



# IRISH AVIATION AUTHORITY ANNUAL REPORT 2016





# IAA PERFORMANCE 2016

**TURNOVER** ▲4.6%  
TO €191.9m;  
**OPERATING  
PROFIT** ▲18.3%  
TO €39.5m

**SUCCESSFUL TRIAL  
OF REMOTE TOWERS  
- A WORLD CLASS  
ACHIEVEMENT**

**OUR ATM SYSTEM  
COOPANS  
A LEADER IN  
TECHNICAL  
CO-OPERATION**

**CUSTOMER  
SATISFACTION  
RATING 92%**

**CUSTOMER  
CHARGES  
AMONGST THE  
LOWEST IN  
EUROPE**

**COMMITTED TO  
PROMOTING THE  
IRISH AVIATION  
INDUSTRY**

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

**DIVIDEND TO  
SHAREHOLDERS  
€9.2m;  
TOTAL €33.1m  
IN 5 YEARS**

**IAA  
RECEIVES  
NO STATE  
FUNDING**

**OVERFLIGHTS  
↑ 7.3%  
DOMESTIC TRAFFIC  
↑ 8.2%**

**1<sup>ST</sup> AMONGST  
GLOBAL ANSPs  
FOR SAFETY  
MATURITY**

**LARGE AIRCRAFT  
ON IRISH REGISTER  
↑ 7.3%  
7,000 DRONES  
REGISTERED**

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# FINANCIAL AND OPERATING HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

	2016 €'000	2015 €'000	% Change
Turnover	<b>191,921</b>	183,404	+4.6%
Operating profit	<b>39,490</b>	33,378	+18.3%
Profit after tax	<b>32,115</b>	24,765	+29.7%
Dividends paid	<b>7,430</b>	6,535	+13.7%

## AIR TRAFFIC ACTIVITY

	2016 Number	2015 Number	% Change
En Route overflights	<b>341,082</b>	317,739	+7.3%
Terminal commercial traffic	<b>246,816</b>	228,084	+8.2%
North Atlantic communications	<b>476,790</b>	442,645	+7.7%

## EMPLOYMENT

	2016	2015	% Change
Average number employed	<b>652</b>	655	-0.5%

## CUSTOMER CHARGES

	2016	2015	% Change
En Route overflight	<b>€29.67</b>	€29.60	+0.2%
Airport terminal traffic	<b>€180.18</b>	€156.92	+14.8%
North Atlantic Communications	<b>€45.00</b>	€45.00	0.0%
Safety Regulation	<b>+1.5%</b>	No change	

# DIRECTORS AND OTHER INFORMATION

## DIRECTORS

Ms. Anne Nolan  
*Chairman*

Mr. Eamonn Brennan  
*Chief Executive*

Ms. Marie Bradley

Mr. Ernie Donnelly

Mr. Pascal Fitzgerald

Mr. Basil Geoghegan

Mr. Michael Norton

Mr. Geoffrey O'Byrne-White

Mr. Kevin O'Driscoll

## SECRETARY

Ms. Aideen Gahan

## AUDITOR

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

## BANKERS

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

Bank of Ireland  
2 Burlington Plaza  
Burlington Road, Dublin 4

Danske Bank  
3 Harbourmaster Place  
IFSC, Dublin 1

## SOLICITOR

A & L Goodbody  
North Wall Quay, Dublin 1

## REGISTERED OFFICE

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

## REGISTERED NUMBER

211082

## SENIOR MANAGEMENT

Eamonn Brennan  
*Chief Executive*

Anthony Eiffe  
*Internal Audit*

Aideen Gahan  
*Company Secretary*

Donal Handley  
*Corporate Affairs*

Maeve Hogan  
*Finance*

Philip Hughes  
*Commercial, Technology  
and Training*

Ralph James  
*Safety and Security  
Regulation*

Peter Kearney  
*ATM Operations and  
Strategy*

Brendan Mulligan  
*Human Resources*

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





Anne Nolan Chairman

# CHAIRMAN'S STATEMENT

## SAFETY REGULATION

2016 was another positive year for the IAA. Safety is our number one priority and, throughout the year, the IAA provided effective regulatory oversight of the Irish civil aviation industry. Following an ICAO continuous monitoring approach audit in 2016, Ireland is now ranked second in Europe for civil aviation safety oversight. The European Aviation Safety Agency (EASA) conducted audits, in 2016, of the IAA's flight operations, aeromedical licensing and airworthiness areas and confirmed that the IAA was compliant with EU/EASA requirements.

The IAA has responsibilities for the oversight of aviation security and a programme of audits, inspections and tests was carried out during the year.

In September, the State announced its intention to designate the IAA as the competent authority with responsibility for all airport noise issues in Ireland. This will be done by way of a statutory instrument, which is expected shortly.

## OPERATIONS

The IAA provided a safe and efficient air traffic control service. Air traffic activity increased across all areas of the IAA's business. En route overflights increased by 7.3% to just over 341,000 flights. Commercial traffic at the State airports, Cork, Dublin and Shannon, increased by 8.2% to almost 247,000 movements while, on the North Atlantic, the IAA provided a voice communications service to more than 476,000 flights, an increase of 7.7% over last year. Our customer satisfaction rating remains high at 92%.

## FINANCIAL PERFORMANCE AND DIVIDEND

The IAA reported an operating profit for the year of €39.5 million and a profit after tax of €32.1 million. In line with its dividend policy, the board has recommended the payment of a dividend of €9.2 million. This brings our total dividends paid in the last five years to €33.1 million. The IAA does not receive any financial support from the State.

## CHAIRMAN'S STATEMENT (continued)

### INDUSTRY SUPPORT

The IAA remains committed to supporting the Irish aviation industry. During the year, the IAA participated in the National Civil Aviation Development Forum. The IAA also supported the Irish Historic Flight Foundation and provided sponsorship for various aviation events including the Bray and Foynes airshows.

### CORPORATE GOVERNANCE

The board is committed to the highest standards of corporate governance. The IAA has put in place appropriate measures to comply with the 2009 Code of Practice for the Governance of State Bodies and reports regularly to the Minister on these activities. A revised Code of Practice was issued in August 2016 and, in the case of the IAA, applies for its financial year ended 31 December 2017. The Board and the Audit and Risk Committee are considering the new requirements in relation to the 2017 financial statements.

### ACKNOWLEDGEMENTS

I would like to thank my fellow Board members for their effective contribution to the IAA in 2016. I would like to thank the Minister for Transport, Tourism and Sport, Mr. Shane Ross TD, and his predecessor, Mr. Paschal Donohoe TD, for their support of our activities during the year. I thank the staff of the IAA for their continued commitment and dedication to making the IAA the success that it is today. I look forward to working with you all in 2017.



**ANNE NOLAN**  
Chairman





**Eamonn Brennan** Chief Executive

# CHIEF EXECUTIVE'S REVIEW

## SAFETY REGULATION

In 2016, the IAA regulated effectively, overseeing the safety of the Irish civil aviation industry. This industry continues to grow and, today,

it includes almost 1,300 aircraft on the Irish register, 14 air operators, 24 licenced aerodromes, in excess of 9,000 pilots, 1,500 maintenance engineers and more than 450 air traffic controllers and radio officers.



## CHIEF EXECUTIVE'S REVIEW *(continued)*

The number of aircraft operated by the main Irish AOC (aircraft operator certificate) holders increased in 2016 and currently stands at:

 <b>RYANAIR</b>	380 aircraft
 <b>norwegian</b>	56 aircraft
 <b>Aer Lingus</b>	47 aircraft
 <b>ASL</b> AVIATION GROUP	33 aircraft
 <b>CITYJET</b>	30 aircraft
 <b>Stobart Air</b>	17 aircraft

The IAA has a comprehensive oversight programme, consisting of audits, inspections and checks (proficiency and medical), to ensure that organisations and individuals comply with the applicable safety requirements and standards. Different civil aviation activities present different levels of risk to aircraft crews, passengers and the public at large. Accordingly, the IAA uses a risk and performance-based approach in the oversight of civil aviation in order to focus its resources towards the areas of greatest safety concern. This approach includes the collection and analysis of safety information that emerges from risk exposure assessments, operational performance monitoring and feedback from compliance audits or inspections. In addition, approved organisations are required to implement safety management systems in order to manage the risks specific to their own operations.

Effective safety management is dependent on the identification of appropriate measures of safety performance. This leads to a complex measurement system consisting of safety performance indicators, both at State level and at organisation level, across multiple domains and throughout multiple levels of the aviation system. The main high-level measures of safety performance in Ireland are published in the Annual Safety Review ([www.iaa.ie/safety/safety-performance1](http://www.iaa.ie/safety/safety-performance1)). At this same link can be found the State Safety Plan 2016 – 2019, which includes the mitigating actions the IAA is taking to address the main safety risks that emerge from the analysis of the data.

The Irish aviation industry maintained its strong safety performance record in 2016, comparing favourably with the record of other States in both the EU and worldwide.

- There were no fatal accidents involving Irish commercial operators in 2016. Two non-fatal accidents occurred during commercial aircraft ground operations resulting in injuries to two individuals;
- Sadly, there were two fatal accidents in 2016 involving general aviation aircraft. The IAA works closely with the General Aviation Safety Council of Ireland (GASCI) to provide guidance to the general aviation community to help address the main causes of accidents.

One of the key safety management tools implemented in civil aviation is occurrence reporting, whereby organisations are obliged to establish both mandatory and voluntary reporting schemes to collect, analyse and report events that may adversely affect aviation safety. Almost 12,000 occurrence reports were



processed by the IAA in 2016, approximately 64% of which came from the main AOC holders. Follow-up investigations were performed with the reporting entities using a risk-based approach. The vast majority (95%) of safety occurrence reports investigated were very low risk. The rate of occurrence reporting by Irish organisations is amongst the best in Europe.

## DRONES

The proliferation of drones represents an emerging risk for aviation. Although the vast majority of these devices are very light, they still represent considerable risk to large commercial aircraft (eg damage to engine or control surfaces, crew distraction) and could have a catastrophic effect on light manned aircraft (eg microlights, paragliders). Owners have a great responsibility to ensure that they never fly their drones near manned aircraft or crowds of people - visit [www.iaa.ie/general-aviation/drones](http://www.iaa.ie/general-aviation/drones) for further guidance. It is a legal requirement for drones heavier than 1kg to be registered in Ireland. There are now almost 7,000 drones and model aircraft on the IAA's drone register. We will continue to promote drone safety awareness issues.



