

Irish Aviation Authority Annual Report 2019





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For more information visit our website
www.iaa.ie

Key Messages for 2019



1,349



We safely handled 352,000 overflights, 272,500 terminal commercial movements and 511,000 flights on the North Atlantic

We effectively regulated the safety of the Irish AOC fleet of 602 aircraft and total aircraft on the Irish aircraft register of 1,349 aircraft

We continued to progress the aviation regulatory reform project in line with Government policy and guidance

2nd



92%

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

We achieved the highest score in the 2019 CANSO/EUROCONTROL safety management systems standard of excellence measurement (air traffic management safety)

We are in the top-tier of European air navigation service providers with a safety maturity level score of 92% in the EASA measure of the effectiveness of safety management



Our en route customer charges continue to be amongst the lowest in Europe and, for the 4th year in a row, regulatory fees remained unchanged



Our new iconic air traffic control tower at Dublin Airport was constructed on time and within budget



We launched Aireon ALERT in July, providing a global aircraft location and emergency response tracking service, free to the industry

90.2%

We achieved a 90.2% satisfaction rating from our airline customers

37.6%

We exceeded our flight efficiency targets and introduced air traffic management initiatives with direct environmental benefits. We delivered energy efficiency savings to date, through energy efficiency improvement projects, of 37.6%, ahead of our 2020 target of 33%

