal control (continued)

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.

## Accounting records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records 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 2015 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 21 March 2016, the board proposed the payment of a dividend for 2015 of €7.4 million (€0.42 per share).

## Electoral Act, 1997

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

## Auditor

In accordance with Section 383(2) of the Companies Act 2014, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the board:

Anne Nolan  
Chairman

Eamonn Brennan  
Chief Executive

*21 March 2016*



# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing these 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent

and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014.

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

On behalf of the board:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

*21 March 2016*

# 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 (the "IAA", the "Company") for the year ended 31 December 2015 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

## Opinions and conclusions arising from our audit

### ***1 Our opinion on the financial statements is unmodified***

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

### ***2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below***

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

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

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

### ***3 We have nothing to report in respect of matters on which we are required to report by exception***

ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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 25 and 26, does not reflect the Company'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.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.



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

As explained more fully in the statement of directors' responsibilities set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. 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.

An audit undertaken in accordance with ISAs (UK and Ireland) 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's 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 directors' 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.

Whilst an audit conducted in accordance with ISAs (UK and Ireland) is designed to provide reasonable assurance of identifying

material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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

**Emer McGrath**  
**for and on behalf of**  
**KPMG**

**Chartered Accountants, Statutory Audit Firm**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland  
*21 March 2016*



# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Total €'000	2014 Before Exceptional €'000	2014 Exceptional (Note 3) €'000	2014 Total €'000
Turnover – continuing activities	2	183,404	177,475	-	177,475
Operating expenses	1, 20	(149,772)	(147,764)	-	(147,764)
Exceptional past service credit	3	-	-	102,000	102,000
<b>Operating profit – continuing activities</b>		<b>33,632</b>	<b>29,711</b>	<b>102,000</b>	<b>131,711</b>
Interest receivable and similar income	4	11,356	17,259	-	17,259
Interest payable and similar charges	5	(13,636)	(21,223)	-	(21,223)
<b>Profit on ordinary activities before taxation</b>	6	<b>31,352</b>	<b>25,747</b>	<b>102,000</b>	<b>127,747</b>
Tax on profit on ordinary activities	7	(6,587)	(5,343)	(12,750)	(18,093)
<b>Profit for the financial year</b>		<b>24,765</b>	<b>20,404</b>	<b>89,250</b>	<b>109,654</b>



# OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
Profit for the financial year		24,765	109,654
Other comprehensive income			
Remeasurement of the net defined benefit liability	20	17,147	(134,390)
Related deferred tax (liability)/asset	14	(2,143)	16,799
Cash in excess of pension service costs	20	13,398	16,169
Other comprehensive income/(loss) for the year		28,402	(101,422)
Total comprehensive income for the year		53,167	8,232

# BALANCE SHEET

AT 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
<b>Fixed assets</b>			
Tangible assets	8	79,247	79,003
Financial assets	9	14,573	11,933
		<b>93,820</b>	<b>90,936</b>
<b>Current assets</b>			
Debtors	10	56,167	58,699
Short term deposits		25,536	7,001
Cash and cash equivalents		120,310	119,237
		<b>202,013</b>	<b>184,937</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(24,563)</b>	<b>(31,088)</b>
<b>Net current assets</b>		<b>177,450</b>	<b>153,849</b>
<b>Total assets less current liabilities</b>		<b>271,270</b>	<b>244,785</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(15,107)</b>	<b>(8,321)</b>
<b>Provisions for liabilities</b>			
Retirement benefit obligations	20	(125,545)	(152,478)
<b>Net assets</b>		<b>130,618</b>	<b>83,986</b>
<b>Capital and reserves</b>			
Called up share capital	15	22,675	22,675
Profit and loss account		107,943	61,311
<b>Shareholders' funds – equity</b>		<b>130,618</b>	<b>83,986</b>

On behalf of the board:

Anne Nolan  
Chairman

Eamonn Brennan  
Chief Executive



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital €'000	Profit and loss account €'000	Total equity €'000
Balance at 1 January 2014	22,675	57,912	80,587
<b>Comprehensive income:</b>			
Profit or loss for the year	-	109,654	109,654
Other comprehensive income	-	(101,422)	(101,422)
<b>Total comprehensive income for the year</b>	-	8,232	8,232
<b>Transactions with shareholders recognised directly in equity:</b>			
Dividends	-	(4,833)	(4,833)
<b>Balance at 31 December 2014</b>	<b>22,675</b>	<b>61,311</b>	<b>83,986</b>
Balance at 1 January 2015	22,675	61,311	83,986
<b>Comprehensive income:</b>			
Profit or loss for the year	-	24,765	24,765
Other comprehensive income	-	28,402	28,402
<b>Total comprehensive income for the year</b>	-	53,167	53,167
<b>Transactions with shareholders recognised directly in equity:</b>			
Dividends	-	(6,535)	(6,535)
<b>Balance at 31 December 2015</b>	<b>22,675</b>	<b>107,943</b>	<b>130,618</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
<b>Cash flows from operating activities</b>			
Profit for the financial year		24,765	109,654
<i>Adjustment for:</i>			
Non cash pension credits		-	(102,000)
Depreciation of tangible fixed assets	8	14,010	14,929
Loss on disposal of fixed assets		17	-
Interest receivable and similar income	4	(11,356)	(17,259)
Interest payable and similar charges	5	13,636	21,223
Taxation	7	6,587	18,093
		47,659	44,640
Increase in debtors		(2,021)	(3,753)
Increase in creditors		854	5,547
		46,492	46,434
Tax paid		(4,656)	(3,984)
<b>Net cash from operating activities</b>		<b>41,836</b>	<b>42,450</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible fixed assets		(13,815)	(7,436)
Acquisition of financial assets	9	(2,640)	(11,194)
Investment in short term deposits		(18,535)	(7,001)
Interest received		57	200
<b>Net cash used in investing activities</b>		<b>(34,933)</b>	<b>(25,431)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(245)	(289)
Dividends paid	16	(6,535)	(4,833)
<b>Net cash used in financing activities</b>		<b>(6,780)</b>	<b>(5,122)</b>
<b>Net increase in cash and cash equivalents</b>		<b>123</b>	<b>11,897</b>
Cash and cash equivalents at 1 January		119,237	106,157
Effect of exchange rate fluctuations on cash held		950	1,183
<b>Cash and cash equivalents at 31 December</b>		<b>120,310</b>	<b>119,237</b>



# NOTES

## FORMING PART OF THE FINANCIAL STATEMENTS

### 1. 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 Act 2014. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the IAA's financial statements.

The financial statements are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is Euro. All amounts in the financial statements have been rounded to the nearest €1,000.

In the transition to FRS 102 from old Irish GAAP, the IAA has made measurement, recognition and presentation adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the IAA is provided in note 23.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

#### *True and fair view override*

Ireland is a party to a multilateral agreement (EUROCONTROL) relating to the collection of en route navigation service charges. Under Section

47 of the IAA Act, the IAA performs this function on behalf of the State. Differences in income and costs arising from traffic volume risk and cost risk sharing are recovered from, or returned to, users of en route navigation services by amendment of charges in later years.

The costs to be taken into account for the purpose of the EUROCONTROL agreement are defined in the EUROCONTROL charging principles and in the EC Charging Regulations in a manner that includes all cash payments to pension funds. Consequently, the directors have determined that it is appropriate to incorporate all cash contributions made to the IAA's pension fund in operating expenses to the extent they exceed the pensions charge determined in accordance with FRS 102 'Employee Benefits', and to record an offsetting credit in the statement of other comprehensive income ("OCI"), in order to present a true and fair view of its comprehensive income and its assets, liabilities and financial position. Further details of the impact of this accounting treatment is shown in the employee benefits accounting policy on page 38.

### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

### 1.2 Turnover

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



### *En route and terminal revenues*

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

### **1.3 Tangible fixed assets and depreciation**

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

Buildings	5%
Completed installations and other works	8⅓% – 12½%
Office equipment	20% – 33⅓%

Assets are depreciated from the date they are commissioned for use. Assets under construction/installations in progress are carried at historical cost and are not depreciated until they are brought into use. 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.

### **1.4 Financial fixed assets**

Investments in associates are carried at cost less allowance for any impairment in value of individual investments.

Other financial fixed assets are recognised initially at the transaction price. At the end of each reporting period the investment is measured at fair value with changes in fair value recognised in profit or loss.

### **1.5 Leased assets**

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

### **1.6 Foreign currencies**

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

### **1.7 Taxation**

Corporation tax is provided for on the profit for the year at the current rates. Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the reporting date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the 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.



## NOTES (CONTINUED)

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

### 1.8 Employee benefits

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

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

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

- b. an additional charge to operating expenses reflecting the difference between the actuarially determined pension charge (current/past service cost) included above and total cash payments to the pension fund in the year, and
- c. the net interest on the net defined benefit liability comprising interest cost on the defined benefit obligation and interest income on plan assets.

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as remeasurement gains and losses in the statement of other comprehensive income ("OCI"). The OCI includes an offset amounting to the additional pension charge, described in paragraph (b), expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 36.

The IAA thus departs from the requirements of FRS 102 in order that the results comply with the requirements of the agreements under which its operations are governed and, in the context of these agreements, that the financial statements give a true and fair view. The impact of the departure is to increase the pension cost by €13,398,000 (2014: €16,169,000) above the actuarially determined service costs, for recovery under the charging mechanism in the year ended 31 December 2015, and to record an offsetting credit in the OCI, thereby maintaining the profit and loss reserves and assets, liabilities and financial position of the IAA in line with the requirements of FRS 102.