## EASA AUDITS

During the year, three standardisation audits were carried out by the European Aviation Safety Agency (EASA). The audits addressed the areas of flight operations, aeromedical licensing and airworthiness. Each of these audits confirmed that the IAA is compliant with EASA requirements.

## BASIC REGULATION

The primary EU regulation (Basic Regulation) that governs civil aviation in EU Member States is being updated and the new replacement Regulation was tabled by the European Commission, for consideration, at the beginning of 2016. The draft of the new regulation has passed through the European Council Aviation Working Group and an agreed text was issued at the end of 2016. The draft regulation is due to go through the EU Trilog process in 2017. The new regulation will extend the role of EASA and will present both threats and opportunities to the IAA and the Irish aviation industry alike in the years ahead. The IAA continues to support the Department of Transport, Tourism and Sport in the development of the regulation.

## INITIATIVES

The IAA continues to operate in a progressive manner and remains open to new ideas and innovative approaches from Irish industry. Most of the main Irish AOC's are in expansionary mode and Norwegian Air International will begin transatlantic operations from Ireland in 2017 following their successful application for North Atlantic routes under the EU/US open skies agreement. We have also received an application from SAS to establish an Irish AOC and this is being assessed.



## CHIEF EXECUTIVE'S REVIEW (continued)

The IAA continues to support the leasing industry. A new Article 83 bis agreement was signed in December 2016 with Hungary to facilitate the use of Irish registered aircraft by Hungarian air operators. This brings the total number of Article 83 bis agreements signed to twenty. Irish industry continues to request agreements with both EU and non-EU countries and the IAA will initiate such agreements, where appropriate.

IAA representatives were also part of the ICAO Article 83 bis task force which provided its final report to the ICAO Legal Committee in December 2015. ICAO are still in the process of producing an ICAO manual to replace the existing ICAO circular on the subject. Although the manual has yet to be produced, the draft material has been very useful in the drafting of new agreements.

The IAA is conscious of the needs of civil aviation organisations and licenced personnel and constantly strives to ensure that it is in a position to respond in a timely manner. Work has commenced on the IAA's plans to move to an entirely digital system for the acceptance of applications for the approval, registration, certification and licensing of individuals and organisations. Through innovation and active use of technology, the IAA will build on its position as a world-leading aviation safety organisation to deliver dynamic, effective regulatory practices. This initiative will transform the current safety regulation service offering and facilitate 24/7 customer service provision through maximising business activity within the digital environment.

### NOISE

In September, the State announced its intention to appoint the IAA as the competent authority to oversee the delivery of EU Regulation 598/2014 on airport noise management. A noise regulation unit within the Safety Regulation directorate is in the process of being established. A statutory instrument to appoint the IAA is still being prepared and is expected to be in place shortly.

### AVIATION SECURITY OVERSIGHT

During the year, the IAA undertook an extensive programme of audits, inspections and tests in relation to airports, air carriers, regulated agents, known consignors and suppliers. About 630 regulated entities and instructors are subject to approval, compliance monitoring and enforcement while almost 1,900 persons are certified by, or on behalf of, the IAA (screeners, access control persons, vehicle examiners, patrols and surveillance at airports).

In 2016, the IAA provided technical assistance on aviation security developments, a particular challenge in the context of the aftermath of the Metrojet incident in Egypt and the landside attacks in Brussels.

Briefings and industry co-ordination meetings were delivered on a regular basis throughout the year to improve the consistent delivery of aviation security standards. The IAA also hosted a workshop regarding "aviation security research and innovation" introducing security innovators in areas such as regulatory compliance, training, cyber security and checkpoint detection capability.



## AIR TRAFFIC MANAGEMENT

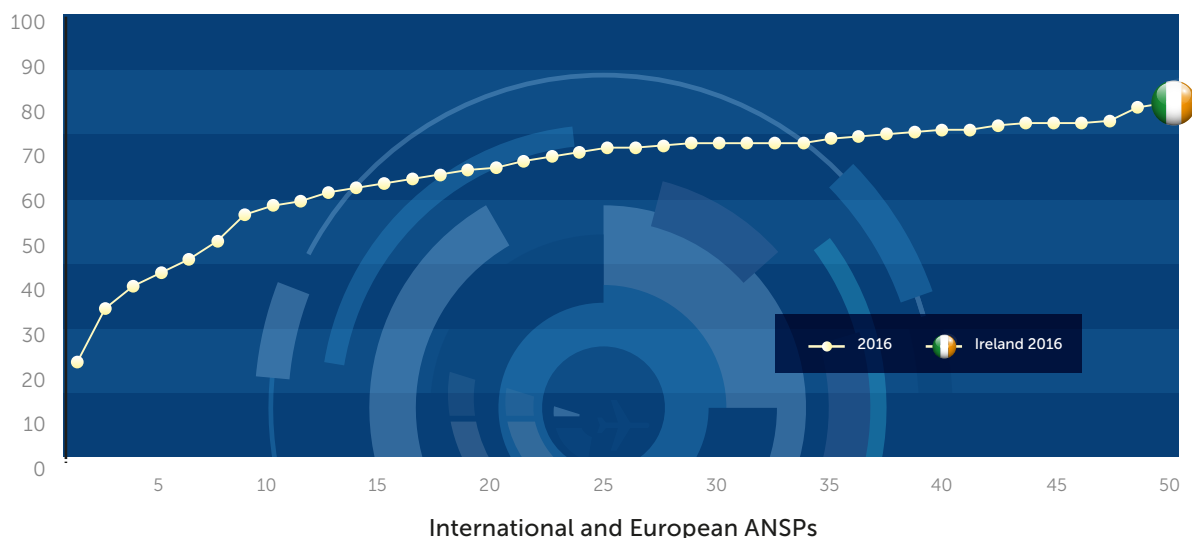
Safety is our number one priority and, during the year, our operations and technology directorates provided safe and effective air traffic management services.

The IAA is focused on continuous improvement of safety performance. During the year, all targets for key safety performance indicators were met. The safety management unit

continues to provide in-depth causal factor analysis for all safety-related events. These factors are monitored closely with associated improvement activities being implemented where appropriate.

In a recent global measure of air navigation service provider (ANSP) safety maturity by CANSO/EUROCONTROL, the IAA received the highest score in the safety management systems standard of excellence measurement.

### Average ANSP Maturity



Also in 2016, an independent safety culture survey was undertaken, led by EUROCONTROL. This survey concluded that the IAA has a strong safety culture. A safety culture action plan

was developed to address areas identified for improvement. Most of these points have since been actioned.

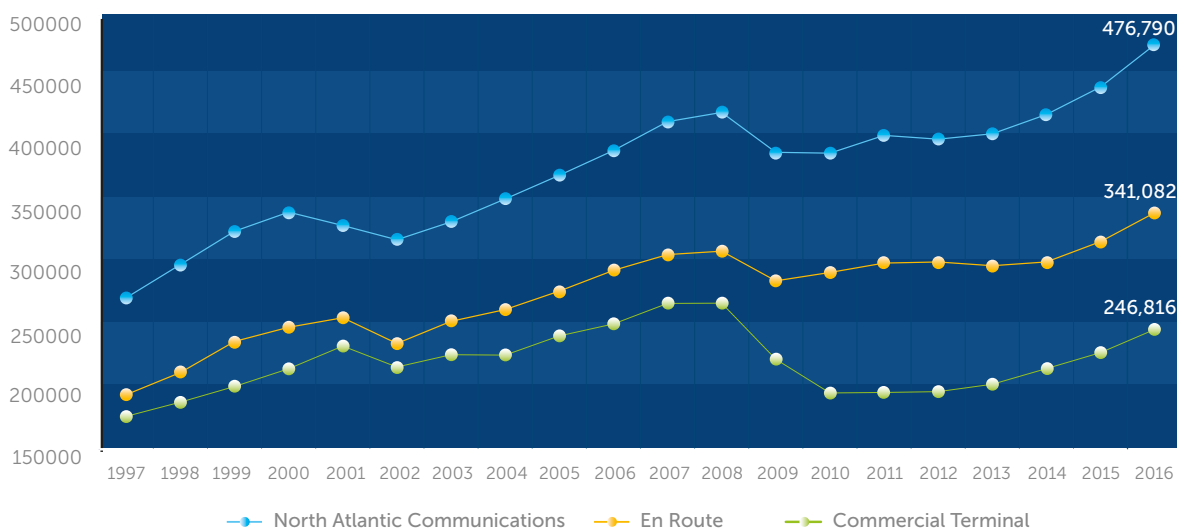
## CHIEF EXECUTIVE'S REVIEW (continued)

### TRAFFIC ACTIVITY

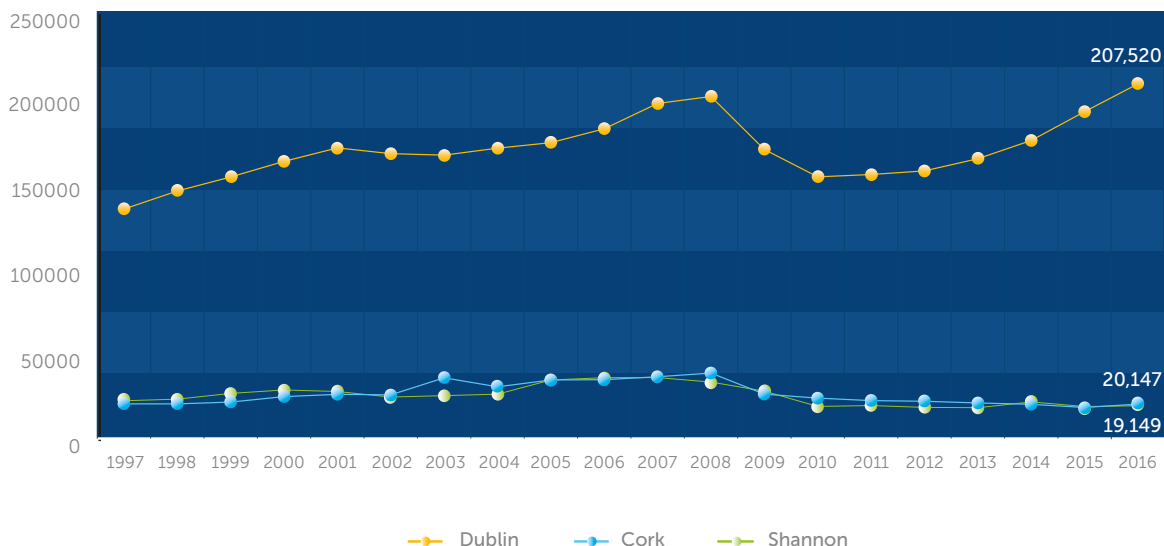
In 2016, the IAA safely handled over 1.1 million flights. En route traffic increased by 7.3% to 341,082 overflights while traffic on the North Atlantic increased by 7.7% to 476,790 flights.