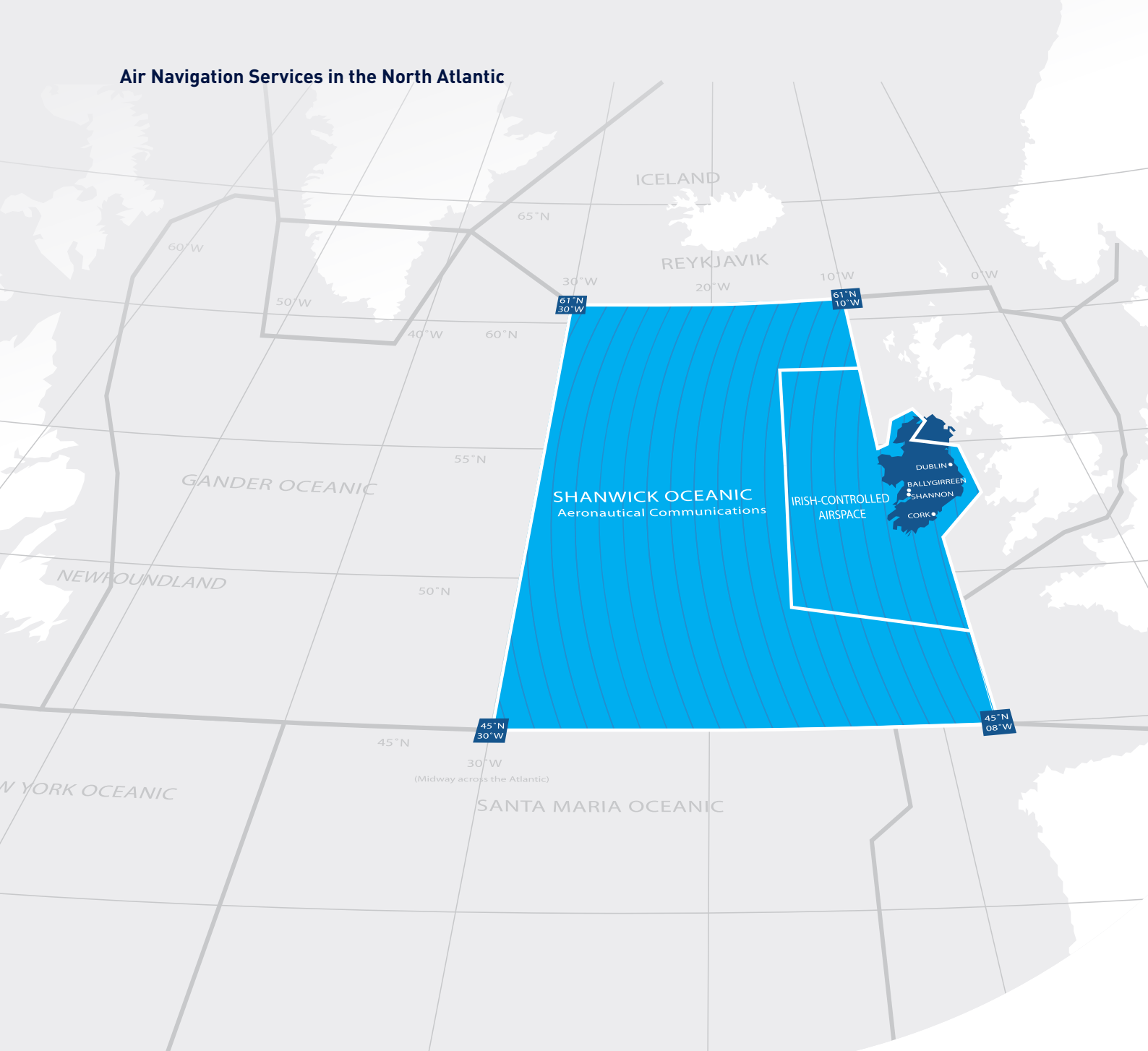


Through the expertise and dedication of our staff and our ongoing commitment to innovation, we continued to deliver a world-class ATM/ANS service and a best-in-class aviation safety regulatory service

What We Do

 <p>Civil Aviation Safety Regulation</p>	 <p>Aviation Security</p>	 <p>Air Traffic Management</p>	 <p>Commercial Activities</p>
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Air Navigation Services in the North Atlantic



Key Figures 2019

Turnover

€197.2m

Operating profit

€31.9m

Profit after tax

€27.8m

Net assets

€215.6m

Dividend for 2019

€7.8m

Average employees

714

Aircraft on Irish Register

1,349

Licences

⬆ 18.3%

Overflights

⬆ 1.5%

Domestic traffic

⬆ 2.1%

Our Values



SAFETY



SERVICE EXCELLENCE

We exceed our customer's expectations



INTEGRITY

We always do what is right



RESPECT

For our customers and each other



TEAMWORK

We are stronger together



INNOVATION

We are constantly looking for new ways to do things



Financial and Operating Highlights 2019

FINANCIAL HIGHLIGHTS	2019 €'000	2018 €'000	% Change
Turnover	197,228	198,922	-0.9%
Operating Profit	31,885	31,550	+1.1%
Profit After Tax	27,804	31,321	-11.2%
Dividends Paid	19,524	19,458	+0.3%

AIR TRAFFIC ACTIVITY	2019 Number	2018 Number	% Change
En Route Overflights	351,731	346,486	+1.5%
Terminal Commercial Traffic	272,527	266,917	+2.1%
North Atlantic Communications	511,294	505,397	+1.2%

EMPLOYMENT	2019 Number	2018 Number	% Change
Average Employed	714	685	+4.2%

CUSTOMER CHARGES	2019 €	2018 €	% Change
En Route Overflight	28.12	27.69	+1.6%
Airport Terminal Traffic	150.44	151.75	-0.9%
North Atlantic Communications	45.00	45.00	+0.0%
Safety Regulation	No change in Fees Order since 2016		

Chairperson's Statement

I am very pleased to present the IAA's annual report and financial statements for 2019.

Michael McGrail
Chairperson



Safety Regulation and Security Oversight

In 2019, the Irish Aviation Authority (IAA) provided effective regulatory oversight of the Irish civil aviation industry. Safety is our top priority. EASA, the European Aviation Safety Agency, carried out four audits of the IAA's Safety Regulation Division (SRD) and found a high standard of compliance. Under the International Civil Aviation Organisation's (ICAO's) continuous monitoring approach to compliance, Ireland maintained its ranking of second in Europe for effective implementation of ICAO standards and recommended practices.

The IAA progressed work with the Department of Transport, Tourism and Sport and the Commission for Aviation Regulation (CAR) on the restructuring of its regulatory activities. We assisted in the development of the General Scheme of Bill (Air Navigation and Transport Bill 2019) as well as putting in place detailed plans for the delivery of the project. All stakeholders are

continuing to progress towards the separation of the IAA's air traffic control services from its safety regulation functions and the subsequent transfer of the CAR's economic functions to the IAA, as aviation regulator.