### 1.9 Basic financial instruments

#### *Trade and other debtors and creditors*

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

#### *Cash, cash equivalents and short term deposits*

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

2. Turnover	2015	2014
	€'000	€'000
Activity		
En route	116,406	112,079
Terminal	21,421	21,135
North Atlantic communications	19,963	18,442
Safety regulation	20,211	19,670
Exempt air traffic	1,732	1,652
Commercial	3,671	4,497
	183,404	177,475

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



## NOTES (CONTINUED)

### 3. 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:

	2015	2014
Operations	439	432
Technology and training	65	68
Safety regulation	92	92
Finance, human resources, corporate affairs and others	59	57
<b>Total employees</b>	<b>655</b>	<b>649</b>

The aggregate payroll costs of these persons were as follows:	2015 €'000	2014 €'000
Wages and salaries	60,004	59,131
Social welfare costs	4,504	4,298
Pension costs – current service cost (note 20)	8,187	7,453
Pension costs – past service cost (note 20)	(681)	(2,404)
Pension costs – defined contribution (note 20)	41	30
Pension costs – additional cash cost (note 20)	13,398	16,169
Other post-employment costs (note 20)	499	510
	<b>85,952</b>	<b>85,187</b>
In addition to the above:		
Pension costs – exceptional past service credit (note 20)*	-	(102,000)

\* The exceptional past service credit in the prior year arose from a change in the rate of pension increase assumption, which, because of the deficit position of the 1996 and 2008 defined benefit pension schemes resulted in the members being informed that there will be no further increase granted on pensions payable with effect from 1 January 2015.

4. Interest receivable and similar income	2015	2014
	€'000	€'000

Foreign exchange gain	950	1,183
Bank interest	45	149
Other interest	147	146
Interest income on defined benefit assets	10,214	15,781
	11,356	17,259

5. Interest payable and similar charges	2015	2014
	€'000	€'000

Bank loan facility fees	289	289
Interest expense on defined benefit liabilities	13,347	20,934
	13,636	21,223

6. Statutory and other information	2015	2014
	€'000	€'000

#### Directors' remuneration

##### *Fees paid to directors*

Ms. Anne Nolan (Chairman)	22	22
Mr. Eamonn Brennan (Chief Executive)	-	-
Ms. Marie Bradley	13	6
Mr. Ernie Donnelly	-	-
Mr. Pascal Fitzgerald	13	5
Mr. Basil Geoghegan	13	13
Mr. Michael Norton	13	13
Mr. Geoffrey O'Byrne-White	9	12
Mr. Kevin O'Driscoll	13	13
	96	84

In aggregate, directors were reimbursed expenses of €339 in total during 2015 (2014: €1,291).



## NOTES (CONTINUED)

6. Statutory and other information (continued)	2015 €'000	2014 €'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	62
- pension contributions	50	50
	<b>344</b>	<b>344</b>

The chief executive voluntarily waived 10% of his official salary in each year 2009 to 2015. 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 to 2015. The chief executive did not receive a director's fee.

	2015 €'000	2014 €'000
Auditor's remuneration		
- audit	50	50
- other assurance	15	20
- tax services		
- compliance	31	24
- advisory	12	77
- other non-audit	3	2
<b>Total auditor's remuneration</b>	<b>111</b>	<b>173</b>
Depreciation	14,010	14,929
Met Éireann charges	8,115	8,098
Rentals payable under operating leases - buildings	3,284	979
Rentals payable under operating leases - other	127	106



7. Tax on profit on ordinary activities	2015	2014
	€'000	€'000

#### Analysis of tax charge in the period

##### Current tax

Corporation tax	4,569	4,389
Adjustments in respect of prior periods	(132)	-
	4,437	4,389

##### Deferred tax

Origination and reversal of timing differences	1,563	13,704
Adjustments in respect of prior periods	587	-
	2,150	13,704

<b>Tax on profit on ordinary activities</b>	<b>6,587</b>	<b>18,093</b>
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Profit and loss total tax reconciliation	2015	2014
	€'000	€'000

Profit on ordinary activities before tax	31,352	127,747
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Expected current tax at 12.5% (2014: 12.5%)	3,919	15,968
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#### Effects of:

Permanent differences	264	203
Expenses not deductible for tax purposes	392	644
Other differences	-	(212)
Income not taxable at the standard rate	274	113
Corporation tax in respect of prior years	(132)	-
Deferred tax in respect of prior years	587	-
Income taxable in future periods	1,283	1,377