There was a significant increase in commercial traffic, up 8.2%, at the State airports – Cork, Dublin and Shannon. Commercial traffic at Dublin increased by 8.5% to 207,520 movements, at Cork by 11.1% to 20,147 movements and at Shannon by 2.3% to 19,149 movements.

### IAA Traffic Trends 1997 to 2016



### Commercial Terminal Movements (1997 to 2016)

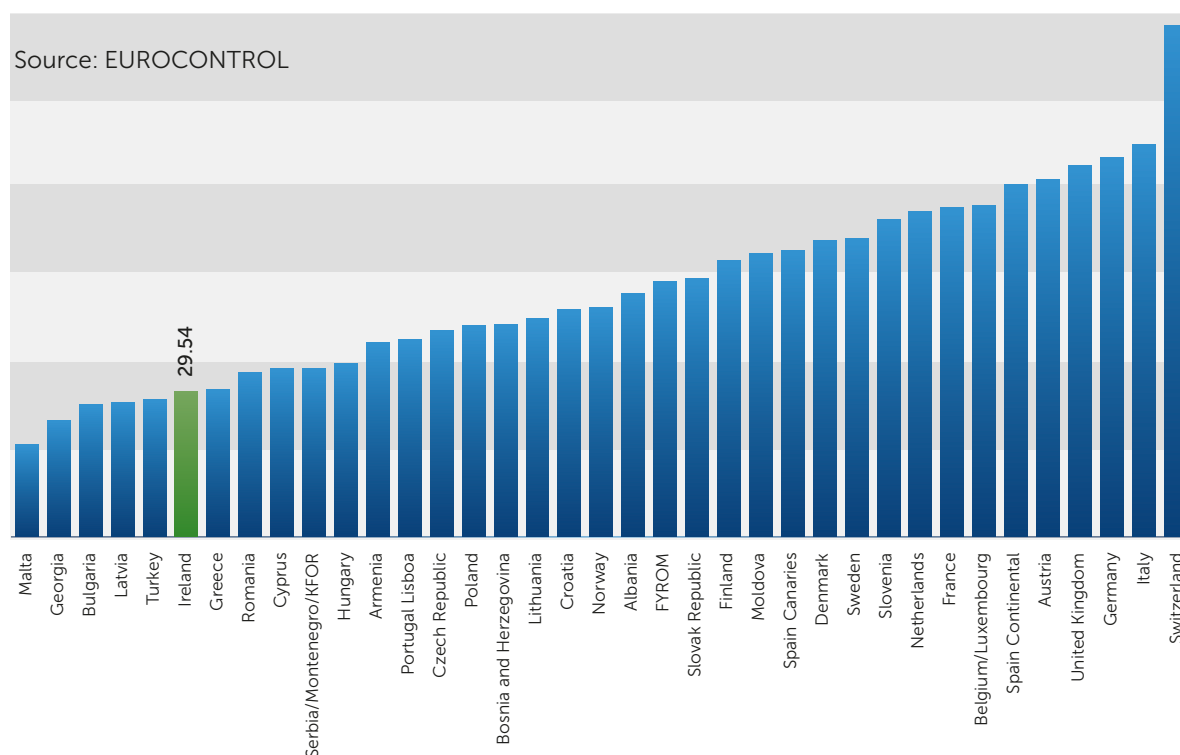


## OPERATIONAL PERFORMANCE

In 2016, the IAA achieved all of its Single European Sky Reference Period (RP) 2 targets for safety, capacity, environment and cost efficiency. 2016 is the second year of the Ireland/UK FAB Performance Plan 2015 - 2019. We reported zero air traffic management (ATM) related delays both in en route and terminal operations and average slot adherence at Cork, Dublin and Shannon airports was significantly above the European requirement.

In May 2016, the European ATM Cost-Effectiveness Benchmarking Report<sup>1</sup> was published. It reported that the IAA, as an air navigation services provider, continues to compare very favourably when benchmarked against other European service providers. In terms of financial cost-effectiveness, IAA was 32% more cost-effective than the European average while our productivity was also 32% higher than the European average. We continue to have one of the lowest en route charges to our airline customers. The 2017 charges for all of the EUROCONTROL member states were approved in December as follows:

### EUROCONTROL En route unit rates € - 2017



<sup>1</sup> [www.eurocontrol.int/publications/atm-cost-effectiveness-ace-2014-benchmarking-report-2015-2019-outlook](http://www.eurocontrol.int/publications/atm-cost-effectiveness-ace-2014-benchmarking-report-2015-2019-outlook)



## CHIEF EXECUTIVE'S REVIEW (continued)

### INNOVATION

**Remote towers:** During the year, we successfully trialled remote towers whereby air traffic controllers situated in Dublin provided terminal services to traffic at Cork and Shannon airports simultaneously. The IAA, along with a consortium of shareholders, was awarded a prestigious European Commission 'Single European Sky Award 2017' in recognition of this world-class achievement.

**Electronic flight strips and ACDM:** As noted previously, there has been substantial traffic growth at Dublin Airport in 2016. A number of initiatives were introduced to increase capacity at the airport, including enhancements to high intensity runway operations, improvements to arrival-departure-arrival spacing and more efficient departure-departure intervals. The electronic flight strip system is planned to be operational in the next few months, facilitating ACDM (airport collaborative decision making) and leading to improved airport efficiency.

**Parallel runway at Dublin Airport:** The daa (Dublin Airport Authority) has indicated that it intends to build a parallel runway at Dublin Airport. Following a detailed consideration of suitable options, the IAA has commenced preliminary works for a new air traffic control tower with plans for operations from 2020.

**En route contingency centre:** The en route contingency centre, located at Ballygirreen, is at an advanced stage. The building is complete with the technology fit-out expected to be completed in 2017.

**Single person operations:** Single person operations (SPO) have commenced following extensive safety assessments and trials. SPO allows more aircraft to be handled more efficiently.

### CUSTOMER FEEDBACK

During the year, we conducted an independent survey of our top 33 customers looking for feedback in the areas of safety, innovation, financial cost-effectiveness, service delivery and customer relationship management. The survey showed that the overall level of customer satisfaction continues to remain high at 92%.

### FINANCIAL REVIEW

This is the first year in which the IAA has prepared consolidated financial statements. During the year, the IAA established a 100% owned US subsidiary, IAA North Atlantic Inc. The purpose of this subsidiary is to hold the IAA's investment in Aireon LLC, a US company developing space-based global air traffic surveillance systems.

The very strong traffic growth in 2016, coupled with a continuing focus on cost management, has resulted in another very strong financial performance, reflected in a Group operating profit of €39.5 million and a profit for the financial year of €32.1 million. Based on these results, a dividend of €9.2 million, in respect of 2016, has been approved by the board, in line with the IAA's dividend policy. These results also ensure the IAA's continued ability to fund its significant capital investment programme over the next few years, including a new visual control tower at Dublin Airport.

Financial highlights:	2016 €'m	2015 €'m
Revenue	<b>191.9</b>	183.4
Operating profit	<b>39.5</b>	33.4
Profit before tax	<b>39.1</b>	31.4
Tax charge	<b>(7.0)</b>	(6.6)
Profit after tax	<b>32.1</b>	24.8
Dividend paid	<b>7.4</b>	6.5

## REVENUE

The IAA generates 89% of its revenues from the provision of air traffic control and voice communications services. Almost 90% of all flights travelling between Europe and the United States pass through Irish-controlled airspace.

Revenue of €191.9 million in 2016 was 4.6% higher than in 2015. En route revenues (revenues from customers that do not usually land in Ireland) of €122.4 million accounted for 64% of total revenues and were 5.2% higher than last year due to strong growth in traffic activity.

Terminal revenues are generated from the provision of approach, landing and take-off services at the three State airports – Cork, Dublin and Shannon. At €24.7 million, or 13% of total revenues, this represented an increase of 15.2% over 2015. This increase is attributable, in part, to the significant growth in traffic at Dublin Airport.

The IAA provides a voice communications service on the North Atlantic and this service contributed 11% to total revenues or €21.3 million. Traffic on the North Atlantic has increased significantly over 2015 resulting in a 6.5% increase in revenues. Our busiest day in 2016 was on June 23rd when 1,727 aircraft transited the North Atlantic.

The Safety Regulation directorate generates revenues from a range of activities including the certification of the airworthiness of aircraft on the Irish register, licensing of pilots and other aviation personnel and the regulation of aerodromes. Total safety regulation revenues decreased in 2016 by 11.0% to €18.0 million.

The IAA engages in some commercial opportunities. Commercial revenue of €3.9 million mainly reflects IAA's ATM (air traffic management) training services to Entry Point North Ireland DAC, a company with whom the IAA has an arms-length commercial relationship.

## OPERATING EXPENSES

Operating expenses of the Group increased by 1.6% to €152.4 million. Staff costs, including pension costs, accounted for 57% of total expenses and increased by 1.0%, mainly due to the implementation of a new pay deal included in a five-year collective agreement covering the period 2015 to 2019. Depreciation charges increased marginally to €14.1 million. Other operating expenses remained stable, in line with last year.

## BALANCE SHEET

During the year, the IAA spent €14.1 million on capital expenditure. The IAA is committed to investing in its technology in order to improve service levels and cost-efficiency. Fixed assets are reported in the balance sheet at €79.9 million. Financial fixed assets increased by €8.6 million to €23.4 million following a scheduled capital contribution to Aireon LLC. This brings the Group's total investment to an equivalent of 5.4% of the common equity of Aireon (4.14% preferred). A final capital contribution is scheduled for later in the year and will bring the investment to 6% (4.83% preferred).

## CHIEF EXECUTIVE'S REVIEW (continued)

The Company's defined benefit pension liability remains significant. During the year, the liability increased by 28.1% to €158.9 million. Plan assets increased by €42.5 million to €512.8 million but liabilities increased by €77.3 million to €671.6 million mainly due to the reduction in the discount rate, the rate used to value pension fund obligations, from 2.5% at the end of 2015 to 1.9% at the end of 2016. The main defined benefit schemes, 'The Irish Aviation Authority Staff Superannuation Scheme 1996' and 'The Irish Aviation Authority Staff Superannuation Scheme 2008' have been closed to new entrants since 1 January 2012 and are the subject of a funding plan to 2018. Staff who joined the IAA from 1 January 2012 are eligible to join the IAA's hybrid pension plan. During the year, the company contributed €20.7 million in total to its pension schemes.

