



# WE ARE IAA

IRISH AVIATION AUTHORITY  
ANNUAL REPORT 2018







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# KEY MESSAGES 2018

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We safely handled 345,000 overflights, 267,000 terminal commercial movements and 505,000 flights on the North Atlantic

We safely managed the expansion of the Irish AOC fleet to 671 aircraft and an overall increase in the Irish aircraft register to 1,433 aircraft

Ireland is ranked 2nd in Europe for effective implementation of ICAO standards and recommended practices

We achieved the highest score in the 2018 CANSO/EUROCONTROL safety management systems standard of excellence measurement

We are in the top-tier of European air navigation service providers with a safety maturity level score of 91% in the EASA measure of the effectiveness of safety management

We continued to invest in our people and technology, growing our expertise and preparing for future challenges including Brexit

Our en route customer charges continue to be amongst the lowest in Europe

Delays in Irish-controlled airspace continued at a minimum

We achieved a 92.3% satisfaction rating from our airline customers

We invested in aviation-related enterprises through the Propeller Shannon project

# KEY FIGURES 2018

TURNOVER



€198.9<sub>m</sub>

OPERATING PROFIT



€31.6<sub>m</sub>

PROFIT AFTER TAX



€31.3<sub>m</sub>

NET ASSETS



€236.4<sub>m</sub>

DIVIDEND FOR 2018

€19.5<sub>m</sub>

AVERAGE EMPLOYEES



685

AIRCRAFT ON IRISH REGISTER



4.0%

LICENCES



12.6%

OVERFLIGHTS



0.4%

DOMESTIC TRAFFIC



4.7%



**MARTIN HOGAN** | ATM SPECIALIST, SHANNON

“The Specialist role requires an in-depth understanding of current and future air traffic control operational requirements and involves the design, procurement and delivery of advanced technology systems that underpin the safety and reliability of the service we provide to our customers.”

Joined the IAA in 2003

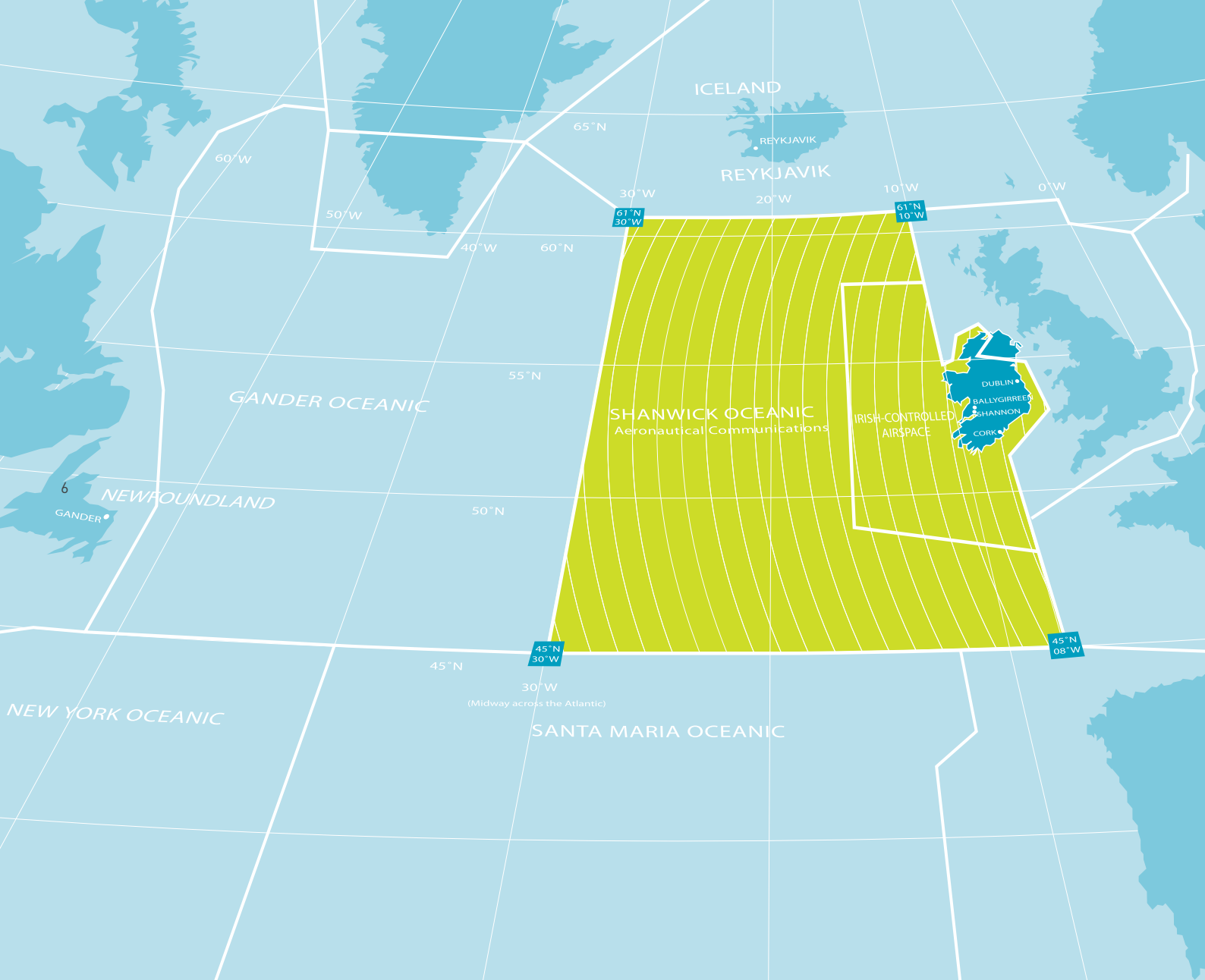




**CAROLINE CARR** | HIGHER DATA ASSISTANT, DUBLIN

**“I work as a Higher Data Assistant in Dublin air traffic control operations and in our operations support office liaising with the daa on airfield works and approving drone applications.”**

Joined the IAA in 1993



# AIR NAVIGATION SERVICES IN THE NORTH ATLANTIC

## What we do



CIVIL AVIATION  
SAFETY  
REGULATION



AVIATION  
SECURITY



AIR TRAFFIC  
MANAGEMENT



COMMERCIAL  
ACTIVITIES



# FINANCIAL AND OPERATING HIGHLIGHTS 2018



## FINANCIAL HIGHLIGHTS

	2018 €'000	2017 €'000	% Change
Turnover	198,922	193,442	+2.8%
Operating Profit	31,550	33,540	-5.9%
Profit After Tax	31,321	26,267	+19.2%
Dividends Paid	19,458	9,248	+110.4%



## AIR TRAFFIC ACTIVITY

	2018 Number	2017 Number	% Change
En Route Overflights	345,403	343,977	+0.4%
Terminal Commercial Traffic	266,917	255,019	+4.7%
North Atlantic Communications	505,397	500,684	+0.9%



## EMPLOYMENT

	2018 Number	2017 Number	% Change
Average Employed	685	666	+2.9%



## CUSTOMER CHARGES

	2018 €	2017 €	% Change
En Route Overflight	27.69	29.54	-6.3%
Airport Terminal Traffic	151.75	171.69	-11.6%
North Atlantic Communications	45.00	45.00	0.0%
Safety Regulation	No change in Fees Order since 2016		

**SIOBHÁN MORRIS** | AIR TRAFFIC CONTROLLER, SHANNON

**“I currently work in Shannon, ensuring safe and efficient operations for aircraft arriving and departing, and am training to be a Unit Competency Examiner.”**

Joined the IAA in 2004



# CHAIRPERSON'S STATEMENT



I am pleased to present the IAA's annual report and financial statements for the year ending 31 December 2018.

**MICHAEL McGRAIL** | CHAIRPERSON

## Safety and Security Regulation

The IAA safely regulated the civil aviation industry and aviation security in Ireland in 2018. Continuous monitoring by ICAO of Ireland's effective implementation of ICAO standards and recommended practices places Ireland 2nd in Europe and 7th in the world with an effective implementation score of 95.06%.

Ireland is one of the first EU States to participate in the EASA Data4Safety project, a project aimed at sharing safety data from many sources with the intention of developing a proactive approach to safety.

Throughout the year, we engaged with the key aviation stakeholders to ensure that Irish aviation interests are protected because of Brexit. Despite this uncertainty, the Irish aircraft register grew by 4.0% in 2018 to 1,433 aircraft. The number of large aircraft on the register increased by 5.3%.

## Air Traffic Management

Air traffic levels continued to increase in 2018 and I am pleased to say that the IAA managed the increase in overflights, terminal traffic and North Atlantic traffic safely and efficiently. En route overflights increased by 0.4% to 345,000 movements. Commercial traffic at our State airports, Cork, Dublin and Shannon, increased by 4.7% to 267,000 movements while on the North Atlantic, a voice communications service was provided to 505,000 flights, up 0.9% on 2017.

Our customers continue to rate our performance as very strong with a customer satisfaction rating in 2018 of 92.3%. As an air navigation service provider, the IAA achieved the highest score in the 2018 CANSO/EUROCONTROL safety management systems standard of excellence measurement. In the latest measure by EASA of our effectiveness of safety management, the IAA achieved a score in the top tier when compared with other European service providers.

During the year, the IAA made great progress in the construction of its new visual control tower at Dublin airport. The project will shortly move into the technology fit-out phase and is expected to be operational in mid-2020.

Aireon Alert, a free global aircraft locating and emergency response tracking service, operated by the IAA and Aireon, will be formally launched in April 2019.

## Financial Performance

2018 was another year of strong financial performance. The Group earned an operating profit of €31.6 million on turnover of €198.9 million. Group profit after tax was €31.3 million. Net assets increased by €24.4 million to €236.4 million attributable in the main to the construction of the new visual control tower at Dublin airport, a revaluation upwards of the Group's investment in Aireon Holdings LLC and an improvement in the net pension fund liability.

## Dividend

In keeping with the IAA's dividend policy of 30% of the company's profits after tax, I am pleased to report that a dividend of €7.5 million will be paid to our shareholder in respect of 2018. I am also pleased to report that the IAA will pay an additional special dividend of €12.0 million, similar to last year, bringing our total dividend payment to €19.5 million and our total dividends paid in the last five years to €62.2 million.



### Corporate Governance

The Board is committed to the highest standards of corporate governance and, in 2018, in pursuit of its governance objectives, complied with the 2016 Code of Practice for the Governance of State Bodies. The IAA continually reviews its policies and procedures to ensure compliance. During the year, the Board considered its committee structures and proposed that two new committees in the areas of safety and organisational reform would assist the work of the Board. These are in addition to the existing four board committees – audit and risk, finance, personnel, appointments and remuneration and investment planning.

### Challenges for 2019

The Board is working with the Department of Transport, Tourism and Sport to deliver on Government policy to separate the safety regulation and security functions of the IAA from the provision of air traffic management services and to merge the regulatory functions with those of the Commission for Aviation Regulation to make a single regulatory body. The air navigation service provider will be a separate, state-regulated, commercial entity. This is a hugely significant project for the IAA and every effort is being made to ensure that it is seamless in its implementation for the industry, our airline customers and our staff. Legislation to support this project is being prepared and all parties are working towards a very challenging separation date of 1 January 2020.

The IAA welcomed the report published by AQE in September 2018 entitled 'Review of Oversight of Search and Rescue (SAR) Aviation Operations in Ireland'. We are working within established governance structures to determine how legal and safety oversight of civil aviation search and rescue activities might be assigned to the IAA.

The next Single European Sky regulatory period covering the years 2020-2024 is fast approaching. As almost 80% of the IAA's turnover is regulated, achieving agreement on a sustainable performance plan is a key priority for the company in the coming year.

### Acknowledgements

I was very pleased to take up the position as Chairperson of the IAA in September. On behalf of the Board, management and staff I would like to thank our past Chairman, Anne Nolan, whose term of office expired in June. Anne, a board member for twelve years, held the position as Chairman for almost eight years and she made a significant contribution to the success of the IAA in those years.

I would like to acknowledge the contribution of our retired board members and to welcome our new board members. I am looking forward to working with you all.

I would like to acknowledge the energy and commitment of the Chief Executive, Peter Kearney, in leading the company in this time of change and the staff for their dedication in delivering a safe and effective service.

Finally, I would like to thank the Minister for Transport, Tourism and Sport, Shane Ross T.D, and his officials, for their support and assistance.



**Michael McGrail**  
Chairperson



**BRENDAN BERGIN** | QUALITY EXECUTIVE, HEADQUARTERS

**“I have responsibility for management system compliance in the following areas – Quality, Health and Safety, Energy, Record Retention and Data Protection – so each day is always varied and interesting.”**

Joined the IAA in 2015



**CLARE BRADY** | AVIATION EXECUTIVE, HEADQUARTERS

**“I like the variety of my work in Human Resources and enjoy meeting people at all levels across the Company.”**

Joined the IAA in 2012



# CHIEF EXECUTIVE'S REVIEW



2018 was another successful year in which the IAA continued to oversee the safety of the civil aviation industry in Ireland and delivered a safe and efficient air traffic control and voice communications service to our airline customers.