<b>Tax on profit on ordinary activities</b>	<b>6,587</b>	<b>18,093</b>
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## 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	135,648	15,081	8,118	189,311
Additions in year	-	261	13,483	527	14,271
Brought into use in year	-	9,693	(11,124)	1,431	-
Disposals in year	-	(3,012)	-	(102)	(3,114)
<b>At end of year</b>	<b>30,464</b>	<b>142,590</b>	<b>17,440</b>	<b>9,974</b>	<b>200,468</b>
<b>Accumulated depreciation</b>					
At beginning of year	16,224	88,090	-	5,994	110,308
Charge in year	1,523	11,580	-	907	14,010
Disposals in year	-	(2,995)	-	(102)	(3,097)
<b>At end of year</b>	<b>17,747</b>	<b>96,675</b>	<b>-</b>	<b>6,799</b>	<b>121,221</b>
<b>At 31 December 2015</b>	<b>12,717</b>	<b>45,915</b>	<b>17,440</b>	<b>3,175</b>	<b>79,247</b>
At 31 December 2014	14,240	47,558	15,081	2,124	79,003
<b>9. Financial fixed assets</b>					
				<b>2015 €'000</b>	<b>2014 €'000</b>
Interest in associate, at cost				739	739
Other financial assets, at fair value				13,834	11,194
				<b>14,573</b>	<b>11,933</b>

The IAA has a 25% interest in Entry Point North AB, Box 30, SE-230 32, Malmö-Sturup, Sweden, a provider of air traffic management training solutions. This interest was acquired on 20 December 2013.

The IAA has invested US\$18.4 million (€13.8 million) into the equity capital of Aireon LLC, a company developing space-based global air traffic surveillance systems. This investment represents approximately 3.75% of the equity of Aireon LLC. The IAA's ownership will increase to 6% by 2017, through a series of additional scheduled investments totalling US\$11.0 million.

10. Debtors	2015 €'000	2014 €'000
Trade debtors, net	34,857	32,094
Prepayments and accrued income	2,500	4,843
Other debtors	160	144
Value added tax	1,556	633
Deferred tax asset (note 14)	17,094	20,985
	56,167	58,699

Debtors are due within one year except for €Nil (2014: €256,000) relating to accrued income to be recovered through future en route and terminal charges; €15,504,000 (2014: €18,930,000) relating to a deferred tax asset on employee benefits and €1,590,000 (2014: €1,780,000) relating to a deferred tax asset on buildings.

Included in trade debtors are amounts past due of €26,370,000 (2014: €25,000,000) of which €6,374,000 (2014: €6,037,000) is provided for within bad debt provisions.

11. Creditors: amounts falling due within one year	2015 €'000	2014 €'000
Trade creditors	3,560	2,512
Other creditors including tax and social welfare (note 12)	706	2,312
Accruals	10,468	17,546
Deferred income	9,829	8,718
	24,563	31,088

12. Taxation and social welfare included in other creditors	2015 €'000	2014 €'000
PAYE/PRSI	-	1,906
Corporation tax	69	289
Relevant contracts tax	40	110
Professional services withholding tax	5	7
Deferred tax liability (note 14)	592	-
	706	2,312



## NOTES (CONTINUED)

13. Creditors: amounts falling due after more than one year	2015 €'000	2014 €'000
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Deferred income	13,517	6,541
Deferred tax liability (note 14)	1,590	1,780
	15,107	8,321

14. Deferred tax (liability)/asset	Ref	2015 €'000	2014 €'000
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Deferred tax (liability)/asset– excluding employee benefits-related – (current)	(i)	(592)	275
Deferred tax asset – employee benefits-related (non-current)	(ii)	15,504	18,930
Deferred tax asset – buildings – (non-current)		1,590	1,780
Deferred tax liability – buildings – (non-current)		(1,590)	(1,780)
Deferred tax asset, net		14,912	19,205

### (i) Deferred taxation – excluding employee benefits-related

At beginning of year	275	(148)
(Charged)/credited to profit and loss account (note 7)	(867)	423
At end of year	(592)	275

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

### (ii) Deferred taxation – employee benefits-related

At beginning of year	18,930	16,258
Changes in actuarial assumptions recognised in OCI	(2,143)	16,799
Charged to profit and loss account (note 7)	(1,283)	(14,127)
At end of year	15,504	18,930

15. Called up share capital – equity	2015 €'000	2014 €'000
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*Authorised, allotted, called up and fully paid*

17,858,000 ordinary shares of €1.27 each	22,675	22,675
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16. Equity dividends paid	2015 €'000	2014 €'000
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*Declared and paid during the year:*

Final dividend for 2015: €0.37 per share

(2014: €0.27 per share)	(6,535)	(4,833)
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## 17. 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 Éireann. In addition, in the normal course of business, the IAA transacts with certain Irish banks which have become wholly or partially owned by the Irish State. All of the IAA's transactions with such banks are on normal commercial terms.

The ultimate controlling party is the Department of Public Expenditure and Reform.

In 2014, the IAA entered into a commercial arrangement to provide air traffic management training services to Entry Point North Ireland Ltd, a 100% owned subsidiary of Entry Point North (EPN) AB, an associate of the IAA (note 9). 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 €2.9 million and incurred costs of €6.1 million in transactions with Entry Point North Ireland Ltd. As at 31 December 2015, there is a net receivable balance due from Entry Point North Ireland Ltd amounting to €3.5 million.