### PARTNERSHIPS



The COOPANS air traffic management system continues to operate very satisfactorily in each of the five participating countries – Ireland, Sweden, Denmark, Austria and Croatia. A significant milestone was reached in January 2017 when all five service providers successfully implemented Build 3.2 in all 7 control centres in these five countries. A COOPANS roadmap and delivery schedule of future requirements is in place that ensures COOPANS remains fully compliant with the SESAR deployment programme. There is no other grouping in Europe which is close to achieving a similar level of technical co-operation.



The IAA, through its subsidiary IAA North Atlantic Inc, holds an investment equivalent to a 5.4% shareholding in Aireon LLC, a company developing space-based global air traffic surveillance systems. On 14 January 2017, Aireon announced the successful launch and deployment of the first ten satellites hosting its space-based ADS-B (automatic dependant surveillance broadcast) system. This system will transform air traffic management capabilities, providing real time air traffic surveillance and flight tracking globally. The service is expected to be operational in 2018. IAA has successfully installed a service delivery point which allows us to receive Aireon's global air traffic surveillance data. This is a major step towards deploying space-based ADS-B in Irish airspace in addition to implementing the Aireon Aircraft Locating and Emergency Response Tracking (ALERT) service. Aireon ALERT is a free global emergency tracking service that will be hosted and operated by the IAA from our North Atlantic Centre in Ballygirreen.



The IAA has a 25% shareholding in EPN AB, a provider of air traffic management training solutions. 2016 was another busy year for air traffic control training with seventy courses delivered over 1,100 student weeks. We are planning for another busy year in 2017.





The SESAR Deployment Alliance, of which the IAA is a founding member through the COOPANS alliance, was appointed as the SESAR Deployment Manager (SDM) in December 2014. The SDM is responsible for co-ordinating the deployment of SESAR concepts and technologies across Europe with the aim of making the air traffic management system more effective.



The stakeholders to the UK/Ireland FAB (Functional Airspace Block) continue to work well together, co-operating effectively on operational matters such as the London Heathrow XMAN trial. This project sees IAA controllers managing Heathrow bound traffic with a view to reducing time in the hold. The main focus of the FAB is the achievement of its Single European Sky performance targets. Brexit, however, has created some uncertainty as to the future direction of the FAB.



The IAA continues to support the work of the Borealis Alliance, a nine member ANSP (air navigation service provider) alliance. Building on the successful implementation of Free Route Airspace (FRA) in Shannon's Upper Airspace in 2009, the Borealis Alliance FRA programme will see FRA available to more than a third of Europe's air traffic in advance of the Pilot Common Project deadline (2022), in full alignment with SESAR (Single European Sky ATM Research).

## HUMAN RESOURCES

2016 is year two of a five-year collective agreement with staff representatives covering the period 2015 to 2019. The provisions of the agreement align with the duration of the current economic regulatory period and therefore brings stability to the IAA's cost base while also supporting a cost containment programme that has been in operation for the past number of years.

The new internal dispute resolution procedures, recently introduced, have been effective in managing a stable industrial relations environment while ensuring continuity of service to our customers.

A very successful employee wellbeing programme was launched in 2016. The programme, called iHealth Positive Matters, provided a range of wellbeing initiatives including improved mindfulness, stress management, strategies to manage technology and life and health screening.

The IAA was pleased to receive an award from the National Irish Safety Organisation in recognition of its positive and proactive culture in relation to occupational safety management.

The main defined benefit pension scheme passed the Minimum Funding Standard test at the end of 2016. However, margins remain tight and no account has yet been taken of the requirement for pension reserves. This issue will need to be addressed, at the latest, once the current pension recovery plan expires on 31 December 2018. Management will continue to engage with staff representatives on the best way forward.

## CHIEF EXECUTIVE'S REVIEW (continued)

Arising from a number of retirements during the year, recruitment activity was significant in 2016. Cohort (14) commenced training on our Student Air Traffic Controller Programme in November while recruitment and training for radio officers and engineers was ongoing throughout the year.

### OTHER

#### INDUSTRY SUPPORT

The IAA remains committed to raising awareness of and promoting Irish civil aviation. During the year, the IAA sponsored the Bray and Foynes air displays which attracted over 150,000 spectators in total. A very successful gala ball took place in April 2016 to raise funds for the Irish Historic Flight Foundation. We also participated in the State's National Civil Aviation Development Forum.

#### CYBERSECURITY

Cyber threats are a major global risk. The IAA will continue to devote significant resources to the protection of its information assets and keep cyber security as a key strategic ICT objective of the company.

#### ENVIRONMENT

During the year, we implemented various energy reduction initiatives, thereby reducing emissions and energy costs. Our Free Route Airspace and Point Merge initiatives contributed significantly to reducing carbon emissions by aircraft over Ireland.

### BREXIT

Brexit brings with it many challenges, and some opportunities, for aviation in Ireland. Any constraints on the ability to fly easily between Ireland and the UK and for Irish airlines to operate freely around the EU will not be good for the Irish civil aviation industry. We will continue to support the State in ensuring that aviation is a key part of the Brexit negotiations.

### ACKNOWLEDGEMENTS

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

I would like to thank Mr Graham Doyle, Secretary General, and Mr Fintan Towey, Assistant Secretary, together with their colleagues at the Department of Transport, Tourism and Sport for their assistance during the year.

I would like to thank all our employees for their hard work that they have consistently put into making the IAA a continued success story. It is much appreciated.



**Eamonn Brennan**  
Chief Executive



# FINANCIAL STATEMENTS 2016



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 2016.

## 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 Chairman'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 30 and in the related notes. As described therein, profit for the financial year was €32.1 million (2015: €24.8 million) on turnover of €191.9 million (2015: €183.4 million). During the year the Company declared and paid a final dividend of €7.4 million (€0.42 per share) for fiscal 2015 (2015: €6.5 million (€0.37 per share)).

This is the first year in which consolidated financial statements have been prepared following the establishment, by the IAA, in June 2016, of a 100% owned subsidiary, IAA North Atlantic Inc., for the purpose of holding the Group's investment in Aireon LLC, a company developing space-based global air traffic surveillance systems (see note 9 to the financial statements).

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

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

Key performance indicators	Group and Company	
	2016	2015
	Number	Number
En route overflights	341,082	317,739
Terminal commercial traffic	246,816	228,084
North Atlantic communications	476,790	442,645

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:

- maintenance and improvement of safety and security standards
- compliance with European regulations while maintaining high standards of safety and service
- adverse economic and market conditions
- 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 19 to 25, sets out the IAA's policies and approach to risks and the related internal control procedures and responsibilities.

## DIRECTORS

The names of the directors who served during the year are set out on page 2. Except as set out below, they served for the entire year. Mr. Ernie Donnelly's term of office expired on 23 May 2016 and he was re-appointed to the board on 24 October 2016.

## INTERESTS OF DIRECTORS AND SECRETARY

The directors and secretary who held office at 31 December 2016 had no interests in the shares of the IAA at the beginning of the year, or at the date of their appointment (if later), nor at the end of the year. The directors of the IAA are appointed by the Minister for Transport, Tourism and Sport and hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding four years, unless re-appointed by the Minister thereafter.

## CORPORATE GOVERNANCE

The directors are committed to maintaining the highest standards of corporate governance. The IAA complies with the 2009 Code of Practice for the Governance of State Bodies. The following summarises the IAA's approach to corporate governance.

## PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The directors are accountable to the IAA's shareholders – the Minister for Transport, Tourism and Sport and the Minister for Public Expenditure and Reform – for good corporate governance. This report describes how the relevant principles of good corporate governance, set out in the 2009 Code of Practice for the Governance of State Bodies, are applied. The Department of Public Expenditure and Reform issued a revised Code of Practice for the Governance of State Bodies in August 2016. This 2016 version applies to financial reporting periods beginning on or after 1 September 2016, in the IAA's case for the financial year ended 31 December 2017. The board and the audit and risk committee are considering the new requirements.

### The Board

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

The board is responsible for the proper management of the IAA. It takes the major strategic decisions and retains full and effective control, while allowing the chief executive and his senior management team sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

## Directors' report (continued)

### PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

#### The Board (continued)

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

All new directors, on appointment, take part in an induction course, where they receive financial and other information about the IAA and the roles of the board and board committees. This process typically includes meetings with key senior executives. Throughout their time in office, the directors are provided with regular information on all aspects of the business. Reports and papers are circulated to the board and its committees on a timely basis.

Regular meetings of the board are held throughout the year. The number of meetings held by the board in 2016 was six. These meetings were attended as follows:

	Date of appointment (*or re-appointment)	Board meetings attended	Max number of board meetings director could have attended
Anne Nolan, <i>Chairman</i>	13 June 2014	6	6
Eamonn Brennan, <i>Chief Executive</i>	8 September 2015	6	6
Marie Bradley	13 June 2014	6	6
Ernie Donnelly	24 October 2016*	4	4
Pascal Fitzgerald	1 August 2014	4	6
Basil Geoghegan	20 May 2013	5	6
Michael Norton	6 October 2015	5	6
Geoffrey O'Byrne-White	23 April 2015	5	6
Kevin O'Driscoll	16 September 2013	6	6

The board members have access to the advice and services of the company secretary who is responsible to the board for ensuring that board procedures are followed, and applicable rules and regulations are complied with. The IAA's professional advisors are available for consultation by the directors as required. Individual directors may take independent professional advice, if necessary, at the IAA's expense.

The chairman leads the board in the determination of its strategy and in the achievement of its objectives. The chairman determines the agenda of the board, ensuring

its effectiveness, and facilitates the effective contribution of each director. The specific skills, expertise and experience of the board are harnessed by matching these skill sets to the board's consideration of strategic and operational issues, where individual board members bring their specific competencies to bear, and also to the requirements of each board committee and the determination of the membership of those committees. The chairman and management maintain effective communication with the shareholder. The roles of the chairman and chief executive are separate.

## PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

### The Board (continued)

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

All of the non-executive directors are independent of management. The remuneration of the executive director, who has a service contract, was approved by the Personnel, Appointments and Remuneration committee and a proportion of that remuneration was performance-related and, in this way, was linked to the IAA's and the individual's objectives. Fees for directors are determined by the Minister for Public Expenditure and Reform. The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the 2009 Code of Practice for the Governance of State Bodies.

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

1. Audit 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 2016 (2015: three). The members of the committee and the number of meetings attended were:

Members	Meetings attended	Eligible to attend
Marie Bradley, <i>Chairman</i>	4	4
Pascal Fitzgerald	3	4
Geoffrey O'Byrne-White	4	4

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, the accounting policies, proposed changes in accounting policies, compliance with accounting standards, the accounting implications of major transactions and the appointment and fees of the external auditor.

It reviews the IAA's risk-management strategy and control processes and considers:

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



## Directors' report (continued)

### PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

#### The Board (continued)

#### AUDIT AND RISK COMMITTEE (continued)

The external auditor meets with the committee to plan and subsequently review the results of the annual audit of the Group financial statements. The audit and risk committee considers the independence of the external auditors on an annual basis and has adopted a policy governing the provision of non-audit services by the external auditor. The internal auditor reports directly to the audit and risk committee.

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

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

During 2016, the audit and risk committee reviewed:

- draft financial statements for 2015 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 2015
- audit fees and non-audit fees payable to the external auditor

- corporate risk register 2016-2017 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 2016 and internal audit plan for 2017
- external audit plan for 2016 including the scope of the audit
- the policy and process in place in respect of the directors' compliance statement
- its approach with respect to adoption of the 2016 Code of Practice for the Governance of State Bodies, which is effective for the financial year ended 31 December 2017
- corporate governance compliance
- its own terms of reference

#### FINANCE COMMITTEE

The finance committee operates under formal terms of reference and met once during the year (2015: once). The members of the committee and number of meetings attended were:

Members	Meetings attended	Eligible to attend
Basil Geoghegan, <i>Chairman</i>	1	1
Eamonn Brennan	1	1
Anne Nolan	1	1

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

## PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

### The Board (continued)

#### PERSONNEL, APPOINTMENTS AND REMUNERATION COMMITTEE

The personnel, appointments and remuneration committee operates under formal terms of reference and met twice during the year (2015: twice). The members of the committee and the number of meetings attended were:

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

The committee determines and approves the remuneration of senior management, having availed of independent advice from a remuneration consultant who had no other connection with the IAA. The committee also approves senior management appointments. Details of directors' fees and emoluments are set out in note 6 of the financial statements in accordance with the requirements of the 2009 Code of Practice for the Governance of State Bodies.

#### INVESTMENT PLANNING COMMITTEE

The investment planning committee operates under formal terms of reference and met three times (2015: twice) during the year. The members of the committee and the number of meetings attended were:

Members	Meetings attended	Eligible to attend
Michael Norton, <i>Chairman</i>	3	3
Ernie Donnelly	1	1
Kevin O'Driscoll	3	3

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

#### 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.

An on-going process exists for identifying, evaluating and managing the significant risks faced by the IAA. This process accords with the 2014 UK Corporate Governance Code and the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", is regularly reviewed by the board and has been in place for the year under review and up to the date of approval of the annual report and financial statements.

## Directors' report (continued)

### PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

#### Internal control (continued)

The board has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. Management is responsible for the identification and evaluation of significant business risks and for the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources, including control breakdowns, disruptions in information systems, competition, natural catastrophes and regulatory requirements.

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

Management reports regularly on its review of risks, and how they are managed, to the audit 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 a quarterly basis or more frequently should the need arise.

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

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

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

- a code of ethics, approved by the board, which provides practical guidance for all staff
- a clearly defined organisation structure with appropriate segregation of duties and limits of authority

## PRINCIPLES OF GOOD CORPORATE GOVERNANCE (CONTINUED)

### Internal control (continued)

- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure
- a comprehensive system of financial reporting, accounting, treasury management and project appraisal
- comprehensive budgeting systems with annual budgets approved by the board
- monitoring of performance against budgets and reporting on it to the board on a monthly basis
- an internal audit function which reviews key financial systems and controls and general operations
- an audit 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
- policies and procedures for the reporting and resolution of suspected fraudulent activities.

### 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 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.

## Directors' report (continued)

### 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 2016 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 24 March 2017, the board proposed the payment of a dividend for 2016 of €9.2 million (€0.52 per share) (2015: €7.4 million (€0.42 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:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

24 March 2017



## 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:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

We have audited the Group and Company financial statements ("financial statements") of the Irish Aviation Authority for the year ended 31 December 2016 which comprise the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

#### **Opinions and conclusions arising from our audit**

##### **1. OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED**

In our opinion the Group financial statements and the 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 2016 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 as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

##### **2. OUR CONCLUSIONS ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACT 2014 ARE SET OUT BELOW**

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

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

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

##### **3. WE HAVE NOTHING TO REPORT IN RESPECT OF MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

Under the 2009 Code of Practice for the Governance of State Bodies (the "Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code, as included in the directors' report on pages 23 to 25, does not reflect the Company's compliance with paragraph 13.1(iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not.

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

## **Basis of our report, responsibilities and restrictions on use**

As explained more fully in the statement of directors' responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK and Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

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

24 March 2017

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 €'000	2015 €'000
Turnover – continuing activities	2	191,921	183,404
Operating expenses	1, 20	(152,431)	(150,026)
<b>Operating profit – continuing activities</b>		<b>39,490</b>	<b>33,378</b>
Interest receivable and similar income	4	14,453	11,356
Interest payable and similar charges	5	(14,893)	(13,636)
Share of profit of associate	9	108	254
<b>Profit on ordinary activities before taxation</b>	6	<b>39,158</b>	<b>31,352</b>
Tax on profit on ordinary activities	7	(7,043)	(6,587)
<b>Profit for the financial year</b>		<b>32,115</b>	<b>24,765</b>

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 €'000	2015 €'000
Profit for the financial year		32,115	24,765
<b>Other comprehensive (loss)/income</b>			
Remeasurement of the net defined benefit liability	20	(41,763)	17,147
Related deferred tax asset/(liability)	14	5,220	(2,143)
Cash in excess of pension service costs	20	9,714	13,398
Foreign exchange differences on translation of foreign operations		845	-
<b>Other comprehensive (loss)/income for the year</b>		<b>(25,984)</b>	<b>28,402</b>
<b>Total comprehensive income for the year</b>		<b>6,131</b>	<b>53,167</b>



# CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2016

	Note	2016 €'000	2015 €'000
<b>Fixed assets</b>			
Tangible assets	8	79,879	79,247
Financial assets	9	23,382	14,827
		<b>103,261</b>	<b>94,074</b>
<b>Current assets</b>			
Debtors	10	69,266	56,167
Short term deposits		109,997	25,536
Cash and cash equivalents		66,669	120,310
		<b>245,932</b>	<b>202,013</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(30,019)</b>	<b>(24,817)</b>
<b>Net current assets</b>		<b>215,913</b>	<b>177,196</b>
<b>Total assets less current liabilities</b>		<b>319,174</b>	<b>271,270</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(29,146)</b>	<b>(15,107)</b>
<b>Provisions for liabilities</b>			
Retirement benefit obligations	20	(160,709)	(125,545)
<b>Net assets</b>		<b>129,319</b>	<b>130,618</b>
<b>Capital and reserves</b>			
Called up share capital	15	22,675	22,675
Profit and loss account		105,799	107,943
Currency reserve		845	-
<b>Shareholders' funds – equity</b>		<b>129,319</b>	<b>130,618</b>

On behalf of the board:

Anne Nolan  
Chairman

Eamonn Brennan  
Chief Executive

# COMPANY BALANCE SHEET

AT 31 DECEMBER 2016

	Note	2016 €'000	2015 €'000
<b>Fixed assets</b>			
Tangible assets	8	79,879	79,247
Financial assets	9	14,573	14,573
		<b>94,452</b>	<b>93,820</b>
<b>Current assets</b>			
Debtors	10	74,648	56,167
Short term deposits		109,997	25,536
Cash and cash equivalents		66,663	120,310
		<b>251,308</b>	<b>202,013</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(29,649)</b>	<b>(24,563)</b>
<b>Net current assets</b>		<b>221,659</b>	<b>177,450</b>
<b>Total assets less current liabilities</b>		<b>316,111</b>	<b>271,270</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(28,215)</b>	<b>(15,107)</b>
<b>Provisions for liabilities</b>			
Retirement benefit obligations	20	(160,709)	(125,545)
<b>Net assets</b>		<b>127,187</b>	<b>130,618</b>
<b>Capital and reserves</b>			
Called up share capital	15	22,675	22,675
Profit and loss account		104,512	107,943
<b>Shareholders' funds – equity</b>		<b>127,187</b>	<b>130,618</b>

On behalf of the board:

**Anne Nolan**  
Chairman

**Eamonn Brennan**  
Chief Executive

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital €'000	Profit and loss account €'000	Currency reserves €'000	Total equity €'000
Balance at 1 January 2015	22,675	61,311	-	83,986
<b>Comprehensive income:</b>				
Profit for the financial year	-	24,765	-	24,765
Other comprehensive income	-	28,402	-	28,402
<b>Total comprehensive income for the year</b>	-	53,167	-	53,167
<b>Transactions with shareholders recognised directly in equity:</b>				
Dividends	-	(6,535)	-	(6,535)
<b>Balance at 31 December 2015</b>	<b>22,675</b>	<b>107,943</b>	<b>-</b>	<b>130,618</b>
Balance at 1 January 2016	22,675	107,943	-	130,618
<b>Comprehensive income:</b>				
Profit for the financial year	-	32,115	-	32,115
Other comprehensive (loss)/income	-	(26,829)	845	(25,984)
<b>Total comprehensive income for the year</b>	-	5,286	845	6,131
<b>Transactions with shareholders recognised directly in equity:</b>				
Dividends	-	(7,430)	-	(7,430)
<b>Balance at 31 December 2016</b>	<b>22,675</b>	<b>105,799</b>	<b>845</b>	<b>129,319</b>