This year was a very busy year, particularly in the area of licensing of pilots and maintenance engineers. The UK's decision to leave the EU led to a significant number of transfer applications. The number of licences in issue increased by 18% compared with 2018. After many years of increases in the number of aircraft on the Irish register, this year witnessed a reduction of almost 6%, principally in the commercial air transport sector, to 1,349 aircraft.

The IAA continued to conduct security inspection and oversight activities on behalf of the State. In 2019, the aviation security activities of more than 340 organisations were overseen by the IAA.

Air Traffic Management

During the year, the IAA delivered safe and effective air traffic control services. En route traffic increased by 1.5% to almost 352,000 overflights while flights on the North Atlantic increased by 1.2% to just over 511,000 flights. Terminal commercial traffic increased by 2.1% to 272,500 movements with Dublin Airport accounting for 85% of this traffic.

The construction of our new visual control tower at Dublin Airport was completed in March 2019, on time and within budget. The new tower is currently being fitted out with air traffic management systems. The plan is for the tower to be in service for existing runway operations in 2020. Parallel runway operations are planned for late 2021.

In July, we, in partnership with Aireon, launched Aireon ALERT (Aircraft Location Emergency Response Tracking). An aircraft locating and tracking service for aircraft in distress, this service is provided free of charge to the aviation industry and has already facilitated search and rescue services around the world by providing targeted search information.

Our annual engagement with our top thirty domestic and international customers continued in 2019 through our Customer Care Programme. An overall customer satisfaction rating of 90.2% was reported.

Towards the end of the year, a five-year plan for the period 2020 to 2024 was submitted to the European Commission (EC) in compliance with the EU's Single European Sky performance scheme regulations. The Plan addresses the areas of safety, capacity, environment and cost-efficiency and provides for significant increases in capital expenditure and operational

headcount. While the Plan is currently under review by the EC, it is likely that the significant impacts on the aviation sector as a result of the COVID-19 pandemic will require a full re-plan for the coming years.

Financial Overview

The Group recorded a positive financial result in 2019. Turnover was €197.2 million with an operating margin of 16.2%. Consolidated net assets of €215.6 million were down from €236.4 million last year mainly due to an increase in the company's defined benefit pension liability from €65.2 million (net of tax) at 31 December 2018 to €96.5 million at 31 December 2019. While pension assets delivered a strong return in the year, the pressure on bond yields resulted in a lower discount rate at 31 December 2019 giving rise to an increase in pension liabilities of 14.6% to €698.5 million.

The Board has recommended the payment of a dividend of €7.8 million, based on 30% of the company's profits after tax. This brings the total dividends paid to the State in the last five years to €63.4 million.

Corporate Governance

The Board is committed to the highest standards of corporate governance and, in 2019, in pursuit of its governance objectives, complied with the 2016 Code of Practice for the Governance of State Bodies.

Environment

The IAA has worked hard over the years to provide a service that is as environmentally friendly as possible. We are a global and European leader in this area. In the last five years, we have exceeded the flight efficiency targets set for us by Europe and we have implemented many air traffic management measures that have direct environmental benefits.

On the ground, we have also invested in various energy efficiency improvement projects and have already exceeded our 2020 energy targets. We are working on a five-year sustainability management plan to meet the requirements of the State's 2019 Climate Action Plan. Climate change and environment responsibility have always been priorities for us and will be in the coming years.

COVID-19

At the time of writing, we, along with all stakeholders in the aviation industry, are experiencing a crisis brought about by the global public health pandemic that is COVID-19. Air traffic activity has been largely suspended with significant reductions in the number of flights planned for the end of March and the month of April at least. IAA management have put in place measures to ensure business continuity throughout this crisis with our priority being the safety of our staff and our airline customers. The IAA, as a commercial semi-State company, does not receive any funding from the State.

Acknowledgements

In October 2019, Michael Norton's term of office ended. I would like to thank Michael for his service. I would also like to thank my Board colleagues for their commitment in carrying out their duties.

On behalf of the Board I would like to thank the Chief Executive, Peter Kearney, and the entire IAA staff for their work over the past year and I look forward to working with you all in 2020.