Total compensation of key management personnel (including the directors) in the year amounted to €2.1 million (2014: €2.1 million).



## NOTES (CONTINUED)

18. Commitments	2015 €'000	2014 €'000
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### (i) Capital commitments

Future capital expenditure approved by the directors:

Not contracted for	43,279	38,964
Contracted for	4,901	6,406
	<b>48,180</b>	<b>45,370</b>

### (ii) Operating lease commitments

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

	2015 Buildings €'000	2015 Motor Vehicles €'000	2014 Buildings €'000	2014 Motor Vehicles €'000
<b>Payable:</b>				
Within one year	3,592	118	3,516	111
Between one and five years	12,614	162	11,700	159
More than five years	35,472	-	37,468	-
	<b>51,678</b>	<b>280</b>	<b>52,684</b>	<b>270</b>

## 19. 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.



20. Employee benefits	2015 €'000	2014 €'000
Defined benefit pension liability (see A below)	124,023	151,435
Supplementary ex-gratia pension liability (see B below)	1,522	1,043
<b>Total retirement benefit obligations</b>	<b>125,545</b>	<b>152,478</b>

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

The IAA undertakes actuarial valuations of the defined benefit pension schemes at least every three years. The date of the latest actuarial valuations is 1 January 2015 and covers all accrued benefits. These valuations were conducted by qualified independent actuaries.

The valuations employed for FRS 102 purposes have been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2015 and to take account of financial conditions at this date. The valuations used for FRS 102 purposes have been completed using the projected unit method, and assets for this purpose have been valued at market value.

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

The IAA has no unfunded schemes with the exception of the supplementary ex-gratia liability. There are no outstanding or pre-paid contributions at year-end.



## NOTES (CONTINUED)

### 20. Employee benefits (continued)

#### A. The Irish Aviation Authority Defined Benefit Schemes

(i) Principal actuarial assumptions	2015 Projected unit	2014 Projected Unit
Weighted average assumptions to determine benefit obligations		
Discount rate	2.50%	2.25%
Rate of general compensation increase (staff/senior staff) †	1.50%	1.50%
Rate of price inflation	1.50%	1.50%
Rate of pension increase †	0.00%	0.00%

† This is the long-term assumption applicable from 2015 onwards in respect of staff/senior staff increases. The board decided, given the current deficit position of the Schemes, and communicated during the course of the prior year 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:

Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:	2015	2014
Current active and deferred members	25.1	24.4
Current pensioner members	22.8	22.2
Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:		
Current active and deferred members	27.2	25.4
Current pensioner members	24.9	23.4

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

## 20. Employee benefits (continued)

	2015 €'000	2014 €'000
<b>(ii) Amounts recognised in the balance sheet</b>		
Present value of wholly or partly funded obligations	(594,303)	(602,917)
Fair value of plan assets	470,280	451,482
<b>Net liability</b>	<b>(124,023)</b>	<b>(151,435)</b>

	2015 €'000	2014 €'000
<b>(iii) Movements in fair value of plan assets</b>		
Fair value of plan assets at beginning of year	451,482	392,311
Remeasurement: return on plan assets less interest income	3,613	37,987
Interest income	10,214	15,781
Employer contributions	20,904	21,218
Member contributions	3,527	3,466
Benefits paid from plan	(19,460)	(19,281)
<b>Fair value of plan assets at end of year</b>	<b>470,280</b>	<b>451,482</b>

	2015 €'000	2014 €'000
<b>(iv) Movements in present value of defined benefit obligations</b>		
Benefit obligation at beginning of year	(602,917)	(522,372)
Current service cost	(8,187)	(7,453)
Past service cost	681	2,404
Exceptional past service credit*	-	102,000
Interest on plan liabilities	(13,347)	(20,934)
Member contributions	(3,527)	(3,466)
Remeasurement: actuarial gains	13,534	(172,377)
Benefits paid from plan	19,460	19,281
<b>Benefit obligation at end of year</b>	<b>(594,303)</b>	<b>(602,917)</b>

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



## NOTES (CONTINUED)

### 20. Employee benefits (continued)

(v) Components of pension cost	2015 €'000	2014 €'000
Expense recognised in the profit and loss account		
Current service cost (note 3)	(8,187)	(7,453)
Past service cost (note 3)	681	2,404
Exceptional past service credit (note 3)	-	102,000
Additional cash cost (note 3)	(13,398)	(16,169)
Interest income on defined benefit assets (note 4)	10,214	15,781
Interest expense on defined benefit liabilities (note 5)	(13,347)	(20,934)
<b>Total pension cost recognised in the profit and loss</b>	<b>(24,037)</b>	<b>75,629</b>
Amounts recognised in other comprehensive income		
Actuarial gains/(losses) immediately recognised	17,147	(134,390)
Additional cash cost	13,398	16,169
	30,545	(118,221)
<b>Total for the year</b>	<b>6,508</b>	<b>(42,592)</b>
Cumulative amount of actuarial losses recognised in other comprehensive income	(282,416)	(299,563)

(vi) Plan assets	2015 Amount of plan assets €'000	2014 Amount of plan assets €'000
<i>The asset allocations as at 31 December:</i>		
Equity securities	191,367	226,709
Bond securities	188,681	202,390
Other	90,232	22,383
	470,280	451,482

Interest income on plan assets will be charged at 2.5% (2014: 2.25%).