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital €'000	Profit and loss account €'000	Total equity €'000
Balance at 1 January 2015	22,675	61,311	83,986
<b>Comprehensive income:</b>			
Profit for the financial year	-	24,765	24,765
Other comprehensive income	-	28,402	28,402
<b>Total comprehensive income for the year</b>	-	53,167	53,167
<b>Transactions with shareholders recognised directly in equity:</b>			
Dividends	-	(6,535)	(6,535)
<b>Balance at 31 December 2015</b>	<b>22,675</b>	<b>107,943</b>	<b>130,618</b>
Balance at 1 January 2016	22,675	107,943	130,618
<b>Comprehensive income:</b>			
Profit for the financial year	-	30,828	30,828
Other comprehensive loss	-	(26,829)	(26,829)
<b>Total comprehensive income for the year</b>	-	3,999	3,999
<b>Transactions with shareholders recognised directly in equity:</b>			
Dividends	-	(7,430)	(7,430)
<b>Balance at 31 December 2016</b>	<b>22,675</b>	<b>104,512</b>	<b>127,187</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 €'000	2015 €'000
<b>Cash flows from operating activities</b>			
Profit for the financial year		32,115	24,765
<i>Adjustment for:</i>			
Depreciation of tangible fixed assets	8	14,080	14,010
Loss on disposal of fixed assets		-	17
Interest receivable and similar income	4	(14,453)	(11,356)
Interest payable and similar charges	5	14,893	13,636
Share of profit of associate	9	(108)	(254)
Taxation	7	7,043	6,587
		53,570	47,405
Increase in debtors		(5,565)	(2,021)
Increase in creditors		17,624	1,108
		65,629	46,492
Tax paid		(5,575)	(4,656)
<b>Net cash from operating activities</b>		<b>60,054</b>	<b>41,836</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible fixed assets		(14,110)	(13,815)
Acquisition of financial assets	9	(7,798)	(2,640)
Investment in short term deposits		(84,461)	(18,535)
Interest received		73	57
<b>Net cash used in investing activities</b>		<b>(106,296)</b>	<b>(34,933)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(335)	(245)
Dividends paid	16	(7,430)	(6,535)
<b>Net cash used in financing activities</b>		<b>(7,765)</b>	<b>(6,780)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(54,007)</b>	<b>123</b>
Cash and cash equivalents at 1 January		120,310	119,237
Effect of exchange rate fluctuations on cash held		366	950
<b>Cash and cash equivalents at 31 December</b>		<b>66,669</b>	<b>120,310</b>



## 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") as issued in September 2015, however the amendments arising from the implementation of the EU Accounting Directive in the UK have been dis-applied. 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 paragraphs 1.8 to 1.12. 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 page 40.

## Notes (continued)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 1.1 MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: 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

This is the first year in which consolidated financial statements have been prepared following the establishment, by the IAA, in June 2016, of a 100% owned subsidiary, IAA North Atlantic Inc. These consolidated financial statements include the financial statements of the Company and its subsidiary undertaking (together "the Group"), made up to 31 December 2016.

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. ACCOUNTING POLICIES (CONTINUED)

### 1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

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

### 1.5 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.

### 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.

## Notes (continued)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 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.

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

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

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as remeasurement gains and losses in the statement of other comprehensive income ("OCI"). The OCI includes an offset amounting to the additional pension charge, described in paragraph (b), expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 37.

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 €9,714,000 (2015: €13,398,000) above the actuarially determined service costs, for recovery under the charging mechanism in the year ended 31 December 2016, 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. ACCOUNTING POLICIES (CONTINUED)

### 1.10 BASIC FINANCIAL INSTRUMENTS

#### Trade and other debtors and creditors

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

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

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

2. TURNOVER	2016 €'000	2015 €'000
Activity		
En route	122,413	116,406
Terminal	24,674	21,421
North Atlantic communications	21,255	19,963
Safety regulation	17,994	20,211
Exempt air traffic	1,691	1,732
Commercial	3,894	3,671
	<b>191,921</b>	<b>183,404</b>

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



## Notes (continued)

### 3. STAFF NUMBERS AND COSTS

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

	2016 Number	2015 Number
Operations	446	439
Technology and training	64	65
Safety regulation	91	92
Corporate services	51	59
<b>Total employees</b>	<b>652</b>	<b>655</b>

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

	2016 €'000	2015 €'000
Wages and salaries	61,419	60,004
Social welfare costs	4,744	4,504
Pension costs – current service cost (note 20)	10,552	8,187
Pension costs – past service cost (note 20)	-	(681)
Pension costs – defined contribution (note 20)	70	41
Pension costs – additional cash cost (note 20)	9,714	13,398
Other post-employment costs (note 20)	333	499
<b>Total</b>	<b>86,832</b>	<b>85,952</b>

4. INTEREST RECEIVABLE AND SIMILAR INCOME	2016	2015
	€'000	€'000

Foreign exchange gain	235	950
Bank interest	45	45
Other interest	160	147
Interest income on defined benefit assets	11,797	10,214
Dividend income from other financial assets	2,216	-
	14,453	11,356

5. INTEREST PAYABLE AND SIMILAR CHARGES	2016	2015
	€'000	€'000

Bank loan facility fees	290	289
Interest expense on defined benefit liabilities	14,603	13,347
	14,893	13,636

6. STATUTORY AND OTHER INFORMATION	2016	2015
	€'000	€'000

#### Directors' remuneration

##### *Fees paid to directors*

Ms. Anne Nolan (Chairman)	22	22
Mr. Eamonn Brennan (Chief Executive)	-	-
Ms. Marie Bradley	13	13
Mr. Ernie Donnelly	-	-
Mr. Pascal Fitzgerald	13	13
Mr. Basil Geoghegan	13	13
Mr. Michael Norton	13	13
Mr. Geoffrey O'Byrne-White	13	9
Mr. Kevin O'Driscoll	13	13
	100	96

In aggregate, expenses paid to, or paid on behalf of, directors, in respect of services as director were €8,140 in total during 2016 (2015: €12,900). These expenses primarily related to travel and subsistence/accommodation.

## Notes (continued)

6. STATUTORY AND OTHER INFORMATION (CONTINUED)	2016 €'000	2015 €'000
Emoluments and pension contributions relating to the chief executive's contract of employment		
- annual basic salary	232	232
- performance-related remuneration paid in respect of previous year	-	-
- other taxable benefits	62	62
- pension contributions	50	50
	<b>344</b>	<b>344</b>

The Chief Executive voluntarily waived 10% of his official salary in each year 2009 to 2016. The IAA operates a Department of Finance approved performance-related pay scheme for all chief executives of commercial semi-State bodies that provides for a long and short term performance-related pay element based on pre-agreed objectives. No performance-related pay was paid to the Chief Executive in respect of years 2010 to 2016. The Chief Executive did not receive a director's fee.

	2016 €'000	2015 €'000
Auditor's remuneration - group		
- audit	50	50
- other assurance	23	15
- tax services		
- compliance	41	31
- advisory	46	12
- other non-audit	13	3
<b>Total auditor's remuneration - group</b>	<b>173</b>	<b>111</b>
Auditor's remuneration - company (included above)		
- audit	50	50
- other assurance	23	15
- tax services		
- compliance	26	31
- advisory	19	12
- other non-audit	13	3
<b>Total auditor's remuneration - company</b>	<b>131</b>	<b>111</b>

6. STATUTORY AND OTHER INFORMATION (CONTINUED)	2016	2015
	€'000	€'000

Depreciation	14,080	14,010
Met Éireann charges	9,497	8,115
Rentals payable under operating leases - buildings	3,887	3,284
Rentals payable under operating leases - other	139	127

7. TAX ON PROFIT ON ORDINARY ACTIVITIES	2016	2015
	€'000	€'000

**Analysis of tax charge in the year**

*Current tax*

Corporation tax	5,283	4,569
Adjustments in respect of prior periods	(2)	(132)
	5,281	4,437

*Deferred tax*

Origination and reversal of timing differences	1,763	1,563
Adjustments in respect of prior periods	(1)	587
	1,762	2,150

<b>Tax on profit on ordinary activities</b>	<b>7,043</b>	<b>6,587</b>
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Profit and loss total tax reconciliation	2016	2015
	€'000	€'000

Profit on ordinary activities before tax	39,158	31,352
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Expected current tax at 12.5% (2015: 12.5%)	4,895	3,919
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*Effects of:*

Permanent differences	230	264
Expenses not deductible for tax purposes	319	392
Income not taxable at the standard rate	129	274
Corporation tax in respect of prior years	(3)	(132)
Deferred tax in respect of prior years	-	587
Income taxable in future periods	864	1,283
Effects of foreign tax	609	-

<b>Tax on profit on ordinary activities</b>	<b>7,043</b>	<b>6,587</b>
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## Notes (continued)

8. TANGIBLE FIXED ASSETS					
	Buildings €'000	Completed installations and other works €'000	Installations in progress €'000	Office equipment €'000	Total €'000
<b>Group and Company</b>					
<b>Cost</b>					
At beginning of year	30,464	142,590	17,440	9,974	200,468
Additions in year	-	6	14,309	397	14,712
Brought into use in year	-	5,158	(5,579)	421	-
Disposals in year	-	-	-	(147)	(147)
<b>At end of year</b>	<b>30,464</b>	<b>147,754</b>	<b>26,170</b>	<b>10,645</b>	<b>215,033</b>
<b>Accumulated depreciation</b>					
At beginning of year	17,747	96,675	-	6,799	121,221
Charge in year	1,525	11,415	-	1,140	14,080
Disposals in year	-	-	-	(147)	(147)
<b>At end of year</b>	<b>19,272</b>	<b>108,090</b>	<b>-</b>	<b>7,792</b>	<b>135,154</b>
<b>At 31 December 2016</b>	<b>11,192</b>	<b>39,664</b>	<b>26,170</b>	<b>2,853</b>	<b>79,879</b>
<b>At 31 December 2015</b>	<b>12,717</b>	<b>45,915</b>	<b>17,440</b>	<b>3,175</b>	<b>79,247</b>

## 9. FINANCIAL FIXED ASSETS

	Interest in associate €'000	Other financial assets €'000	Total €'000
<b>Group</b>			
At 1 January 2015	739	11,194	11,933
Additions	-	2,640	2,640
Net profit on associate	254	-	254
At 31 December 2015	993	13,834	14,827
Additions	-	7,798	7,798
Foreign exchange movements	-	649	649
Net profit on associate	108	-	108
<b>At 31 December 2016</b>	<b>1,101</b>	<b>22,281</b>	<b>23,382</b>
		<b>2016 €'000</b>	<b>2015 €'000</b>
<b>Company</b>			
Interest in associate, at cost		739	739
Ordinary shares in subsidiary undertaking, at cost <sup>1</sup>		13,834	13,834
		<b>14,573</b>	<b>14,573</b>

Note 1: In the 2015 comparatives, this pertained to other financial assets, at fair value (see below).