**PETER KEARNEY** | CHIEF EXECUTIVE

Through a combination of the dedication and expertise of our staff and our ongoing commitment to innovation and excellence, we are continuing to provide a safe and high quality service to all of our customers and stakeholders.

We recorded an increase in the number of large aircraft on the Irish aircraft register of 5.3% in 2018 while licensing activity increased by 12.6% to meet the increasing demand of our expanding Irish AOC (aircraft operator certificate) holders as well as Brexit-related activity. As the safety regulator for civil aviation, we have maintained a close relationship with the various aviation stakeholders and worked closely with Government to ensure that Irish interests are protected in the various Brexit scenarios.

En route, terminal and North Atlantic traffic activity all increased when compared with last year, up 0.4%, 4.7% and 0.9% respectively. Our operational staffing levels increased in 2018 and further increases are planned for 2019 to ensure that we continue to provide a high-quality service as traffic levels increase.

Delays in Irish-controlled airspace, attributable to the IAA, were at a minimum and we continue to manage our operations to ensure that our high standards of service are delivered. We have made substantial progress on the construction of the new visual control tower at Dublin airport, a new landmark building not just for Dublin but for the whole country. Progress has also been made in delivering on the Government's decision to separate the IAA's safety regulation and air navigation service provision functions. This will remain a key project for us in 2019.

## Safety and Security Regulation

The IAA has continued to maintain its position as a highly regarded safety regulator during a time of increasing uncertainty for international air transport due to Brexit. One of the IAA's strategic priorities is to prepare for and manage the consequences of Brexit in consultation with the Department of Transport, Tourism and Sport and Irish civil aviation stakeholders. The Safety Regulation Division has been supporting Irish interests throughout the past year by engaging with stakeholders in contingency planning for a hard-Brexit scenario which may disadvantage Irish air operators or maintenance organisations and associated aviation professionals. The IAA has seen a large increase in personnel licensing applications driven mainly by flight crew and maintenance engineers looking to transfer their EASA (European Aviation Safety Agency) licences issued in the UK to licences issued by Ireland.

These have been efficiently and effectively managed by our dedicated staff in our licensing team who are playing their part in ensuring Brexit readiness for the aviation sector.

Notwithstanding the level of uncertainty brought about by Brexit, the Irish civil aviation industry continued to grow in 2018. The IAA currently oversees 1,440 registered aircraft, 16 air operators, 23 licensed aerodromes and over 14,000 licensed personnel.

### Regulatory Framework

In September 2018 the EU updated the Basic Regulation (Regulation (EU) 2018/1139) for aviation safety. The basic regulation addresses the common rules in the field of civil aviation in Europe and expands the scope of what is now considered part of the European Aviation Safety System and includes additional obligations of competent authorities in States.

The basic regulation has extended the scope of EASA to include areas such as ground handling activities, unmanned aircraft systems (i.e. drones with a weight of 250g and above) and cybersecurity. This will result in increased safety oversight

responsibilities for the IAA as the related EU Implementing Rules are issued over the next three years.

The regulation includes mandates for EU Member States to produce a State Safety Programme and a State Plan for aviation safety. By policy, the IAA has produced the State Safety Programme and State Safety Plan on behalf of Ireland for several years based on ICAO standards and has voluntarily adopted EASA recommendations for Member States included in the European Plan for Aviation Safety. The inclusion of the requirements in the new basic regulation means that these documents will now be subject to EASA standardisation activities in future.

### THE REGULATED INDUSTRY (FEBRUARY 2019)



**12,237** Flight Crew Licences  
Over **1,100** pending (Brexit)



**1,836** Maintenance Engineers  
Over **300** pending (Brexit)



**257** Air Traffic Controllers  
**49** Radio Officers  
**10** AFISOs



**1,440** Registered Aircraft  
**896** Aircraft on AOC  
**544** General Aviation



**13** Fixed Wing AOCs  
**3** Helicopter AOCs



**11,765** Drones Registered  
**344** Operators with specific permissions  
**441** SUA Pilot Competency Certs



**30** Approved Training Organisations (ATOs/DTOs)



**23** Aerodromes  
**8** EU Certified  
**15** Nationals



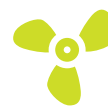
**9** Maintenance Training Organisations (Part 147)



All Aircraft Operating into Ireland  
All Aerodromes and 2 Pax Terminal Operators  
**2,800** Certified Entities (Organisations and Persons)



**11** Flight Simulators (FSTD)



**33** Maintenance Management  
**39** Maintenance Providers  
**2** Production Organisations (POA)  
**8** Design Organisations (DOA) +2 WIPS  
**2** AeMC

The new basic regulation also contains provisions for the transfer of responsibility by Member States to EASA/other Member States and for an EU pool of experts. The IAA has already entered into a partnership arrangement with EASA to provide oversight services to EASA for organisations operating outside of the EU. The new provision will provide opportunities for the IAA to expand this service offering to organisations operating closer to home, within Europe.

### Safety Management

The IAA continues to implement and enhance safety management processes to meet the latest regulatory requirements. The IAA safety management processes include identification and assessment of risk, risk profiling at State, sector and organisation level, action planning to address highest safety concerns and performance monitoring to ensure actions are having the desired result in reducing risk.

One of the key supports for safety management for organisations and States is the timely reporting and analysis of safety occurrences. Regulation (EU) 376/2014 aims to improve reporting culture by enshrining in European law the necessary protection of reporter confidentiality and use of occurrence data. The regulation also helps to provide better safety intelligence for more informed decision making by ensuring that the occurrence reports are subject to mandatory data quality requirements and timelines. This regulation will be subject to an EASA standardisation audit for the first time in September 2019.

The IAA is very supportive of the EASA-led initiatives for integrated safety risk management. To this end, Ireland is one of four EU States (other States are UK, France and Spain) that is supporting the launch of the EASA **Data4Safety** project.

This is a partnership arrangement currently involving aviation manufacturers and operators with plans to involve all stakeholders. The aim of the project is to share safety data from multiple sources (including occurrence reports, aviation recording systems, environmental data, radar data) with the intention of developing a proactive approach to safety and to analyse trends and situations which can lead to a safety hazard.

The Data4Safety project is now at the proof of concept stage and the IAA is represented at steering board and technical board level.

### Oversight of IAA

All ICAO contracting States are subject to continuous monitoring by ICAO on the effective implementation of ICAO standards and recommended practices (SARPS) in the State. The IAA is the designated authority in the State for implementation of ICAO SARPS. The results of ICAO monitoring are expressed by ICAO as an effective implementation (EI) score in percentage terms, with 100% meaning full implementation. Ireland continues to perform exceptionally well in this regard with an ICAO EI score of 95.06%. This places us 2nd in Europe and 7th in the world rankings.

#### Comparison with major states worldwide

UAE	98.91%
France	96.00%
Canada	95.10%
<b>Ireland</b>	<b>95.06%</b>
Australia	95.02%
UK	93.65%
Finland	93.34%
Austria	92.57%
USA	92.17%
Switzerland	90.97%
EU average	82.99%
World average	67.55%

The IAA is also subject to EASA standardisation inspections during which EASA confirms that the IAA is fully compliant with EASA requirements for authorities. During these inspections EASA performs on-site audits of IAA facilities, personnel, procedures and oversight records. As part of the inspection, EASA also visits regulated organisations to confirm the effectiveness of IAA oversight audit activities.

There are four EASA audits planned for 2019 including air navigation services, flight operations, aeromedical and management systems.

### Security Oversight

As the Appropriate Authority in Ireland for the purposes of EC Regulation 300/2008 (Common rules in the field of civil aviation security), the IAA is responsible for ensuring that regulatory requirements are implemented by airport operators, air carriers and entities involved in securing persons other than passengers, passengers, baggage, cargo, mail, in-flight supplies and airport supplies while in the security restricted areas of airports or onboard aircraft. State authorities with a role in aviation security are also subject to compliance monitoring. Today more than 360 organisations are regulated by the IAA for their aviation security activities in the State.

Overall compliance is improving and 2018 saw the introduction of a new regulated entity type – Aviation Security Training Organisations (ASTOs). The ASTO concept is built on established best practices elsewhere in the aviation safety regulatory system and has transformed the oversight model from individual instructor to organisational process, advancing the opportunity for performance-based regulation, a key strategic objective in this area.



Additionally, the IAA has conducted workshops and coordination actions to advance aviation security implementation standards, particularly in quality assurance. The IAA continues to provide technical advice at national and European level and is focussing efforts on the occurrence reporting regime.

There were 2,215 occurrence reports recorded in 2018, up from just 17 reports two years ago. Occurrence reporting has been promoted strongly by the IAA in accordance with the Department of Transport, Tourism and Sport policy to progress evidence-based decision-making in the context of effective risk assessment nationally.

### Separation of Regulation and Service Provision

The Government's decision to separate the IAA's safety and security regulation functions from its service provision activities is a significant change for the IAA. Project governance structures have been put in place by the Department of Transport, Tourism and Sport comprising a steering group and various supporting working groups. An internal project team has also been established to manage this change process. Significant progress has been made, particularly in the areas of governance structures for the new regulatory body and the naming of the new regulator as 'The Irish Aviation Authority (IAA)'. Legislation to give effect to both the separation within the IAA and the subsequent merger of the safety regulator with the Commission for Aviation Regulation (CAR) is being written with a view to a target date for enactment of 1 January 2020. This is an ambitious timeline, but management are committed to working with the Department and CAR to deliver this project.

### Digitalisation

A digitalisation project has commenced which will see the safety regulator using innovative technology to deliver dynamic and effective regulation. This initiative, expected to take two years to implement, will transform the current safety regulation service offering and facilitate 24/7 customer service provision through maximising business activity within the digital environment.

### Air Traffic Management

The IAA, through its Operations and Technology directorates, delivered safe and efficient air traffic control services in 2018. En route overflights increased by 0.4% over 2017 to 345,403 movements. A high frequency voice communications service was provided to 505,397 flights on the North Atlantic, up 0.9% on 2017, while commercial traffic at the State airports, Cork, Dublin and Shannon increased by 4.7% to 266,917 movements. Dublin accounted for almost 85% of total commercial traffic although increases over the previous year were recorded at each of the airports. The IAA reported minimum en route air traffic flow management delays in 2018 and zero air traffic management-related delays to our terminal operations. Slot adherence statistics at Cork, Dublin and Shannon airports were significantly above the European average. Customer charges for our en route service continue to be one of the lowest in Europe. I am pleased to report that the IAA met its capacity, environment and cost efficiency Single European Sky targets for 2018.

At the IAA, working with our staff, we are continually looking at ways to improve our air traffic management service and in 2018 we developed several initiatives.

In our en route operations, improvements were made to our sectorisation options in **upper airspace** to facilitate improved air traffic management.

At Dublin airport we continued to roll-out **high intensity runway operations** (HIRO) improvements which, over the last five years has increased the runway capacity from about 45 to 49 movements per hour. Reduced departure intervals and a reduced runway length procedure are planned to be introduced in 2019, initiatives that could facilitate an increase in runway capacity to 50+ movements per hour thereby reducing delays at the airport as a result of ground infrastructure.

**Aireon Alert** will be formally launched in April 2019. Operated by the IAA and Aireon, Alert is a free global aircraft locating and emergency response tracking service. Operating on a 24/7/365 basis, this service will provide the last known position of an aircraft (assuming it is broadcasting on 1090 MHz ADS-B) to pre-registered stakeholders including air navigation service providers, aircraft operators, regulators and search and rescue organisations. The service will be operated from our voice communications facility at Ballygirreen, Co. Clare.

The construction of the **new air traffic control tower** at Dublin airport is progressing as planned. Standing at 86.9 metres it is an impressive, iconic structure which will serve our airline customers and their passengers for the next 30 years. The construction phase, currently on time, to specification and within budget, will be complete in April 2019. Our technology and operations teams will then spend the next twelve months installing and testing equipment, redesigning the airspace serving Dublin airport and training our air traffic controllers and engineers. The tower will be ready for single runway operations in 2020. Parallel runway operations are planned for 2021 when the northern parallel runway is introduced by the daa.

Based at the North Atlantic Communications Centre at Ballygirreen, the IAA is also finalising the introduction of the **Contingency En Route Operations Centre (CEROC)**. The centre, which replicates the functionality of the Shannon area control centre, will be available to Operations in June 2019 and will be able to provide a full contingency air traffic control service with just four hours' notice in the event that the Shannon centre is unavailable.

Our air traffic management system, **COOPANS**, which we operate along with the air navigation service providers in Denmark, Sweden, Austria and Croatia, achieved a very significant milestone in 2018 when NAV Portugal became the newest member of the COOPANS alliance. The COOPANS air traffic management system is recognised as a world-class system and is continually being upgraded for the latest functionality.