## 20. Employee benefits (continued)

	2015	2014
	€'000	€'000

*Actual return on assets*

Actual return on plan assets	13,827	53,768
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### (vii) Other required disclosure amounts

€'000

Contributions expected to be paid by the IAA during 2016	20,230
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## B. Supplementary ex-gratia pension liability

	2015	2014
	€'000	€'000

At beginning of year	1,043	548
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Amounts provided for supplementary ex-gratia pension liability	499	510
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Payments made during the year	(20)	(15)
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Amounts falling due after more than one year	1,522	1,043
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This is a provision for supplementary ex-gratia pension payments, up to age 65, outside of the IAA pension schemes, to bridge the gap for certain employees who are eligible to retire between the ages of 60 and 65, however are not eligible for the state pension until they reach the state retirement age.

## C. The Irish Aviation Authority Defined Contribution Pension 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 €41,507 (2014: €29,941).



## NOTES (CONTINUED)

### 21. Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

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

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

#### *Pension assumptions*

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

### 22. Post balance sheet events

On 21 March 2016, the board proposed the payment of a dividend of €7.4 million (€0.42 per share).

### 23. Explanation of transition to FRS 102 from old Irish GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Irish GAAP). An explanation of how the transition from Irish GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and below.

#### *1: Pension*

Under Irish GAAP, defined benefit interest cost was based on the discount rate for the obligation and the defined benefit interest income was based on expected return on plan assets based on long term expectations for these assets. On transition to FRS 102, the net interest recognised in the profit and loss is based on the discount rate for the obligation. A reclassification therefore arose between the interest being recognised in profit and loss and other comprehensive income. Separately, the defined benefit pension liability is shown net of deferred tax under Irish GAAP, versus gross of deferred tax under FRS 102, resulting in a reclassification of the related deferred tax asset from non-current liabilities to debtors.



## 23. Explanation of transition to FRS 102 from old Irish GAAP (continued)

Balance sheet	1 January 2014			31 December 2014		
	Irish GAAP €'000	Effect of transition to FRS 102 €'000	FRS 102 €'000	Irish GAAP €'000	Effect of transition to FRS 102 €'000	FRS 102 €'000
<b>Fixed assets</b>						
Tangible assets	85,718	-	85,718	79,003	-	79,003
Financial assets	739	-	739	11,933	-	11,933
	86,457	-	86,457	90,936	-	90,936
<b>Current assets</b>						
Debtors	33,741	18,228	51,969	37,989	20,710	58,699
Short term deposits	-	-	-	-	7,001	7,001
Cash and cash equivalents	106,157	-	106,157	126,238	(7,001)	119,237
	139,898	18,228	158,126	164,227	20,710	184,937
<b>Creditors: amounts falling due within one year</b>	(31,269)	(148)	(31,417)	(31,088)	-	(31,088)
<b>Net current assets</b>	108,629	18,080	126,709	133,139	20,710	153,849
<b>Total assets less current liabilities</b>	195,086	18,080	213,166	224,075	20,710	244,785
<b>Creditors: amounts falling due after more than one year</b>	-	(1,970)	(1,970)	(6,541)	(1,780)	(8,321)
<b>Provisions for liabilities</b>						
Retirement benefit obligations	(114,351)	(16,258)	(130,609)	(133,548)	(18,930)	(152,478)
Provisions for liabilities and charges	(148)	148	-	-	-	-
<b>Net assets</b>	80,587	-	80,587	83,986	-	83,986
<b>Capital and reserves</b>						
Called up share capital	22,675	-	22,675	22,675	-	22,675
Profit and loss account	57,912	-	57,912	61,311	-	61,311
<b>Shareholders' funds - equity</b>	80,587	-	80,587	83,986	-	83,986



## NOTES (CONTINUED)

### 23. Explanation of transition to FRS 102 from old Irish GAAP (continued)

Profit and loss account	2014 Adopted Irish GAAP €'000	2014 Effect of transition to FRS 102 €'000	2014 FRS 102 €'000
Turnover – continuing activities	177,475	-	177,475
Operating expenses	(147,764)	-	(147,764)
Exceptional past service credit	102,000	-	102,000
<b>Operating profit– continuing activities</b>	<b>131,711</b>	<b>-</b>	<b>131,711</b>
Interest receivable and similar income	1,478	15,781	17,259
Interest payable and similar charges	(289)	(20,934)	(21,223)
Net finance expense	(3,575)	3,575	-
<b>Profit on ordinary activities before taxation</b>	<b>129,325</b>	<b>(1,578)</b>	<b>127,747</b>
Tax on profit on ordinary activities	(18,290)	197	(18,093)
<b>Profit for the financial year</b>	<b>111,035</b>	<b>(1,381)</b>	<b>109,654</b>