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

The Group has invested, in aggregate, US\$23.5 million (€22.3 million) into the equity capital of Aireon LLC, a company developing space-based global air traffic surveillance systems (2015: US\$18.4 million (€13.8 million)).

On 1 July 2016, the IAA transferred its investment equivalent to an equity shareholding of 3.75% (€13.8 million) in Aireon LLC, to its newly formed 100% owned subsidiary undertaking, IAA North Atlantic Inc., 108 West 13th street, Wilmington, New Castle county, 19801, USA. On 21 December 2016, IAA North Atlantic Inc. acquired a further 1.65% (€7.8 million) of the equity of Aireon LLC, taking the Group's overall investment to 5.4% at 31 December 2016. The Group's ownership will increase to 6% in 2017, with the payment of the final scheduled investment totalling US\$2.9 million.

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.



## Notes (continued)

10. DEBTORS	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Trade debtors, net	36,869	34,857	36,869	34,857
Prepayments and accrued income	3,249	2,500	3,249	2,500
Other debtors	2,722	160	395	160
Other taxes	908	-	425	-
Value added tax	4,259	1,556	4,259	1,556
Deferred tax asset (note 14)	21,259	17,094	21,259	17,094
Due from subsidiary undertaking	-	-	8,192	-
	69,266	56,167	74,648	56,167

Debtors of €23,585,000 (2015: €17,094,000) in the Group and debtors of €21,259,000 (2015: €17,094,000) 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 €23,511,000 (2015: €26,370,000) of which €6,002,000 (2015: €6,374,000) is provided for within bad debt provisions.

11. CREDITORS: amounts falling due within one year	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Trade creditors	2,356	3,560	2,356	3,560
Other creditors including tax and social welfare (note 12)	1,675	706	1,675	706
Accruals	15,183	10,722	14,813	10,468
Deferred income	10,805	9,829	10,805	9,829
	30,019	24,817	29,649	24,563

12. TAXATION AND SOCIAL WELFARE INCLUDED IN OTHER CREDITORS	Group		Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
PAYE/PRSI	143	-	143	-
Corporation tax	683	69	683	69
Relevant contracts tax	7	40	7	40
Professional services withholding tax	238	5	238	5
Deferred tax liability (note 14)	604	592	604	592
	1,675	706	1,675	706

<b>13. CREDITORS:</b>		<b>Group</b>		<b>Company</b>	
amounts falling due after more than one year		2016	2015	2016	2015
		€'000	€'000	€'000	€'000
Deferred income		26,816	13,517	26,816	13,517
Deferred tax liability (note 14)		2,330	1,590	1,399	1,590
		29,146	15,107	28,215	15,107

<b>14. DEFERRED TAX ASSET</b>		<b>Group</b>		<b>Company</b>	
	<i>Ref</i>	2016	2015	2016	2015
		€'000	€'000	€'000	€'000
Deferred tax liability – excluding employee benefits-related – (current)	(i)	(1,535)	(592)	(604)	(592)
Deferred tax asset – employee benefits-related (non-current)	(ii)	19,860	15,504	19,860	15,504
Deferred tax asset – buildings – (non-current)		1,399	1,590	1,399	1,590
Deferred tax liability – buildings – (non-current)		(1,399)	(1,590)	(1,399)	(1,590)
<b>Deferred tax asset, net</b>		<b>18,325</b>	<b>14,912</b>	<b>19,256</b>	<b>14,912</b>

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

At beginning of year	(592)	275	(592)	275
Charged to profit and loss account (note 7)	(898)	(867)	(12)	(867)
Effect of foreign exchange	(45)	-	-	-
<b>At end of year</b>	<b>(1,535)</b>	<b>(592)</b>	<b>(604)</b>	<b>(592)</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 €931,000 (2015: €Nil) in the Group and €Nil (2015: €Nil) in the company due after more than one year relating to income taxable at an agreed future date.

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

At beginning of year	15,504	18,930	15,504	18,930
Changes in actuarial assumptions recognised in OCI	5,220	(2,143)	5,220	(2,143)
Charged to profit and loss account (note 7)	(864)	(1,283)	(864)	(1,283)
<b>At end of year</b>	<b>19,860</b>	<b>15,504</b>	<b>19,860</b>	<b>15,504</b>

## 15. CALLED UP SHARE CAPITAL – EQUITY

2016  
€'000

2015  
€'000

### Group and Company

#### *Authorised, allotted, called up and fully paid*

17,858,000 ordinary shares of €1.27 each

22,675

22,675

## 16. EQUITY DIVIDENDS PAID

2016  
€'000

2015  
€'000

### Group and Company

#### *Declared and paid during the year:*

Final dividend for 2016: €0.42 per share

(2015: €0.37 per share)

(7,430)

(6,535)

## 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 Eireann. In addition, in the normal course of business, the IAA transacts with certain Irish banks which have become wholly or partially owned by the Irish State. All of the IAA’s transactions with such banks are on normal commercial terms.

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

In 2014, the IAA entered into a commercial arrangement to provide air traffic management training services to Entry Point North Ireland 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 €3.1 million (2015: €2.9 million) and incurred costs of €6.4 million (2015: €6.1 million) in transactions with Entry Point North Ireland DAC. As at 31 December 2016, there is a net receivable balance due from Entry Point North Ireland DAC amounting to €5.1 million (2015: €3.5 million).

Total compensation of key management personnel in the year amounted to €2.1 million (2015: €2.1 million).

## 18. COMMITMENTS

2016  
€'000

2015  
€'000

### Group and Company

#### (i) Capital commitments

Future capital expenditure approved by the directors:

Not contracted for	44,602	43,279
Contracted for	3,591	4,901
	48,193	48,180

#### (ii) Operating lease commitments

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

	2016 Buildings €'000	2016 Motor Vehicles €'000	2015 Buildings €'000	2015 Motor Vehicles €'000
<b>Group and Company</b>				
<b>Payable:</b>				
Within one year	3,592	111	3,592	118
Between one and five years	12,571	90	12,614	162
More than five years	32,564	-	35,472	-
	48,727	201	51,678	280

## 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.

## Notes (continued)

20. EMPLOYEE BENEFITS	2016 €'000	2015 €'000
<b>Group and Company</b>		
Defined benefit pension liability (see A below)	158,878	124,023
Supplementary ex-gratia pension liability (see B below)	1,831	1,522
<b>Total retirement benefit obligations</b>	<b>160,709</b>	<b>125,545</b>

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

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

The valuations employed for FRS 102 purposes have been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2016 and to take account of financial conditions at this date. The valuations used for FRS 102 purposes have been completed using the projected unit method, and assets for this purpose have been valued at market value.

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

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

## 20. EMPLOYEE BENEFITS (CONTINUED)

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

(i) Actuarial assumptions	2016 Projected unit	2015 Projected Unit
Weighted average assumptions to determine benefit obligations		
Discount rate	1.90%	2.50%
Rate of general compensation increase (staff/senior staff) †	1.50%	1.50%
Rate of price inflation	1.50%	1.50%
Rate of pension increase †	0.00%	0.00%

† This is the long-term assumption 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.

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

Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:	2016	2015
Current active and deferred members	25.1	25.1
Current pensioner members	22.9	22.8

Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:		
Current active and deferred members	27.2	27.2
Current pensioner members	24.9	24.9

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



## Notes (continued)

### 20. EMPLOYEE BENEFITS (CONTINUED)

(ii) Amounts recognised in the balance sheet	2016 €'000	2015 €'000
Present value of wholly or partly funded obligations	(671,631)	(594,303)
Fair value of plan assets	512,753	470,280
<b>Net liability</b>	<b>(158,878)</b>	<b>(124,023)</b>

(iii) Movements in fair value of plan assets	2016 €'000	2015 €'000
Fair value of plan assets at beginning of year	470,280	451,482
Remeasurement: return on plan assets less interest income	27,427	3,613
Interest income	11,797	10,214
Employer contributions	20,266	20,904
Member contributions	3,353	3,527
Benefits paid from plan	(20,370)	(19,460)
<b>Fair value of plan assets at end of year</b>	<b>512,753</b>	<b>470,280</b>

(iv) Movements in present value of defined benefit obligations	2016 €'000	2015 €'000
Benefit obligation at beginning of year	(594,303)	(602,917)
Current service cost	(10,552)	(8,187)
Past service cost	-	681
Interest on plan liabilities	(14,603)	(13,347)
Member contributions	(3,353)	(3,527)
Remeasurement: actuarial (losses)/gains	(69,190)	13,534
Benefits paid from plan	20,370	19,460
<b>Benefit obligation at end of year</b>	<b>(671,631)</b>	<b>(594,303)</b>

## 20. EMPLOYEE BENEFITS (CONTINUED)

(v) Components of pension cost	2016 €'000	2015 €'000
Expense recognised in the profit and loss account		
Current service cost (note 3)	(10,552)	(8,187)
Past service cost (note 3)	-	681
Additional cash cost (note 3)	(9,714)	(13,398)
Interest income on defined benefit assets (note 4)	11,797	10,214
Interest expense on defined benefit liabilities (note 5)	(14,603)	(13,347)
<b>Total pension cost recognised in the profit and loss</b>	<b>(23,072)</b>	<b>(24,037)</b>
Amounts recognised in other comprehensive income		
Actuarial (losses)/gains immediately recognised	(41,763)	17,147
Additional cash cost	9,714	13,398
	(32,049)	30,545
<b>Total for the year</b>	<b>(55,121)</b>	<b>6,508</b>
Cumulative amount of actuarial losses recognised in other comprehensive income	(324,179)	(282,416)

(vi) Plan assets	2016 Amount of plan assets €'000	2015 Amount of plan assets €'000
The asset allocations as at 31 December:		
Equity securities	206,155	191,367
Bond securities	217,857	188,681
Other	88,741	90,232
	512,753	470,280

Interest income on plan assets will be charged at 1.9% (2015: 2.5%).

## Notes (continued)

### 20. EMPLOYEE BENEFITS (CONTINUED)

	2016	2015
	€'000	€'000

Actual return on assets

Actual return on plan assets	39,224	13,827
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(vii) Other required disclosure amounts

€'000

Contributions expected to be paid by the IAA during 2017	19,850
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### B. Supplementary ex-gratia pension liability

	2016	2015
	€'000	€'000
At beginning of year	1,522	1,043
Amounts provided for supplementary ex-gratia pension liability	333	499
Payments made during the year	(24)	(20)
Amounts falling due after more than one year	1,831	1,522

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 €70,409 (2015: €41,507).