Unfortunately, in the latter part of 2018, we experienced two unrelated brief outages of the system, the first outages in many years. Delays to our customers were minimised as the IAA has strong back-up and contingency systems, plans and procedures which were invoked in a safe manner. The IAA also has a

robust investigation process and lessons learnt have already been implemented which further enhance our operational and contingency processes and procedures. Despite these events, and thanks to the IAA's contingency plans, delays in Irish airspace in 2018 were, once again, one of the lowest in the EU.

Looking to the future, the COOPANS alliance has already started planning for the replacement of the flight data processing component of COOPANS. A new system will comply with European mandates, exploit the benefits of emerging software technologies and strengthen the COOPANS links with our partners.

Throughout the year, the IAA progressed several other significant technology projects including:

- A new radar at Dublin to replace existing obsolete radars and to enhance our air traffic service to our airline customers
- Introduction of electronic flight strips at Dublin airport to improve safety and capacity
- Introduction of trials of airport collaborative decision making (A-CDM) at Dublin in conjunction with the daa (project lead), our airline customers, ground

handlers and EUROCONTROL to improve capacity and efficiency

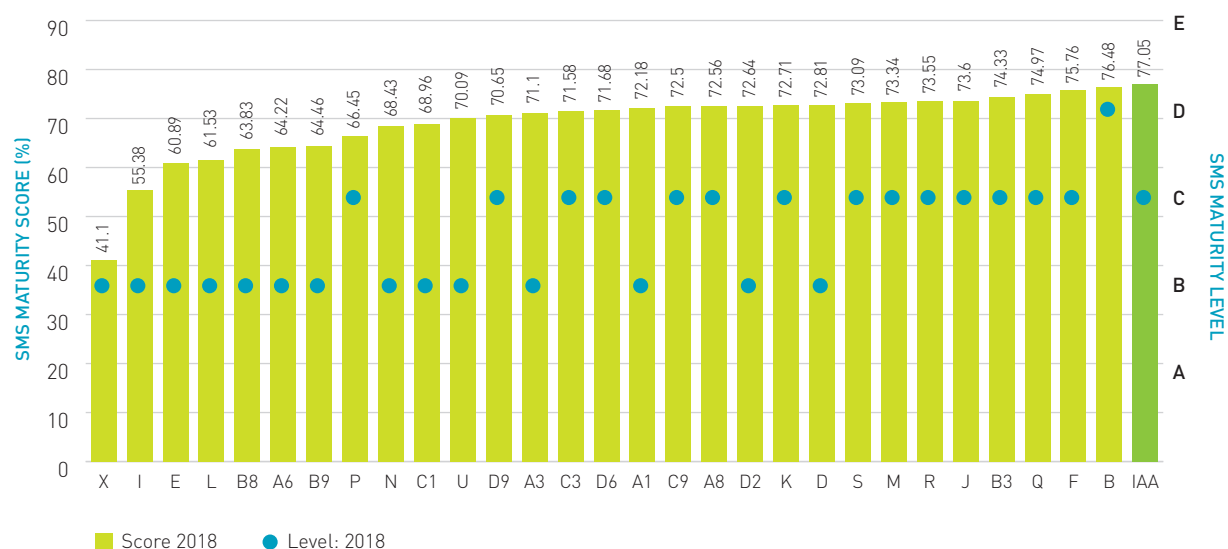
- Enhanced radar and communications cover on the oceanic routes from the south of Ireland to northern Spain (Tango Routes) to optimise service delivery and reduce costs for our airline customers
- Introduction of space-based ADS-B in en route airspace to enhance resilience and service delivery.

The IAA is committed to its capital investment programme to deliver continual safety improvements and increased capacity while maintaining its position of being one of the lowest cost service providers in Europe.

### Performance

The IAA air navigation service provider achieved the highest score – 77.05% – in the 2018 CANSO/ EUROCONTROL safety management systems (SMS) standard of excellence (SOE) measurement. The measurement scope covered 17 safety assessment areas with all responses subjected to a moderation and validation exercise conducted by EUROCONTROL. In all, there were 30 participating European and International air navigation service providers.

### 2018 CANSO/EUROCONTROL SMS Maturity Score and Level



In the latest available EASA measure of the effectiveness of safety management (EoS<sub>M</sub>), based on 2017 data, the IAA was assessed as having a safety maturity level of 91%, comparing very favourably with an average score of 82% across 31 European air navigation service providers. This maintains the IAA's performance in the top tier. The EASA process is based on the CANSO Standard of Excellence methodology.

Earlier this year we rolled out a new air traffic management (ATM) occurrence investigation toolkit, TOKAI, and integrated this safety tool with our own business intelligence system. This has resulted in enhanced safety performance monitoring and facilitates a harmonised application of EU and global safety regulations. The successful integration of TOKAI has been validated as a global air navigation service provider best practice, as measured by the CANSO *Standard of Excellence* safety maturity metric.

### Customer Care

Our 2018 independent customer survey, based on feedback from 34 customers accounting for almost 90% of our total air traffic turnover, yielded a customer satisfaction rating of 92.3%. Customers were asked to rate the IAA in terms of safety, value for money, service delivery, innovation and customer service. While recognising that this is a very positive result, we will continue to work with our airline customers to improve our overall service offering.

### Partners and Alliances

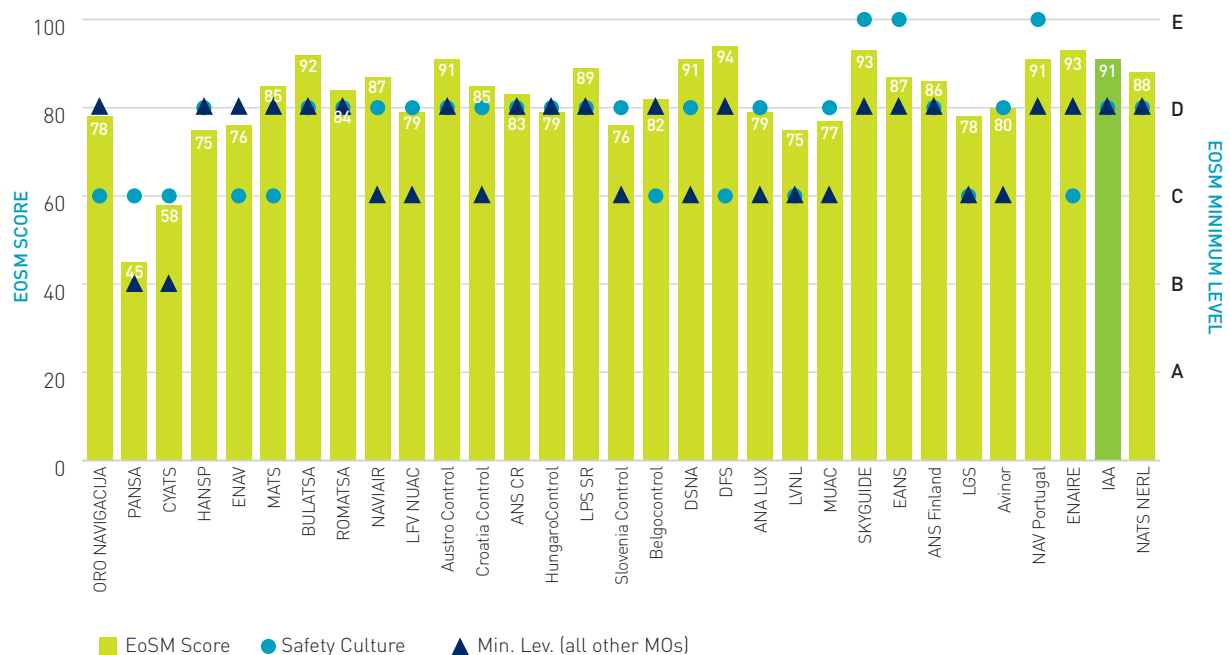
At the IAA, we continue to embrace the opportunities afforded from participating in various partnerships and alliances. Our participation in the COOPANS alliance, along with the air navigation service providers in Sweden, Denmark, Austria, Croatia and Portugal places us at the forefront of European technical co-operation. The COOPANS Alliance is also a member of the SESAR (Single European Sky Air Traffic Management Research) Joint Undertaking and the associated

SESAR Deployment Manager. SESAR aims to improve air traffic management performance by modernising and harmonising air traffic management systems. The Deployment Manager seeks to coordinate the implementation projects and the related investments.

As a 4.389% shareholder in Aireon Holdings LLC, the IAA Group is part of an exciting project whereby Aireon will shortly provide the first ever global air traffic surveillance system using space-based ADS-B (automatic dependant surveillance broadcast). This project will transform air traffic management capabilities by providing global real-time air traffic surveillance and tracking to air navigation service providers and aviation stakeholders. Trials of this new technology are expected to start on the North Atlantic in 2019.

The IAA is a one-third owner of Entry Point North, a leading provider of air traffic management training solutions.

### EASA EoS<sub>M</sub> Score and Level





We are one of nine air traffic service providers that make up the Borealis alliance. This alliance is working to deliver free route airspace to more than one third of Europe's air traffic network.

We continue to work with our FAB (functional airspace block) partner, the UK, in delivering effective air traffic management solutions to our airline customers. The status of the FAB following Brexit will be closely monitored.

### Turnover

Turnover increased by 2.8% in 2018 to €198.9 million. Almost 87% of this turnover relates to the provision of air traffic management services in Irish-controlled airspace. 75% of total turnover is economically regulated through the EU Single European Sky charging and performance schemes. Air traffic services are provided in 451,000 square kilometres of Irish-controlled airspace.

*En route* turnover, comprising air traffic services provided to aircraft that do not necessarily land in Ireland, increased by 2.1% to €122.7 million. The IAA manages almost 90% of the air traffic between the United States and Europe and continues to be one of the most cost-effective service providers in terms of its en route customer charges.

*Terminal* turnover, comprising approach, landing and take-off services provided to aircraft at the State airports, Cork, Dublin and Shannon, increased by 2.4% to €25.7 million. 85% of terminal revenue is generated at Dublin airport.

The IAA provides a HF (high frequency) *voice communications* service on the North Atlantic generating revenue of €22.5 million in 2018, up 0.7% on 2017. More than 505,000 flights were provided with a HF (high-frequency) voice communications service in the year. May 22nd was the busiest day of the year with 1,773 flights.

*Safety regulation* turnover of €21.9 million, up 9.1% on the previous year, comprises income from aircraft certificates of airworthiness, aircraft registrations, licensing, operator approvals, aerodrome fees and validations. At the end of the year, there were 1,433 aircraft on the aircraft register and 13,778 valid licences in issue to pilots, engineers, air traffic controllers and radio officers. Fees for safety regulation are charged in accordance with the Irish Aviation Authority Fees Order 2015 which is effective from 1 January 2016.

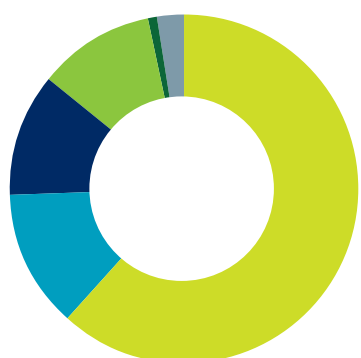
*Commercial* turnover of €4.9 million comprises mainly training services revenue charged to Entry Point North Ireland DAC of €3.4 million.

## Financial Review

2018 was another strong year in terms of financial performance. Key financial highlights for the last two years were as follows:

	2018 '000s	2017 '000s
<b>Traffic activity</b>		
En route service units	4,550 +1.9%	4,465 -0.1%
Terminal service units	183 +6.4%	172 +5.1%
North Atlantic communications flights	505 +0.9%	501 +5.0%
<b>Profitability and Balance Sheet</b>		
Turnover	198.9	193.4
Operating profit	31.6	33.5
Operating margin	15.9%	17.3%
Profit before tax	37.8	31.1
Profit after tax	31.3	26.3
Dividend paid	19.5	9.2
Shareholders' funds	236.4	212.0

### Turnover



- 62% En route
- 13% Terminal
- 11% North Atlantic Communications
- 11% Safety Regulation
- 1% Exempt
- 2% Commercial

### Operating Expenses

Operating expenses increased by 4.7% in the year to €167.4 million. Almost 56% of this increase is attributable to increases in payroll costs. Average headcount increased from 666 employees in 2017 to 685 employees in 2018 and average payroll costs increased by 1.8%. Pay increases were in line with a five-year collective agreement with staff representatives covering the period 2015 to 2019. Operating expenses relative to turnover were 84.1% in 2018 and 82.7% in 2017.

### Operating Profit

The Group earned an operating profit of €31.6 million in the year. This was 5.9% lower than in 2017 due to higher operating expenses.

### Other Income

Following the purchase by NATS (the UK air traffic service provider) of a share in Aireon LLC, the Group's investment in Aireon was revalued upwards. This resulted in a fair value gain of €5.6 million.