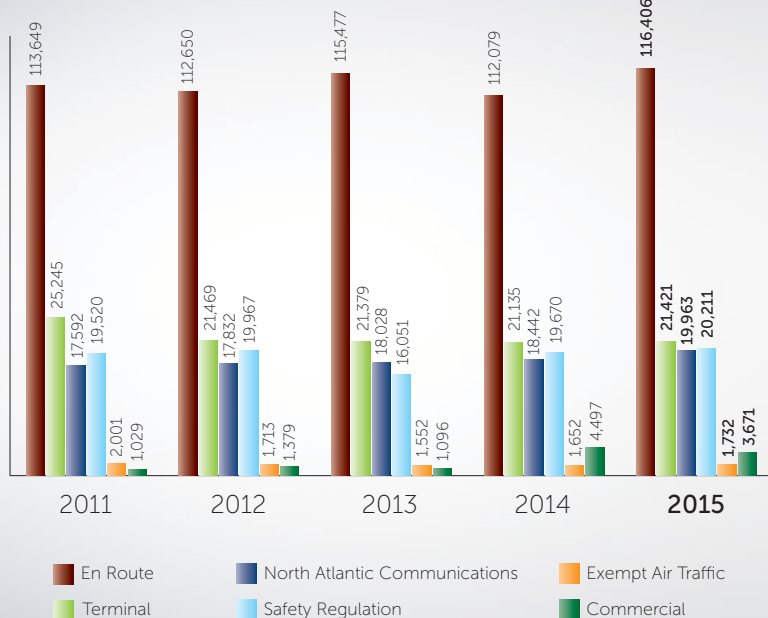
Other comprehensive income	2014 Adopted Irish GAAP €'000	2014 Effect of transition to FRS 102 €'000	2014 FRS 102 €'000
Remeasurement of the net defined benefit liability	(135,968)	1,578	(134,390)
Related deferred tax asset	16,996	(197)	16,799
Cash in excess of pension service costs	16,169	-	16,169
<b>Other comprehensive loss for the year</b>	<b>(102,803)</b>	<b>1,381</b>	<b>(101,422)</b>
<b>Total comprehensive income for the year</b>	<b>8,232</b>	<b>-</b>	<b>8,232</b>

### 24. Approval of the financial statements

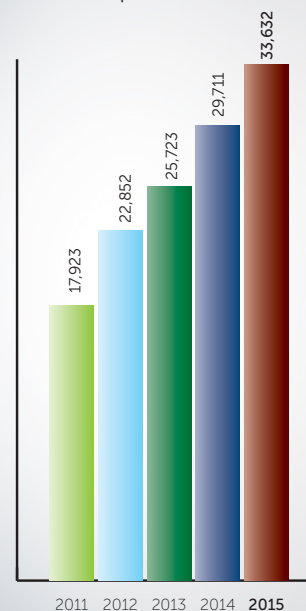
The financial statements were approved by the directors on 21 March 2016.

# FIVE YEAR SUMMARY 2011-2015

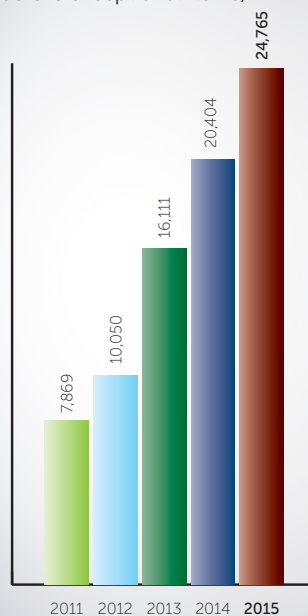
Turnover €'000



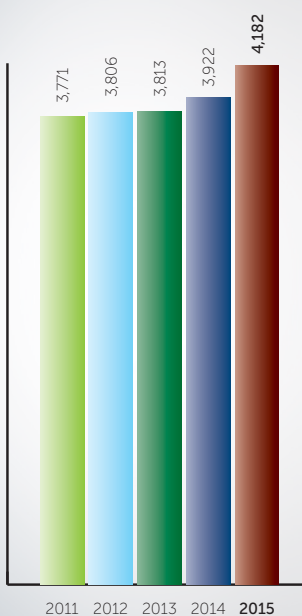
Operating Profit €'000  
(before exceptional items)