## 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

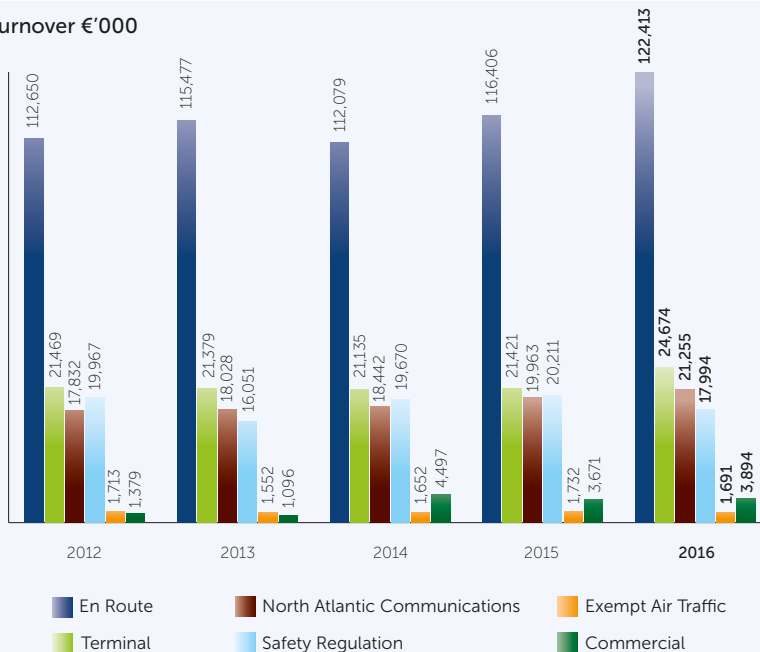
On 24 March 2017, the board proposed the payment of a dividend of €9.2 million (€0.52 per share) (2015: €7.4 million (€0.42 per share)).

## 23. APPROVAL OF THE FINANCIAL STATEMENTS

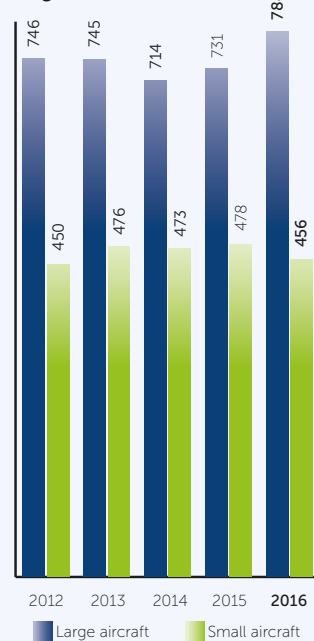
The financial statements were approved by the directors on 24 March 2017.

# FIVE YEAR SUMMARY 2012-2016

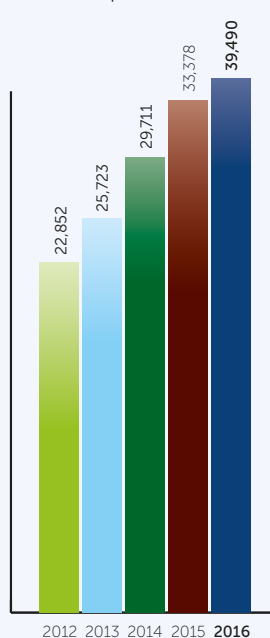
Turnover €'000



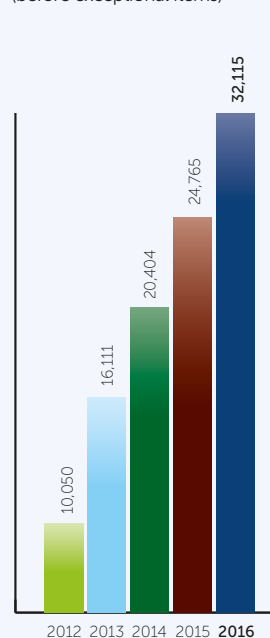
Registered Aircraft



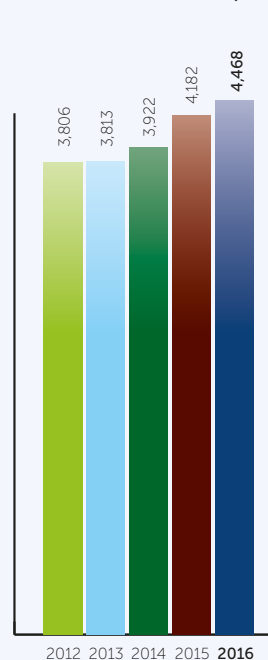
Operating Profit €'000  
(before exceptional items)



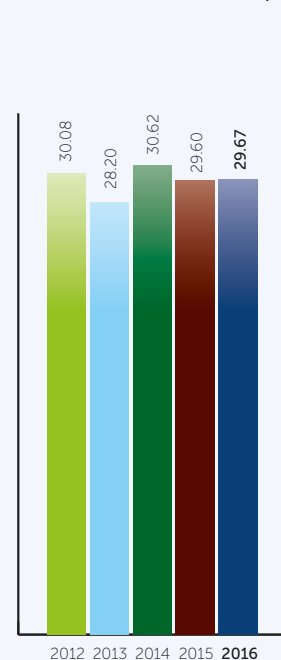
Profit after tax €'000  
(before exceptional items)



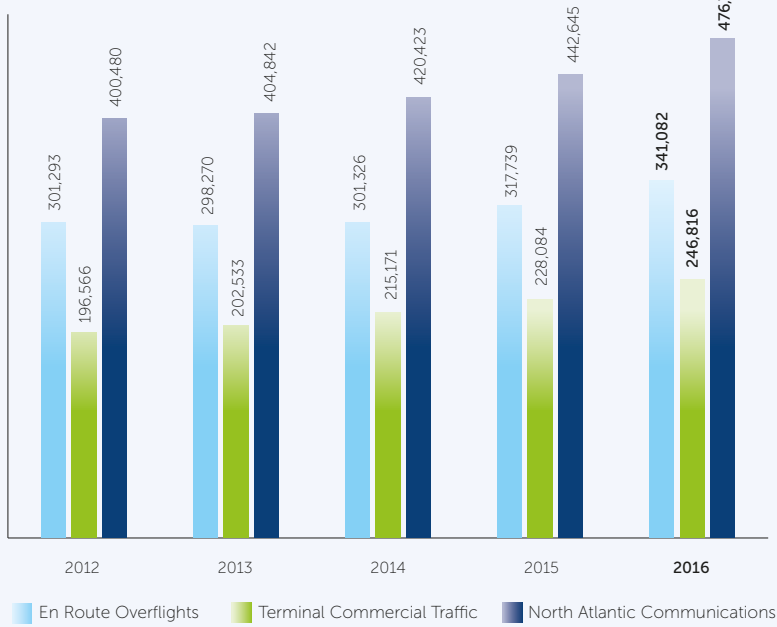
En Route Service Units ('000)



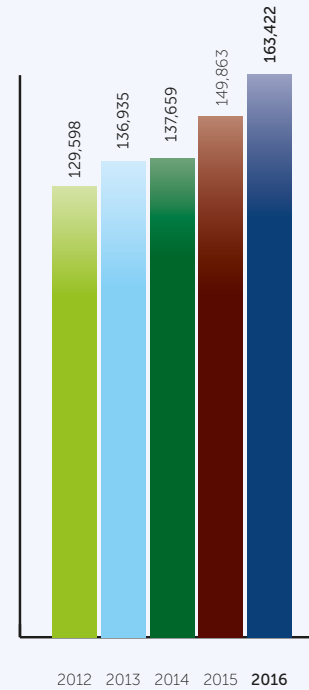
En Route Service Unit Rate (€)



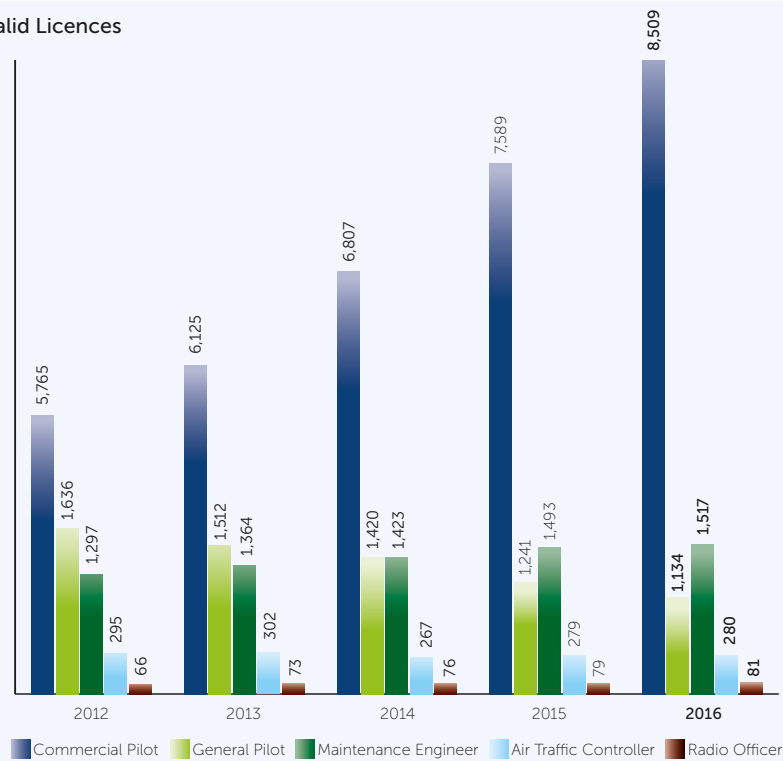
### Air Traffic Activity



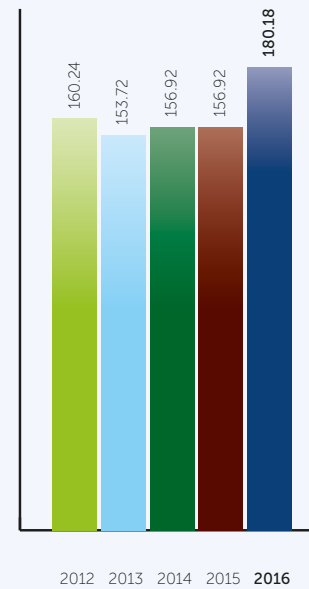
### Terminal Service Units



### Valid Licences



### Terminal Unit Rate (€)







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