### Taxation

The Group's effective tax rate in 2018 was 17.1% compared with 15.6% in 2017.

### Balance Sheet

Net assets of €236.4 million were up by €24.4 million on the previous year. Tangible fixed assets increased by €21.6 million to €98.8 million principally due to the investment in the new visual control tower at Dublin airport. Financial fixed assets increased by €7.8 million to €31.5 million mainly due to an increase in the valuation of the Group's investment in Aireon LLC. Retirement benefit obligations improved by €10.4 million to €76.9 million, before deferred tax, principally due to an increase in the discount rate from 2.1% to 2.2%.

### Dividend

Consistent with the IAA's dividend policy of 30% of company profits after tax, the Board has approved a dividend in respect of 2018 results of €7.5 million. In addition, and in recognition of the company's strong financial performance over the years and the strength of its liquidity position, the Board has agreed to pay a special dividend to the shareholder of €12.0 million. This brings the total dividend payable to €19.5 million.

### Human Resources

The Funding Proposal for the main defined benefit pension plan, implemented in 2011, ended on 31 December 2018 in a surplus position. However, the pension plan does not satisfy the Funding Standard Risk Reserve which came into effect on 1 January 2019.

To meet the risk reserve shortfall a new funding proposal will be required which will have an expected duration to 31 December 2024. The funding proposal will also address the decision of the Trustees to further de-risk the pension plan. The hybrid pension plan continues to meet the minimum funding standard requirements.

The IAA continues to invest in the wellbeing of our employees. During the year, our employee wellbeing programme was awarded the IBEC KeepWell accreditation mark. An evidence-based accreditation, the award acknowledges the IAA's commitment to protecting the wellbeing of our employees. The IAA is the first commercial semi-State company to achieve this accreditation.

The IAA also received a Higher Distinction Award at the 2018 National Irish Safety Organisation awards. This is the third successive year in which the IAA has been recognised for its best practice approach to managing occupational health and safety.

Significant recruitment took place in 2018 with a total of forty-nine recruitment competitions. Increased staffing in the areas of air traffic control, engineering and safety regulation was particularly evident. The staffing complement stands at 702, up from 662 at the beginning of 2018. Further increases are planned over the course of 2019 and 2020.

Business continuity remains at the core of our HR strategy and our robust internal industrial relations procedures continue to ensure that industrial relations matters are managed in a fashion that protects the continuity of services to our customers. Our existing Collective Labour Agreement (2015-2019) with our trade unions provides for regular management/union consultation meetings. The collective agreement also introduced an Internal Dispute Resolution Board (IDRB) to manage disputes of a collective nature. This alternative approach to dispute resolution is receiving favourable attention from the social partners within the industry across Europe.

## Corporate Social Responsibility

The IAA has a central role in the promotion and development of aviation in Ireland. During the year, the IAA participated in an accelerated development programme called the Propeller project. This project supports small aviation-related enterprises with mentoring, accommodation and funding grants. The IAA is acting as both a sponsor and a mentor to this programme.

In 2018, we sponsored the Bray and Foynes airshows, which together attracted attendances in the order of 170,000 people, 'The Wings of Ireland', an aviation exhibition hosted by the Little Museum of Dublin and the annual aviation gala ball, held in support of the Irish Historic Flight Foundation (IHFF).

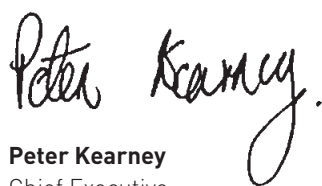
## Acknowledgements

I was delighted to be appointed as Chief Executive last June. I would like to thank our Chairperson, Michael McGrail, my fellow board members, Mr Graham Doyle, Secretary General, and Mr Fintan Towey, Assistant Secretary and their staff at the Department of Transport, Tourism and Sport for their support and assistance throughout the year.

Finally, I would like to acknowledge the great work of our committed and dedicated management and staff who have consistently demonstrated the key values of this company of safety, team ethic and innovation. Our staff continue to be the foundation upon which our safe and high quality service is based. I want to take this opportunity to acknowledge the significant contribution and dedication of all of the IAA's staff, not just in 2018, but over their years of service to the aviation sector. We strive for excellence in everything that we do but in practical terms excellence can only be achieved through the expertise of our staff and the pride that they take in their day-to-day role.

Aviation is an industry which is pioneering by its very nature and this culture of innovation is something which the IAA encourages and values across our staff.

I look forward with great enthusiasm to working with you all in 2019 and embracing the challenges ahead.



**Peter Kearney**  
Chief Executive

“As a Station Manager in Dublin, I oversee the day-to-day operations which include staff/sector management, runway selection, issues that may arise from adverse weather and other events that may affect the safety or operating efficiency at Dublin.”

Joined the IAA in 2001





## Directors and other information

### Directors

Mr Michael McGrail (Chairperson)  
Mr Peter Kearney (Chief Executive)  
Mr Cian Blackwell  
Ms Marie Bradley  
Mr Ernie Donnelly  
Mr Gerry Lumsden  
Ms Joan McGrath  
Mr Michael Norton  
Ms Eimer O'Rourke

### Secretary

Ms Aideen Gahan

### Registered office

The Times Building  
11-12 D'Olier Street  
Dublin 2  
Tel: +353 1 671 8655  
Fax: +353 1 679 2934  
Website: www.iaa.ie

### 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

### Registered number

211082

### Senior Management

Peter Kearney  
*Chief Executive*  
  
Paul Brandon  
*Head of Corporate Affairs*  
  
Anthony Eiffe  
*Internal Audit*  
  
Aideen Gahan  
*Company Secretary*  
  
Billy Hann  
*Director ATM Operations and Strategy*  
  
Maeve Hogan  
*Director Finance*  
  
Philip Hughes  
*Director Commercial, Technology and Training*  
  
Ralph James  
*Director Institutional Reform*  
  
Brendan Mulligan  
*Director Human Resources*  
  
Maurice O'Connor  
*Acting Director Safety and Security Regulation*

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## Attendance at 2018 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
Mr Michael McGrail <i>Chairperson</i>	2	3	1	1
Mr Peter Kearney <i>Chief Executive</i>	6	6	-	-
Mr Cian Blackwell	-	-	-	-
Ms Marie Bradley	11	11	4	4
Mr Ernie Donnelly	11	11	5	5
Mr Pascal Fitzgerald	6	8	2	2
Mr Basil Geoghegan	6	6	1	1
Mr Gerry Lumsden	-	-	-	-
Ms Joan McGrath	-	-	-	-
Ms Anne Nolan <i>former Chairman</i>	6	6	1	1
Mr Michael Norton	10	11	5	5
Mr Geoffrey O'Byrne-White	5	6	2	2
Ms Eimer O'Rourke	-	-	-	-



**EDWARD CARROLL** | FINANCIAL ACCOUNTANT, HEADQUARTERS

**“I enjoy working in a challenging and expansive role as part of a dedicated and professional finance team in the IAA.”**

Joined the IAA in 2016



**NICOLA NÍ RIADA** | AIR TRAFFIC CONTROLLER, SHANNON

**“I am an operational ATCO in Shannon en route. As well as working live traffic I am an on-the-job-training instructor (OJTI) and human factors actor. I love my job; no two days are the same. It’s always challenging and my colleagues are the best in the world.”**

Joined the IAA in 1994

# DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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## Directors' report

The directors present their annual report together with the audited consolidated and company financial statements of the Irish Aviation Authority ("the IAA", "the Company") and its subsidiary undertaking (with the Company and the subsidiary being together "the Group") for the year ended 31 December 2018.

### 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. The information required by Section 327 of the Companies Act 2014 – a review of the business of the Company – is included in the Chairperson's Statement and Chief Executive's Review.

Details of the Group's financial results for the year are set out in the consolidated profit and loss account on page 36 and in the related notes. As described therein, profit for the financial year was €31.3 million (2017: €26.3 million) on turnover of €198.9 million (2017: €193.4 million). During the year the Company declared and paid a final dividend of €19.5 million (€1.09 per share) for fiscal 2017 (2017: €9.2 million (€0.52 per share)). This included a special dividend of €12.0 million (€0.67 per share) (2017: €Nil).

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

### Key performance indicators

	Group and Company	
	2018 Number	2017 Number
En route overflights	345,403	343,977
Terminal commercial traffic	266,917	255,019
North Atlantic communications flights	505,397	500,684

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

- continued maintenance and improvement of safety and security standards
- continued compliance with European regulations while maintaining high standards of safety and service
- separation of the safety regulation and service provision functions
- adverse economic and market conditions
- effect of Brexit on regulation and Single European Sky
- IAA's significant reliance upon its technology 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 27 to 31, sets out the IAA's policies and approach to risks and the related internal control procedures and responsibilities.

### Directors

The names of the directors are set out on page 23. Except as set out below, they served for the entire year. Mr Michael McGrail was appointed to the board, as Chairperson, on 4 September 2018. Mr Peter Kearney was appointed to the board on 25 June 2018. Ms Marie Bradley's term of office expired and she was re-appointed to the board on 25 June 2018. Mr Cian Blackwell, Mr Gerry Lumsden, Ms Joan McGrath and Ms Eimer O'Rourke were appointed to the board on 4 December 2018. Ms Anne Nolan's term of office expired on 12 June 2018. Mr Basil Geoghegan resigned from the board on 14 June 2018. Mr Pascal Fitzgerald's term of office expired on 31 July 2018. The death of Mr Geoffrey O'Byrne-White occurred on 11 June 2018.

### Interests of directors and secretary

The directors and secretary who held office at 31 December 2018 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. For the year under review, the IAA, in pursuit of its governance objectives, complied with the Code of Practice for the Governance of State Bodies, issued in August 2016. The IAA has put in place appropriate measures to comply with this Code and continually reviews its policies and procedures to ensure continued compliance.

## Directors' report (continued)

This report describes how the relevant principles of good corporate governance, set out in the 2016 Code of Practice for the Governance of State Bodies, are applied.

### The Board

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 comprises nine directors. Each director is 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.

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.

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

### Effectiveness of the Board

The Chairperson leads the board in the determination of its strategy and in the achievement of its objectives. The Chairperson 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 Chairperson and management maintain effective communication with the shareholder. The roles of the Chairperson and Chief Executive are separate and are set out in a policy approved by the board. All the non-executive directors are independent of management. It is the practice of the board to meet without executive board members present. This did not happen in 2018 due to demands on board time.

Throughout their time in office, the directors are provided with regular information on all aspects of the business. The Chief Executive 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 which includes an analysis of actual financial performance compared to budget. Reports and papers are circulated to the board and its committees on a timely basis.

Regular meetings of the board are held throughout the year. The number of meetings held by the board in 2018 was eleven. These meetings were attended as follows:

	Date of appointment (*or re-appointment)	Board meetings attended	Max number of board meetings director could have attended
Michael McGrail, <i>Chairperson</i>	4 September 2018	2	3
Anne Nolan, <i>former Chairman</i>	Retired during year	6	6
Peter Kearney, <i>Chief Executive</i>	25 June 2018	6	6
Cian Blackwell	4 December 2018	-	-
Marie Bradley	25 June 2018*	11	11
Ernie Donnelly	24 October 2016*	11	11
Pascal Fitzgerald	Retired during year	6	8
Basil Geoghegan	Resigned during year	6	6
Gerry Lumsden	4 December 2018	-	-
Joan McGrath	4 December 2018	-	-
Michael Norton	6 October 2015*	10	11
Geoffrey O'Byrne-White	Deceased	5	6
Eimer O'Rourke	4 December 2018	-	-

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

The board conducted an end of year review of its performance, measuring it against its strategic objectives and annual work plan. The board also considered the requirement for additional committees in the areas of safety and organisational reform to assist them in their work. The board did not carry out an external evaluation of its performance.

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

- 1 Audit and risk
- 2 Finance
- 3 Personnel, appointments and remuneration
- 4 Investment planning

### Audit and risk committee

The audit and risk committee operates under formal terms of reference, which were reviewed during the year. The committee held four meetings during 2018 (2017: four), each of which were chaired by Ms Marie Bradley. Committee members included Mr Pascal Fitzgerald until the date of his retirement from the board on 31 July 2018 and Mr Geoffrey

O'Byrne-White until his death on 11 June 2018. The committee has an external independent member who has a service contract.

Meetings are usually attended by the director of finance, head of internal audit and representatives from operations, human resources, information technology, insurance, health and safety, legal and compliance, by invitation, as appropriate. The internal auditor reports directly to the audit and risk committee.