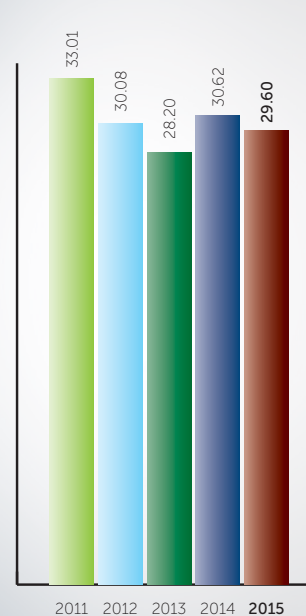
Profit after tax €'000  
(before exceptional items)



En Route Service Units ('000)



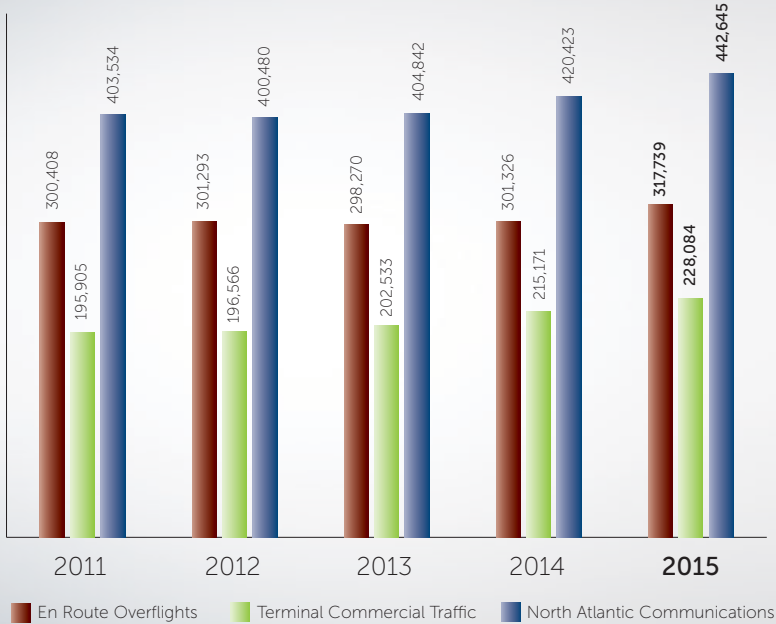
En Route Service Unit Rate (€)



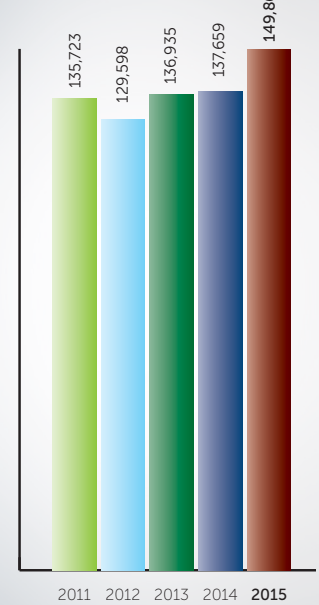


## FIVE YEAR SUMMARY 2011-2015 (CONTINUED)

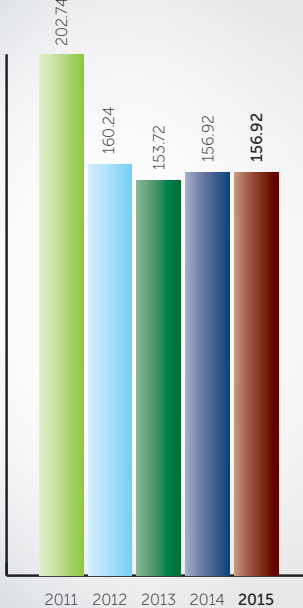
### Air Traffic Activity



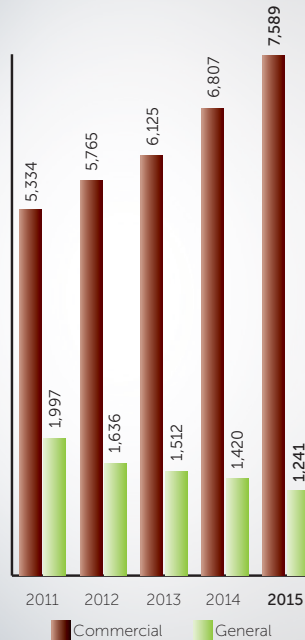
### Terminal Service Units



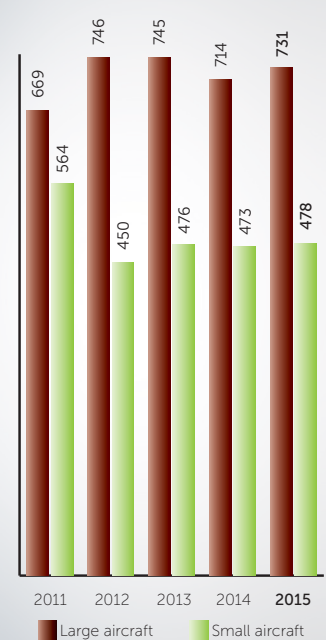
### Terminal Unit Rate (€)



### Valid Pilot Licences



### Registered Aircraft



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