The committee may review any matters relating to the affairs of the IAA, other than safety and security oversight matters which are reserved to the board. It reviews the annual financial statements, reports of the internal auditor, reports of the external auditor, the accounting policies, proposed changes in accounting policies, compliance with accounting standards, the accounting implications of major transactions and the appointment and fees of the external auditor. It reviews the IAA's risk-management strategy and control processes and considers:

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

The external auditor meets with the committee to plan and subsequently review the results of the annual audit of the Group financial statements. Procedures are in place to ensure an appropriate relationship with the external auditor. During the year, the

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

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

During 2018, the audit and risk committee reviewed:

- draft financial statements for 2017 prior to recommending them for approval to the board
- a report from the external auditor on its audit of the financial statements for the year ended 31 December 2017
- audit fees and non-audit fees payable to the external auditor
- corporate risk register 2018-2019 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 reports for 2018 and internal audit plan for 2019
- the effectiveness of internal audit
- external audit plan for 2018 including the scope of the audit
- monthly management accounts

- the policy and process in place in respect of the directors' compliance statement
- compliance with the 2016 Code of Practice for the Governance of State Bodies
- its own terms of reference.

### Finance committee

The finance committee operates under formal terms of reference and met twice during the year (2017: once). Mr Michael McGrail, Mr Ernie Donnelly and Mr Michael Norton are members of the committee. Mr Basil Geoghegan chaired the committee until his resignation on 14 June 2018. Ms Anne Nolan was a member of the committee until her retirement on 12 June 2018.

The committee may review any matters relating to the financial management of the IAA. It reviews the annual capital and operating budgets, treasury policy, banking and financing arrangements and matters relating to dividend policy. In 2018, the committee also considered matters relating to the planned separation of the safety regulation division of the IAA from the air traffic service provider. The committee reports to the board following its meetings.

### Personnel, appointments and remuneration committee

The personnel, appointments and remuneration committee operates under formal terms of reference. The committee did not meet in 2018 (2017: once). Ms Anne Nolan chaired the committee until her retirement on 12 June 2018. Mr Basil Geoghegan was a member of the committee until his resignation on 14 June 2018 while Mr Geoffrey O'Byrne-White was a member until his death on 11 June 2018.

The committee's role is to consider the remuneration of the Chief Executive and senior management, remuneration policy generally and developments in human resources in the IAA. The committee also

approves senior management appointments.

### Investment planning committee

The investment planning committee operates under formal terms of reference and met four times (2017: three) during the year. The committee is chaired by Mr Michael Norton. Mr Ernie Donnelly is a member of the committee. The committee considers the IAA's strategy in relation to capital investment and related expenditure. It reports to the board following its meetings.

### Internal control

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

The IAA's system of internal control comprises those controls established in order to provide reasonable assurance regarding the safeguarding of assets and the maintenance of proper accounting records and reliable financial information for use within the business or for publication. The board, whether directly or through the audit and risk committee, has reviewed the effectiveness of the systems of internal control covering financial, operational and compliance controls and risk management systems. This review took place on 3 April 2019 and is effective up to the date of approval of the financial statements.

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

- board committees with clearly defined terms of reference
- a schedule of matters that are reserved to the board

- a code of conduct, approved by the board, which provides practical guidance for all staff
- a clearly defined organisational structure with appropriate segregation of duties and limits of authority
- clearly defined responsibilities with appropriately qualified staff performing these duties
- a corporate risk management framework
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure
- adherence, as appropriate, to the relevant aspects of the Public Spending Code
- a comprehensive system of financial reporting, accounting, treasury management and project appraisal
- comprehensive budgeting systems with annual budgets approved by the board
- a comprehensive planning process that delivers a five-year corporate plan, reviewed by the shareholder and approved by the board
- monitoring of actual performance against budgets and reporting on variances to the board on a monthly basis
- an internal audit function which reviews key financial systems and controls and general operations and makes recommendations, where appropriate
- an audit and risk committee which approves audit plans and deals with significant control issues raised by internal or external audit and which reviews and recommends the year-end financial statements for approval by the board
- a policy to cover oversight of IAA's wholly-owned subsidiary



- policies and procedures for the reporting and resolution of suspected fraudulent activities.

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

The board confirms that, for 2018, and up to the date of approval of the financial statements, there is a process for identifying and managing risks and that an appropriate system of internal control is in place and that these systems operated effectively in the year. No material weaknesses or frauds were identified during the course of the review of the effectiveness of the system of internal control.

### Risk management

The Board has overall responsibility for the Group's approach to risk. It approves the risk management framework and monitors its effectiveness through both the audit and risk committee and directly through the board.

An on-going process exists for identifying, evaluating and managing the significant risks faced by the IAA. This process is reviewed regularly by the board and has been in place for the year under review and up to the date of approval of the annual report and financial statements.

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. Management reports regularly to the board on the key risks inherent in the business and on how these risks are managed.

An established and robust process for managing corporate risk is in place in the IAA. This provides for a documented and auditable trail of accountability. These procedures are relevant across all 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 provides assurance as to the operation and validity of the system of internal control. All planned corrective actions are closely monitored for timely completion.

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

### Remuneration

Fees for directors are determined by the Minister for Public Expenditure and Reform. The remuneration of

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

### Business and financial reporting

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

The 2016 Code of Practice for the Governance of State Bodies provides for specific financial information to be disclosed. In 2018, the IAA incurred travel and subsistence costs of €2.1 million, shared between domestic travel and subsistence costs of €0.8 million and international travel and subsistence costs of €1.3 million. Staff welfare and hospitality costs incurred were €0.4 million. Consultancy fees incurred amounted to €0.5 million. This comprised €0.2 million related to the proposed separation of the safety regulation functions of the IAA from the provision of air traffic management services, €0.1 million related to economic regulation consultancy, €0.1 million related to a strategic review of the next generation of air traffic management systems and €0.1 million related to legal consultancy. This information is reasonably stated in all material respects.

### Going concern

The directors, after making enquiries, believe that the Group and the Company have 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 maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Group are maintained at The Times Building, 11-12 D'Olier Street, Dublin 2.

### Relevant audit information

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

### Directors' compliance statement

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

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

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

### Prompt payment of accounts

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

The IAA's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days from receipt of invoice, or confirmation of acceptance of the goods or services, which are the subject of payment. During the year ended 31 December 2018 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 3 April 2019, the board proposed the payment of a dividend of €19.5 million (€1.09 per share) (2017: €19.5 million (€1.09 per share)). This includes a special dividend of €12.0 million (€0.67 per share) (2017: €12.0 million (€0.67 per share)).

### Political donations

There were no political donations made during the year that would require disclosure under the Electoral Act, 1997.

### 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:

**Michael McGrail** **Peter Kearney**  
*Chairperson* *Chief Executive*

3 April 2019

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* as applied in accordance with the provisions of the Companies Act 2014.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

On behalf of the board:

**Michael McGrail**   **Peter Kearney**  
Chairperson                      Chief Executive

# Independent auditor's report to the members of The Irish Aviation Authority

## 1 Report on the audit of the financial statements

### Opinion

We have audited the Group and Company financial statements of The Irish Aviation Authority ('the Company') for the year ended 31 December 2018, which comprise the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the related notes, including the summary of significant accounting policies set out in note 1. 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*.

In our opinion, the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2018 and of the Group's 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Company in accordance with ethical

requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report, the statement of directors' responsibilities, Chairperson's statement and Chief Executive's review. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

### Opinions on other matters prescribed by the Companies Act 2014

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 Group were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

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

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. We have nothing to report in this regard.

Under the 2016 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 control required under the Code, as included in the directors' report on pages 30 and 31 does not reflect the Company's compliance with paragraph 1.9(iv) 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.



## Independent auditor's report (continued)

### 2 Respective responsibilities and restrictions on use

#### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

A fuller description of our responsibilities is provided on IAASA's website at [https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

#### The purpose of our audit work and to whom we owe our responsibilities

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.

Eamon Dillon  
for and on behalf of  
**KPMG**  
**Chartered Accountants,**  
**Statutory Audit Firm**  
1 Stokes Place  
St Stephens Green  
Dublin 2  
Ireland

3 April 2019

## Consolidated profit and loss account for the year ended 31 December 2018

	Note	2018 €'000	2017 €'000
<b>Turnover</b> – continuing activities	2	<b>198,922</b>	193,442
Operating expenses	1, 20	<b>(167,372)</b>	(159,902)
<b>Operating profit</b> – continuing activities		<b>31,550</b>	33,540
Interest receivable and similar income	4	<b>18,873</b>	11,165
Interest payable and similar charges	5	<b>(13,611)</b>	(14,152)
Share of profit of associate	9	<b>1,001</b>	581
<b>Profit on ordinary activities before taxation</b>	6	<b>37,813</b>	31,134
Tax on profit on ordinary activities	7	<b>(6,492)</b>	(4,867)
<b>Profit for the financial year</b>		<b>31,321</b>	26,267

## Consolidated statement of other comprehensive income

for the year ended 31 December 2018

	Note	2018 €'000	2017 €'000
<b>Profit for the financial year</b>		<b>31,321</b>	26,267
<b>Other comprehensive income</b>			
Re-measurement of the net defined benefit liability	20	<b>5,222</b>	70,310
Related deferred tax liability	14	<b>(653)</b>	(8,789)
Cash in excess of pension service costs	20	<b>7,068</b>	6,134
Foreign exchange differences on translation of foreign operations		<b>880</b>	(1,991)
<b>Other comprehensive income for the year</b>		<b>12,517</b>	65,664
<b>Total comprehensive income for the year</b>		<b>43,838</b>	91,931

## Consolidated balance sheet

at 31 December 2018

	Note	2018 €'000	2017 €'000
<b>Fixed assets</b>			
Tangible assets	8	98,835	77,181
Financial assets	9	31,510	23,723
		<b>130,345</b>	100,904
<b>Current assets</b>			
Debtors	10	53,716	52,337
Short term deposits		197,769	186,678
Cash and cash equivalents		21,922	33,417
		<b>273,407</b>	272,432
<b>Creditors: amounts falling due within one year</b>	11	<b>(42,768)</b>	(36,814)
<b>Net current assets</b>		<b>230,639</b>	235,618
<b>Total assets less current liabilities</b>		<b>360,984</b>	336,522
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(47,670)</b>	(37,155)
<b>Provisions for liabilities</b>			
Retirement benefit obligations	20	(76,932)	(87,365)
<b>Net assets</b>		<b>236,382</b>	212,002
<b>Capital and reserves</b>			
Called up share capital	15	22,675	22,675
Profit and loss account		213,973	190,473
Currency reserve		(266)	(1,146)
<b>Shareholders' funds – equity</b>		<b>236,382</b>	212,002

On behalf of the board:

**Michael McGrail**  
Chairperson

**Peter Kearney**  
Chief Executive



## Company balance sheet

at 31 December 2018

	Note	2018 €'000	2017 €'000
<b>Fixed assets</b>			
Tangible assets	8	98,835	77,181
Financial assets	9	15,218	15,218
		<b>114,053</b>	92,399
<b>Current assets</b>			
Debtors	10	59,959	58,792
Short term deposits		197,769	186,678
Cash and cash equivalents		20,765	32,993
		<b>278,493</b>	278,463
<b>Creditors:</b> amounts falling due within one year	11	<b>(42,746)</b>	(36,719)
<b>Net current assets</b>		<b>235,747</b>	241,744
<b>Total assets less current liabilities</b>		<b>349,800</b>	334,143
<b>Creditors:</b> amounts falling due after more than one year	13	<b>(45,154)</b>	(36,323)
<b>Provisions for liabilities</b>			
Retirement benefit obligations	20	<b>(76,932)</b>	(87,365)
<b>Net assets</b>		<b>227,714</b>	210,455
<b>Capital and reserves</b>			
Called up share capital	15	22,675	22,675
Profit and loss account		205,039	187,780
<b>Shareholders' funds – equity</b>		<b>227,714</b>	210,455

On behalf of the board:

**Michael McGrail**  
Chairperson

**Peter Kearney**  
Chief Executive

## Consolidated statement of changes in equity

for the year ended 31 December 2018

	Called up share capital €'000	Profit and loss account €'000	Currency reserves €'000	Total equity €'000
Balance at 1 January 2017	22,675	105,799	845	129,319
<b>Comprehensive income</b>				
Profit for the financial year	-	26,267	-	26,267
Other comprehensive income/(loss)	-	67,655	(1,991)	65,664
<b>Total comprehensive income/(loss) for the year</b>	-	93,922	(1,991)	91,931
<b>Transactions with shareholders recognised directly in equity</b>				
Dividends	-	(9,248)	-	(9,248)
<b>Balance at 31 December 2017</b>	<b>22,675</b>	<b>190,473</b>	<b>(1,146)</b>	<b>212,002</b>
Balance at 1 January 2018	22,675	190,473	(1,146)	212,002
<b>Comprehensive income</b>				
Profit for the financial year	-	31,321	-	31,321
Other comprehensive income	-	11,637	880	12,517
<b>Total comprehensive income for the year</b>	-	42,958	880	43,838
<b>Transactions with shareholders recognised directly in equity</b>				
Dividends	-	(19,458)	-	(19,458)
<b>Balance at 31 December 2018</b>	<b>22,675</b>	<b>213,973</b>	<b>(266)</b>	<b>236,382</b>

## Company statement of changes in equity for the year ended 31 December 2018

	Called up share capital €'000	Profit and loss account €'000	Total equity €'000
Balance at 1 January 2017	22,675	104,512	127,187
<b>Comprehensive income</b>			
Profit for the financial year	-	24,861	24,861
Other comprehensive income	-	67,655	67,655
<b>Total comprehensive income for the year</b>	-	92,516	92,516
<b>Transactions with shareholders recognised directly in equity</b>			
Dividends	-	[9,248]	[9,248]
<b>Balance at 31 December 2017</b>	<b>22,675</b>	<b>187,780</b>	<b>210,455</b>
Balance at 1 January 2018	22,675	187,780	210,455
<b>Comprehensive income</b>			
Profit for the financial year	-	25,080	25,080
Other comprehensive income	-	11,637	11,637
<b>Total comprehensive income for the year</b>	-	36,717	36,717
<b>Transactions with shareholders recognised directly in equity</b>			
Dividends	-	[19,458]	[19,458]
<b>Balance at 31 December 2018</b>	<b>22,675</b>	<b>205,039</b>	<b>227,714</b>

## Consolidated cash flow statement

for the year ended 31 December 2018

	Note	2018 €'000	2017 €'000
<b>Cash flows from operating activities</b>			
Profit for the financial year		31,321	26,267
<i>Adjustment for:</i>			
Depreciation of tangible fixed assets	8	15,312	14,529
Interest receivable and similar income	4	(18,873)	(11,165)
Interest payable and similar charges	5	13,611	14,152
Share of profit of associate	9	(1,001)	(581)
Taxation	7	6,492	4,867
		46,862	48,069
(Increase)/decrease in debtors		(1,280)	7,896
Increase in creditors		11,393	17,311
		56,975	73,276
Tax paid		(4,492)	(4,590)
<b>Net cash from operating activities</b>		52,483	68,686
<b>Cash flows from investing activities</b>			
Acquisition of tangible fixed assets		(32,965)	(13,054)
Acquisition of financial assets	9	-	(3,158)
Dividends received	9	-	637
Investment in short term deposits		(11,091)	(76,681)
Interest received		93	26
<b>Net cash used in investing activities</b>		(43,963)	(92,230)
<b>Cash flows from financing activities</b>			
Interest paid		(622)	(273)
Dividends paid	16	(19,458)	(9,248)
<b>Net cash used in financing activities</b>		(20,080)	(9,521)
<b>Net decrease in cash and cash equivalents</b>		(11,560)	(33,065)
Cash and cash equivalents at 1 January		33,417	66,669
Effect of exchange rate fluctuations on cash held		65	(187)
<b>Cash and cash equivalents at 31 December</b>		21,922	33,417



## Notes

forming part of the financial statements

### 1 Accounting policies

The Irish Aviation Authority ("IAA", "the Company") is a private limited company formed under the Irish Aviation Authority Act, 1993 (the "IAA Act"), and registered under the Companies Act 2014. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements and have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

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

The holding company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102. The following exemptions under FRS 102 in respect of certain disclosures for the holding company financial statements have been applied:

- No separate holding company cash flow statement with related notes is included;
- Key management personnel compensation has not been included a second time.

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

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 pages 45 and 46.

#### 1.1 Measurement convention

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

#### 1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its 100% owned subsidiary, IAA North Atlantic Inc., up to 31 December 2018.

## 1 Accounting policies (continued)

### 1.2 Basis of consolidation (continued)

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

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

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

### 1.3 Turnover

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

#### 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.

### 1.4 Tangible fixed assets and depreciation

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

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

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

## 1 Accounting policies (continued)

### 1.5 Financial fixed assets

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

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

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

### 1.6 Leased assets

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

### 1.7 Foreign currencies

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

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

### 1.8 Taxation

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

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

### 1.9 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.

## 1 Accounting policies (continued)

### 1.9 Employee benefits (continued)

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

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

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as re-measurement gains and losses in the statement of other comprehensive income ("OCI"). The OCI includes an offset amounting to the additional pension charge, described in paragraph (b), expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 43.

The Group and Company thus departs from the requirements of FRS 102 in order that the results comply with the requirements of the agreements under which its operations are governed and, in the context of these agreements, that the financial statements give a true and fair view. The impact of the departure is to increase the pension cost by €7,068,000 (2017: €6,134,000) above the actuarially determined service costs, for recovery under the charging mechanism in the year ended 31 December 2018, and to record an offsetting credit in the OCI, thereby maintaining the profit and loss reserves and assets, liabilities and financial position of the Group and Company in line with the requirements of FRS 102.

### 1.10 Basic financial instruments

#### Trade and other debtors and creditors

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

#### 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

	2018 €'000	2017 €'000
<i>Activity</i>		
En route	122,658	120,150
Terminal	25,741	25,136
North Atlantic communications	22,480	22,325
Safety regulation	21,856	20,026
Exempt air traffic	1,241	1,566
Commercial	4,946	4,239
	<b>198,922</b>	<b>193,442</b>

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

## 3 Staff numbers and costs

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

	2018 Number	2017 Number
Operations	465	450
Technology and training	57	60
Safety regulation	107	100
Corporate services	56	56
<b>Total employees</b>	<b>685</b>	<b>666</b>

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

	2018 €'000	2017 €'000
Wages and salaries	66,984	64,007
Social welfare costs	5,523	5,162
Other compensation costs	171	338
Pension costs – current service cost (note 20)	12,996	13,728
Pension costs – defined contribution (note 20)	126	90
Pension costs – additional cash cost (note 20)	7,068	6,134
Other post-employment costs (note 20)	321	320
	<b>93,189</b>	<b>89,779</b>

**3 Staff numbers and costs (continued)**

Wages and salaries can be further analysed as follows:

	<b>2018</b> <b>€'000</b>	2017 €'000
Basic pay	<b>52,541</b>	49,299
Overtime	<b>2,750</b>	2,836
Allowances	<b>11,693</b>	11,872
	<b>66,984</b>	64,007

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

	<b>2018</b> <b>Number</b>	2017 Number
€50,000 – €75,000	<b>141</b>	127
€75,001 – €100,000	<b>107</b>	121
€100,001 – €125,000	<b>172</b>	174
€125,001 – €150,000	<b>131</b>	123
€150,001 – €175,000	<b>26</b>	15
€175,001 and over	<b>14</b>	16

**4 Interest receivable and similar income**

	<b>2018</b> <b>€'000</b>	2017 €'000
Interest income on defined benefit assets	<b>11,390</b>	9,774
Fair value gain on other financial assets (note 9)	<b>5,566</b>	-
Dividend income from other financial assets	<b>1,244</b>	1,218
Other interest	<b>167</b>	173
Foreign exchange gain	<b>506</b>	-
	<b>18,873</b>	11,165

**5 Interest payable and similar charges**

	<b>2018</b> <b>€'000</b>	2017 €'000
Interest expense on defined benefit liabilities	<b>12,936</b>	12,574
Bank loan facility fees	<b>211</b>	288
Bank interest	<b>464</b>	93
Foreign exchange loss	<b>-</b>	1,197
	<b>13,611</b>	14,152

## 6 Statutory and other information

	2018 €'000	2017 €'000
<i>Directors' remuneration- fees payable to directors</i>		
Mr. Michael McGrail ( <i>Chairperson</i> )	7	-
Mr. Peter Kearney ( <i>Chief Executive</i> )	-	-
Mr. Cian Blackwell	1	-
Ms. Marie Bradley	12	13
Mr. Eamonn Brennan ( <i>resigned on 13 December 2017</i> )	-	-
Mr. Ernie Donnelly†	-	-
Mr. Pascal Fitzgerald ( <i>retired on 31 July 2018</i> )	7	13
Mr. Basil Geoghegan ( <i>resigned on 14 June 2018</i> )	6	13
Mr. Gerry Lumsden	1	-
Ms. Joan McGrath	1	-
Ms. Anne Nolan ( <i>retired on 12 June 2018</i> )	10	22
Mr. Michael Norton	13	13
Mr. Geoffrey O'Byrne-White ( <i>deceased 11 June 2018</i> )	6	13
Mr. Kevin O'Driscoll ( <i>retired on 16 September 2017</i> )	-	9
Ms. Eimer O'Rourke	1	-
	<b>65</b>	<b>96</b>

† Mr Donnelly did not receive a director's fee. He was paid as an employee of the IAA.

In aggregate, expenses paid to, or paid on behalf of, directors, in respect of services as director were €14,659 in total during 2018 (2017: €22,001). These expenses primarily related to travel and subsistence/accommodation.

	2018 €'000	(Restated) 2017 €'000
Emoluments and pension contributions relating to the chief executive's contract of employment		
- annual basic salary	221	232
- performance-related remuneration paid in respect of previous year	-	-
- other taxable benefits*	18	66
- pension contributions	60	50
	<b>299</b>	<b>348</b>

Total remuneration in 2018 relates to Mr Peter Kearney and total remuneration in 2017 relates to the former Chief Executive, Mr Eamonn Brennan.

Mr Peter Kearney was appointed as Chief Executive on 6 June 2018. Prior to that date, following the resignation of the former Chief Executive, he had undertaken the duties of the Chief Executive in an acting capacity. Pursuant to his Chief Executive's contract, the salary of Mr Kearney is €225,000 per annum. His total remuneration as Chief Executive and acting Chief Executive for the year is as set out above. Mr Kearney was appointed to the board on 25 June 2018. He did not receive a director's fee.

\* The total remuneration shown in 2017 relates to Mr Eamonn Brennan, former Chief Executive, who resigned on 29 December 2017. Other taxable benefits relating to Mr Brennan in 2017 have been restated from €147,000 to €66,000. Following his resignation, the board made a payment to Mr Brennan of €81,000 (gross). This payment had been made in full and final settlement of all matters arising from his employment with the IAA. Subsequently, at the request of the shareholder, the board engaged with Mr Brennan, to voluntarily return this payment. The payment was returned in May 2018 and the restated amount reflects this repayment.

Mr Brennan, through his legal representatives, has initiated legal proceedings against the IAA for breach of contract of employment in the amount of €782,466. The company is defending the claim. A related provision has been included in the financial statements. No further information is provided on the basis of being prejudicial to the case. Mr Brennan had voluntarily waived 10% of his official salary in previous years. The IAA operated a Department of Finance approved performance-related pay scheme for all chief executives of commercial semi-State bodies that provided for a long and short-term performance-related pay element based on pre-agreed objectives. No performance-related pay was paid to the former Chief Executive in respect of years 2010 to 2017.

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

	2018 €'000	2017 €'000
<b>Auditor's remuneration – group</b>		
– audit	50	50
– other assurance	33	41
– tax services		
– compliance	21	23
– advisory	8	4
– other non-audit	4	80
<b>Total auditor's remuneration – group†</b>	<b>116</b>	<b>198</b>
<b>Auditor's remuneration – company (included above)</b>		
– audit	50	50
– other assurance	33	41
– tax services		
– compliance	7	7
– advisory	4	4
– other non-audit	-	5
<b>Total auditor's remuneration – company</b>	<b>94</b>	<b>107</b>

† Included in total auditor's remuneration – group is €19,276 (2017: €15,836) attributable to other KPMG network firms.

	2018 €'000	2017 €'000
Depreciation	15,312	14,529
Met Éireann charges	8,976	9,745
Rentals payable under operating leases – buildings	3,896	3,888
Rentals payable under operating leases – other	116	120

## 7 Tax on profit on ordinary activities

	2018 €'000	2017 €'000
<b>Analysis of tax charge in the year</b>		
<i>Current tax</i>		
Corporation tax	4,373	4,556
Adjustments in respect of prior periods	(15)	(1)
	<b>4,358</b>	4,555
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,216	311
Adjustments in respect of prior periods	(82)	1
	<b>2,134</b>	312
<b>Tax on profit on ordinary activities</b>	<b>6,492</b>	4,867
	2018 €'000	2017 €'000
<b>Profit and loss total tax reconciliation</b>		
Profit on ordinary activities before tax	37,813	31,134
Expected current tax at 12.5% (2017: 12.5%)	4,727	3,892
<i>Effects of:</i>		
Permanent differences	969	663
Expenses not deductible for tax purposes	130	500
Income not taxable at the standard rate	67	67
Corporation tax in respect of prior years	(15)	(1)
Deferred tax in respect of prior years	(82)	1
Effect of foreign tax	696	(255)
<b>Tax on profit on ordinary activities</b>	<b>6,492</b>	4,867



**8 Tangible fixed assets**

	<b>Buildings €'000</b>	<b>Completed installations and other works €'000</b>	<b>Installations in progress €'000</b>	<b>Office equipment €'000</b>	<b>Total €'000</b>
<b>Group and Company</b>					
<b>Cost</b>					
At beginning of year	30,464	146,978	30,289	12,177	219,908
Additions in year	-	357	35,892	717	36,966
Brought into use in year	-	8,902	(8,965)	63	-
Disposals in year	-	-	-	(153)	(153)
<b>At end of year</b>	<b>30,464</b>	<b>156,237</b>	<b>57,216</b>	<b>12,804</b>	<b>256,721</b>
<b>Accumulated depreciation</b>					
At beginning of year	20,794	112,851	-	9,082	142,727
Charge in year	1,523	12,334	-	1,455	15,312
Disposals in year	-	-	-	(153)	(153)
<b>At end of year</b>	<b>22,317</b>	<b>125,185</b>	<b>-</b>	<b>10,384</b>	<b>157,886</b>
<b>At 31 December 2018</b>	<b>8,147</b>	<b>31,052</b>	<b>57,216</b>	<b>2,420</b>	<b>98,835</b>
At 31 December 2017	9,670	34,127	30,289	3,095	77,181

**9 Financial fixed assets**

	<b>Interest in associate €'000</b>	<b>Other financial assets €'000</b>	<b>Total €'000</b>
<b>Group</b>			
At 1 January 2017	1,101	22,281	23,382
Additions	645	2,513	3,158
Dividends received	(637)	-	(637)
Share of profit of associate	581	-	581
Foreign exchange movements	-	(2,761)	(2,761)
At 31 December 2017	1,690	22,033	23,723
Share of profit of associate	1,001	-	1,001
Fair value gain (note 4)	-	5,566	5,566
Foreign exchange movements	-	1,220	1,220
<b>At 31 December 2018</b>	<b>2,691</b>	<b>28,819</b>	<b>31,510</b>

## 9 Financial fixed assets (continued)

	2018 €'000	2017 €'000
<b>Company</b>		
Interest in associate, at cost	<b>1,384</b>	1,384
Ordinary shares in subsidiary undertaking, at cost	<b>13,834</b>	13,834
	<b>15,218</b>	15,218

The IAA has a 33 $\frac{1}{3}$ % interest in Entry Point North AB, Box 30, SE-230 32, Malmö-Sturup, Sweden, a provider of air traffic management training solutions.

The Group has a 4.389% preference shareholding in Aireon LLC, a company developing space-based global air traffic surveillance systems. The investment in Aireon LLC is held through a 100% owned subsidiary undertaking, IAA North Atlantic Inc., 108 West 13th Street, Wilmington, New Castle County, 19801, USA. In May 2018, NATS, the air navigation service provider in the UK, invested US\$68.75 million in Aireon. The Group's shareholding was diluted from 4.83% to 4.389%. Following this investment, the Group has used the price paid by NATS to determine the fair value of its investment in Aireon. This has resulted in a fair value gain of €5.6 million in 2018. It is expected that the Group's preferred interests will be converted to a 5.3% common interest in 2021 (6.0% prior to NATS' investment).

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

## 10 Debtors

	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Trade debtors, net	<b>34,763</b>	33,911	<b>34,763</b>	33,911
Prepayments and accrued income	<b>2,664</b>	2,487	<b>2,664</b>	2,487
Other debtors	<b>5,010</b>	3,567	<b>375</b>	367
Corporation tax	<b>386</b>	252	<b>386</b>	252
Value added tax	<b>564</b>	257	<b>564</b>	257
Deferred tax asset (note 14)	<b>10,329</b>	11,863	<b>10,329</b>	11,863
Due from subsidiary undertaking	-	-	<b>10,878</b>	9,655
	<b>53,716</b>	52,337	<b>59,959</b>	58,792

Debtors of €14,964,000 (2017: €15,063,000) in the Group and debtors of €10,329,000 (2017: €11,863,000) in the Company fall due after more than one year.

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

Included in trade debtors are amounts past due of €18,464,000 (2017: €21,054,000) of which €5,346,000 (2017: €5,924,000) is provided for within bad debt provisions.

**11 Creditors: amounts falling due within one year**

	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Trade creditors	3,775	1,677	3,775	1,677
Other creditors including tax and social welfare (note 12)	463	580	463	580
Accruals	16,375	11,370	16,353	11,275
Deferred income	22,155	23,187	22,155	23,187
	<b>42,768</b>	36,814	<b>42,746</b>	36,719

**12 Taxation and social welfare included in other creditors**

	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Relevant contracts tax	9	4	9	4
Professional services withholding tax	120	92	120	92
Deferred tax liability (note 14)	334	484	334	484
	<b>463</b>	580	<b>463</b>	580

**13 Creditors: amounts falling due after more than one year**

	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Deferred income	44,136	35,114	44,136	35,114
Deferred tax liability (note 14)	3,534	2,041	1,018	1,209
	<b>47,670</b>	37,155	<b>45,154</b>	36,323

**14 Deferred tax asset**

		Group		Company	
	Ref	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Deferred tax liability – excluding employee benefits-related	(i)	(2,850)	(1,316)	(334)	(484)
Deferred tax asset – employee benefits-related (non-current)	(ii)	9,311	10,654	9,311	10,654
Deferred tax asset – buildings – (non-current)		1,018	1,209	1,018	1,209
Deferred tax liability – buildings – (non-current)		(1,018)	(1,209)	(1,018)	(1,209)
<b>Deferred tax asset, net</b>		<b>6,461</b>	9,338	<b>8,977</b>	10,170

## 14 Deferred tax asset (continued)

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

	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
At beginning of year	(1,316)	(1,535)	(484)	(604)
(Charged)/credited to profit and loss account (note 7)	(1,444)	105	150	120
Effect of foreign exchange	(90)	114	-	-
<b>At end of year</b>	<b>(2,850)</b>	<b>(1,316)</b>	<b>(334)</b>	<b>(484)</b>

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

Included in deferred taxation – excluding employee benefits-related – is €2,516,000 (2017: €832,000) in the Group and €Nil (2017: €Nil) in the company due after more than one year relating to income taxable at a future date.

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

	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
At beginning of year	10,654	19,860	10,654	19,860
Changes in actuarial assumptions recognised in OCI	(653)	(8,789)	(653)	(8,789)
Charged to profit and loss account (note 7)	(690)	(417)	(690)	(417)
<b>At end of year</b>	<b>9,311</b>	<b>10,654</b>	<b>9,311</b>	<b>10,654</b>

## 15 Called up share capital – equity

	2018 €'000	2017 €'000
<b>Group and Company</b>		
<b>Authorised, allotted, called up and fully paid</b>		
17,858,000 ordinary shares of €1.27 each	22,675	22,675

## 16 Equity dividends paid

	2018 €'000	2017 €'000
<b>Group and Company</b>		
<b>Declared and paid during the year</b>		
Final dividend paid: €1.09 per share (2017: €0.52 per share)	(19,458)	(9,248)

Total dividends paid in 2018 of €19,458,000 (2017: €9,248,000) include €7,458,000 or €0.42 per share in respect of 2017 (2017: €9,248,000 or €0.52 per share in respect of 2016) and a special dividend of €12,000,000 or €0.67 per share (2017: €Nil).

## 17 Related parties

### Group and Company

In common with many other government bodies, the IAA deals in the normal course of business with other government bodies and departments, such as Dublin Airport Authority ("daa") plc., Shannon Airport Authority Ltd, Electricity Supply Board ("ESB"), the Department of Transport, 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 DAC, a 100% owned subsidiary of Entry Point North (EPN) AB, an associate of the IAA (note 9). Entry Point North Ireland DAC also provides air traffic management training services to the IAA on an arm's-length basis. During the year, the IAA earned revenue of €3.4 million (2017: €3.3 million) and incurred costs of €7.4 million (2017: €7.1 million) in transactions with Entry Point North Ireland DAC. As at 31 December 2018, there is a net receivable balance due from Entry Point North Ireland DAC amounting to €3.0 million (2017: €3.1 million).

Total compensation of key management personnel in the year amounted to €2.1 million (2017: €2.1 million) comprising salaries and other short-term employee benefits of €1.8 million (2017: €1.7 million) and post-employment benefits of €0.3 million (2017: €0.4 million). Key management compensation represents compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group. These include the board members and senior executives.

## 18 Commitments

	2018 €'000	2017 €'000
<b>Group and Company</b>		
<b>(i) Capital commitments</b>		
Future capital expenditure approved by the directors:		
Not contracted for	60,736	61,074
Contracted for	20,630	32,081
	<b>81,366</b>	<b>93,155</b>

### (ii) Operating lease commitments

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

	2018 Buildings €'000	2018 Motor Vehicles €'000	2017 Buildings €'000	2017 Motor Vehicles €'000
<b>Group and Company</b>				
Payable:				
Within one year	3,604	103	3,603	68
Between one and five years	12,546	258	12,539	59
More than five years	26,352	-	29,260	-
	<b>42,502</b>	<b>361</b>	<b>45,402</b>	<b>127</b>



## 19 Contingent liabilities

### Group and Company

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

	2018 €'000	2017 €'000
<b>Group and Company</b>		
Defined benefit pension liability (see A below)	<b>74,490</b>	85,234
Supplementary ex-gratia pension liability (see B below)	<b>2,442</b>	2,131
<b>Total retirement benefit obligations</b>	<b>76,932</b>	87,365

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 2018 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 2018 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.

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

	2018 Projected unit	2017 Projected Unit
<b>(i) Actuarial assumptions</b>		
<i>Weighted average assumptions to determine benefit obligations</i>		
Discount rate	<b>2.20%</b>	2.10%
Rate of general compensation increase (staff/senior staff)†	<b>1.50%</b>	1.65%
Rate of price inflation	<b>1.50%</b>	1.65%
Rate of pension increase†	<b>0.00%</b>	0.00%

† This is the long-term assumption in respect of staff/senior staff increases. The board decided, given the current deficit position of the Schemes, and communicated to all staff and pension trustees, that there will be no further increases granted on pensions payable under the Schemes with effect from 1 January 2015.

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

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

	2018	2017
<i>Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:</i>		
Current active and deferred members	24.1	24.0
Current pensioner members	22.4	22.3
<i>Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:</i>		
Current active and deferred members	26.1	26.0
Current pensioner members	24.3	24.2

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.

	2018 €'000	2017 €'000
<b>(ii) Amounts recognised in the balance sheet</b>		
Present value of wholly or partly funded obligations	(609,396)	(625,804)
Fair value of plan assets	534,906	540,570
<b>Net liability</b>	<b>(74,490)</b>	<b>(85,234)</b>

	2018 €'000	2017 €'000
<b>(iii) Movements in fair value of plan assets</b>		
Fair value of plan assets at beginning of year	540,570	512,753
Re-measurement: return on plan assets excluding interest income	(19,792)	15,516
Interest income	11,390	9,774
Employer contributions	20,064	19,862
Member contributions	3,345	3,294
Benefits paid from plan	(20,671)	(20,629)
<b>Fair value of plan assets at end of year</b>	<b>534,906</b>	<b>540,570</b>

## 20 Employee benefits (continued)

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

	2018 €'000	2017 €'000
<b>(iv) Movements in present value of defined benefit obligations</b>		
Benefit obligation at beginning of year	(625,804)	(671,631)
Current service cost	(12,996)	(13,728)
Interest expense	(12,936)	(12,574)
Member contributions	(3,345)	(3,294)
Re-measurement: actuarial gains	25,014	54,794
Benefits paid from plan	20,671	20,629
<b>Benefit obligation at end of year</b>	<b>(609,396)</b>	<b>(625,804)</b>
	2018 €'000	2017 €'000
<b>(v) Components of pension cost</b>		
<i>Expense recognised in the profit and loss account</i>		
Current service cost (note 3)	(12,996)	(13,728)
Additional cash cost (note 3)	(7,068)	(6,134)
Interest income on defined benefit assets (note 4)	11,390	9,774
Interest expense on defined benefit liabilities (note 5)	(12,936)	(12,574)
<b>Total pension cost recognised in the profit and loss</b>	<b>(21,610)</b>	<b>(22,662)</b>
<b>Amounts recognised in other comprehensive income</b>		
Actuarial gains immediately recognised	5,222	70,310
Additional cash cost	7,068	6,134
	<b>12,290</b>	<b>76,444</b>
<b>Total for the year</b>	<b>(9,320)</b>	<b>53,782</b>
<b>Cumulative amount of actuarial losses recognised in other comprehensive income</b>	<b>(248,647)</b>	<b>(253,869)</b>

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

	<b>2018</b> <b>Amount of</b> <b>plan assets</b> <b>€'000</b>	2017 Amount of plan assets €'000
<b>(vi) Plan assets</b>		
<i>The asset allocations as at 31 December:</i>		
Equity securities	<b>134,185</b>	220,917
Bond securities	<b>272,927</b>	218,035
Other	<b>127,794</b>	101,618
	<b>534,906</b>	540,570

Interest income on plan assets will be charged at 2.2% (2017: 2.1%).

	<b>2018</b> <b>€'000</b>	2017 €'000
<i>Actual return on assets</i>		
Actual return on plan assets	<b>(8,402)</b>	25,290

	<b>€'000</b>
<b>(vii) Other required disclosure amounts</b>	
Contributions expected to be paid by the IAA during 2019	<b>14,900</b>

**B. Supplementary ex-gratia pension liability**

	<b>2018</b> <b>€'000</b>	2017 €'000
At beginning of year	<b>2,131</b>	1,831
Amounts provided for supplementary ex-gratia pension liability	<b>321</b>	320
Payments made during the year	<b>(10)</b>	(20)
<b>Amounts falling due after more than one year</b>	<b>2,442</b>	2,131

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 year represents contributions payable by the IAA to the scheme and amounted to €126,487 (2017: €90,212).

## 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 3 April 2019, the board proposed the payment of a dividend of €19.5 million (€1.09 per share) (2017: €19.5 million (€1.09 per share)). This includes a special dividend of €12.0 million (€0.67 per share) (2017: €12.0 million (€0.67 per share)).

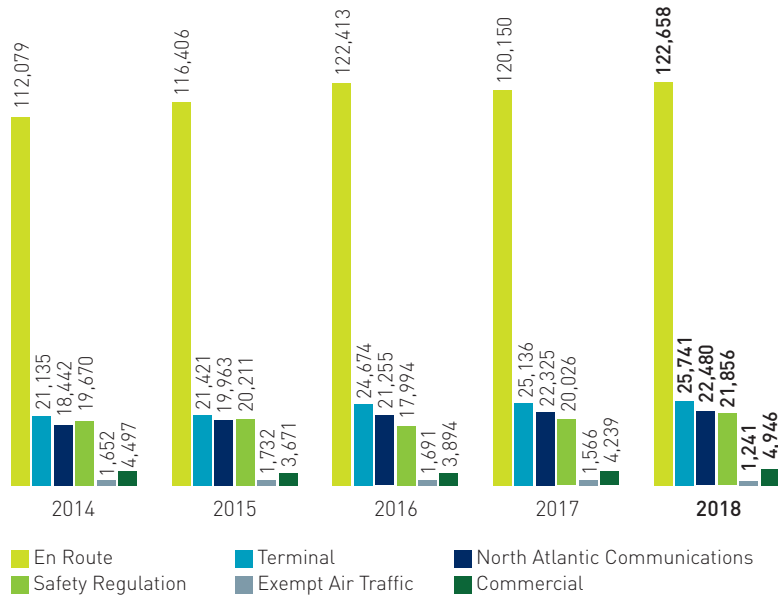
## 23 Approval of the financial statements

The financial statements were approved by the directors on 3 April 2019.

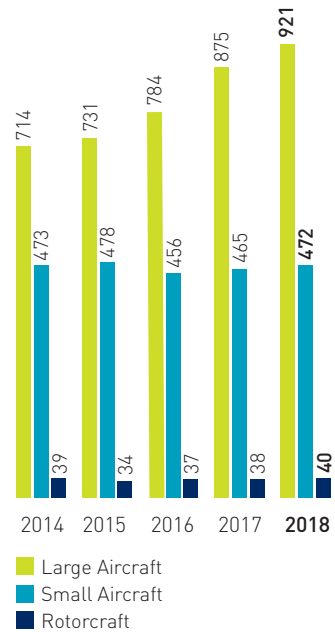


# FIVE YEAR SUMMARY 2014-2018

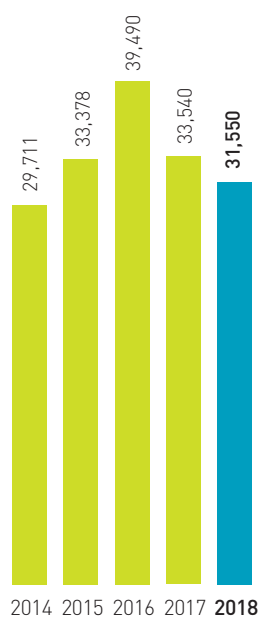
Turnover €'000



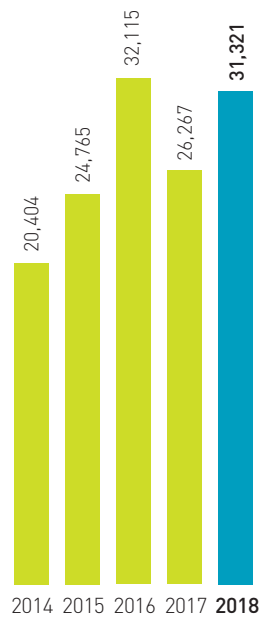
Registered Aircraft



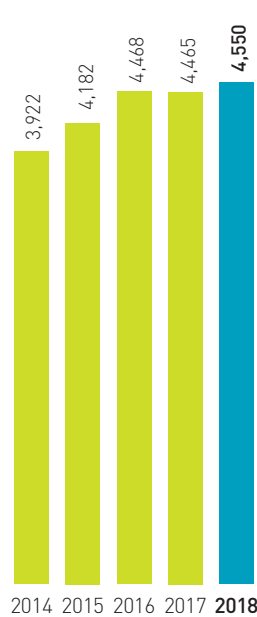
Operating Profit €'000



Profit after Tax €'000



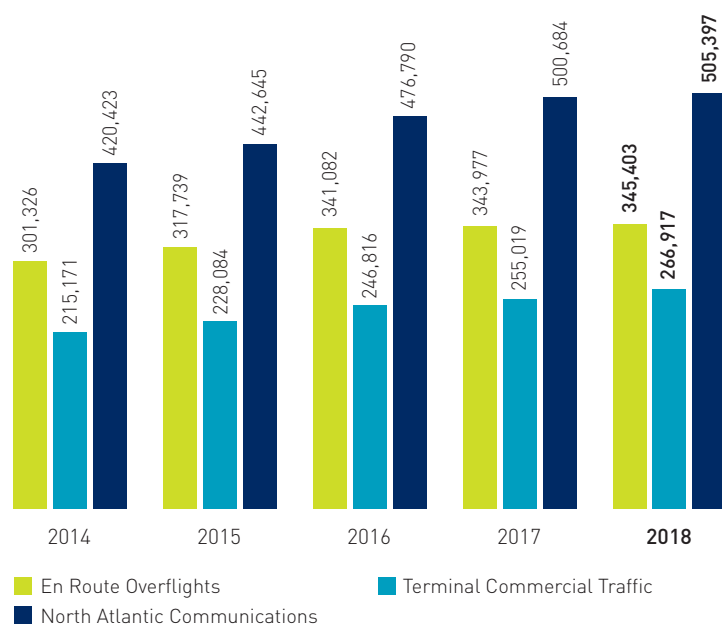
En Route Service Units ('000)



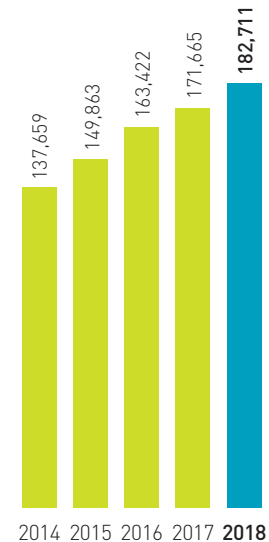
En Route Service Unit Rate (€)



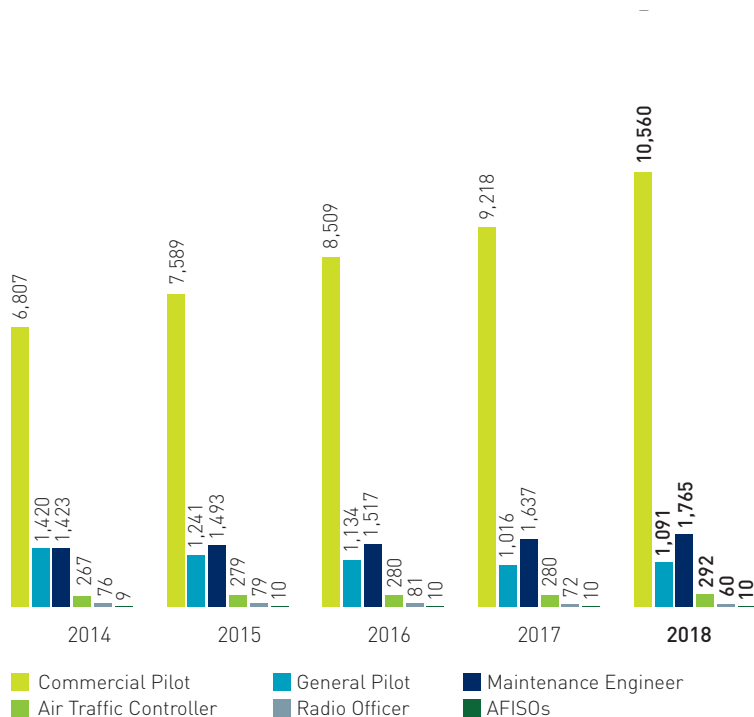
### Air Traffic Activity



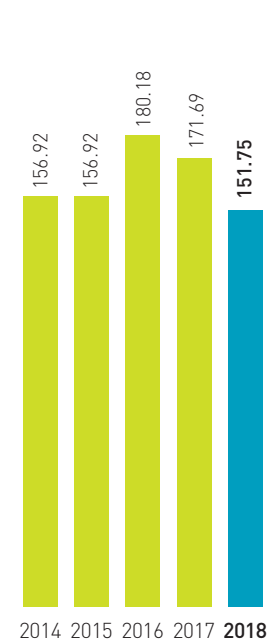
### Terminal Service Units



### Valid Licences



### Terminal Unit Rate (€)



## Photos

*Front cover, top to bottom*

**SUSIE MEEHAN | RADIO OFFICER, NORTH ATLANTIC COMMUNICATIONS | JOINED THE IAA IN 2017**  
My role involves relaying messages accurately and efficiently to and from aircraft transitting the North Atlantic, and, as coordinator, monitoring the Volmet Broadcast and Ireland AFTN systems.

**JASON PHELAN | FLIGHT OPERATIONS, HEADQUARTERS | JOINED THE IAA IN 2015**  
As an effective administrator working within a fluid industry, my position allows me to bring my passion, dedication and versatility for aviation in supporting the safety of Irish aviation.

**RONAN O'GORMAN | AIR TRAFFIC CONTROLLER, DUBLIN | JOINED THE IAA IN 1995**  
The greatest satisfaction I get from working at Dublin is how, as a team, we handle the ever increasing levels of traffic both safely and efficiently.

*Inside front cover, clockwise from top*

**PETER CANTWELL | ATM SPECIALIST, SHANNON | JOINED THE IAA IN 1994**  
As a system expert on the COOPANS programme, I am working on cutting edge air traffic control technology from concept phase right through to system deployment and support.

**FERGAL DOYLE | ATM SPECIALIST, SHANNON | JOINED THE IAA IN 1999**  
I work as part of a team on Nav aids projects, fault finding and analysing equipment trends so we can intervene before failures occur.

**CLAIRE FAY | ACCOUNTS ASSISTANT, HEADQUARTERS | JOINED THE IAA IN 2012**  
I enjoy my role as it offers variety and I am part of an excellent team. Over the years my role has allowed me to build up great working relationships both internally with colleagues and externally with our suppliers.

**AONGHUS NESTOR | AIR TRAFFIC CONTROLLER, SHANNON | JOINED THE IAA IN 2008**  
I enjoy the dynamic aspect of my position as well as the strong teamwork focused environment within which we work. My differing roles offer me diversity and new challenges which are important to me.

**EAMONN McCABE | AIR TRAFFIC CONTROLLER, DUBLIN | JOINED THE IAA IN 1980**  
I joined ATC as an air traffic control assistant (ATCA) 39 years ago in 1980 when it was under the Air Navigation Services Office of the Department of Transport in the Civil Service.

*Inside back cover, clockwise from top*

**NICOLA LONG | AVIATION SECURITY INSPECTOR, HEADQUARTERS | JOINED THE IAA IN 1997**  
My role involves oversight and surveillance to monitor implementation of the common basic standards and the National Civil Aviation Security Programme; this is done through audits, inspections and tests.

**PETER O'GROWNEY | AIR TRAFFIC CONTROLLER, DUBLIN | JOINED THE IAA IN 1989**  
I have been working as an ATM Investigator (AOI) for the last 4 years.

**PAULA QUINN | WATCH MANAGER, NORTH ATLANTIC COMMUNICATIONS | JOINED THE IAA IN 2009**  
In 2009 commenced as a Radio Officer, 2017 promoted to Operational Watch Manager, now also responsible for all NAC Unit Training, a challenging and very rewarding role.

**AIDAN FOLEY | STATION MANAGER, SHANNON | JOINED THE IAA IN 1990**  
I manage the en route operational centre on a shift basis which entails managing operational staff and ensuring a safe and efficient management of the en route traffic during my watch.

**ÁINE O'GORMAN | STATION MANAGER, DUBLIN | JOINED THE IAA IN 1982**  
As a Station Manager, my primary role is to oversee the air traffic control daily operation at Dublin Airport.





**The Irish Aviation Authority**

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