Michael McGrail
Chairperson

Chief Executive's Review

2019 was another excellent year for the Irish Aviation Authority (IAA). We safely managed increased levels of air traffic and successfully regulated the civil aviation industry in Ireland, whilst continuing to oversee aviation security standards.

Peter Kearney
Chief Executive



Key highlights

Air traffic activity reached record highs in 2019. En route overflights were up 1.5% on 2018 while North Atlantic flights increased by 1.2%. Commercial traffic at the three State airports – Cork, Dublin and Shannon – increased by 2.1% in total over 2018.

The IAA Group's operating profit increased by 1.1% to €31.9 million. Turnover was down slightly to €197.2 million but the Group's operating margin improved from 15.9% in 2018 to 16.2% in 2019. Profit for the financial year was €27.8 million. Net assets for the Group reduced from €236.4 million last year to €215.6 million at the end of 2019 largely due to the increase in the net defined benefit pension liability which increased 48.1% to €96.5 million, net of taxes.

The IAA continued to provide air traffic services at competitive prices and, in 2019, our en route customer charge remained one of the lowest in Europe. For the fourth year in a row, we did not increase our

regulatory fees, continuing to offer excellent value for money for a best-in-class regulatory service.

The professionalism of our Safety Regulation Division (SRD) was again confirmed through the very strong results from four independent EASA (European Aviation Safety Agency) audits during 2019. Safety remains our number one priority both in the regulation of the Irish civil aviation industry and in the provision of air traffic services.

In March 2019, the construction of the new visual control tower at Dublin Airport was completed on time, to specification and within budget. Installation, commissioning and testing of associated air traffic management equipment and systems will form the next phase of this project. As an organisation, the IAA is proud of the contribution the new control tower will make in facilitating the future growth of Dublin Airport, a key economic channel not just for the Dublin region but for the whole country.

The Aireon ALERT (Aircraft Location Emergency Response Tracking) system went live in July, based at the IAA's North Atlantic Communications centre in Ballygirreen, Co. Clare. This is the world's first aircraft tracking service, provided free to the industry, which allows for the identification of the last known position of an aircraft in distress. Aireon ALERT is an example of what we, as a company, do well; innovation and service excellence built on years of hard work and dedication. As a service that is available to the aviation industry and civil authorities around the world, we feel justifiably proud of our role in this contribution to global air safety. Since its launch we have received positive feedback from the aviation community with Aireon ALERT assisting in search and rescue missions saving lives and assisting in locating aircraft in distress.

On March 10, an Ethiopian Airlines Boeing 737-MAX crashed shortly after take-off in Ethiopia, tragically killing all on board. Consequently, the IAA took the unprecedented step of suspending operations of a major commercial aircraft variant (Boeing 737 MAX) and continues to work closely with EASA on this situation going into 2020. Safety of passengers, air crew and citizens on the ground was our priority in making this decision.

Through the year we continued work on the aviation regulatory reform project, part of the government's policy to separate the IAA's safety regulation functions from its service provision activities and to transfer the functions of the Commission for Aviation Regulation (CAR) to the IAA to create a new aviation regulatory authority. Planning is well underway, and the future organisational structures are expected to become clearer during 2020. Eight internal

workstreams are focused on preparing and implementing the necessary measures to advance the project supported by a dedicated Board sub-committee. The draft Heads of Bill have been confirmed by Government and pre-legislative scrutiny by the Oireachtas Transport Committee has taken place. An update is expected in 2020 in relation to the timelines for the enactment of the bill into law.

On October 1, the National Supervisory Authority (NSA) of SRD, following consultation with all key stakeholders, submitted a State Plan to the European Commission (EC) in compliance with the Single European Sky (SES) Performance and Charging Scheme for the five years 2020 to 2024. This Plan is of huge importance to the IAA's air traffic services as it determines the revenue allowances for our en route and terminal businesses, which together make up 80% of our total revenues. Separately, and with effect from 1 January 2020, the State has appointed the CAR as the NSA for the economic regulation of the IAA's service provision functions, as an interim step towards the development of the new regulatory functions.

Our annual customer care programme continues to be very well received by our airline customers. In 2019, we visited 30 of our top customers receiving direct feedback on how we can continue to improve our levels of service. During 2019 an international consultancy firm independently measured our customer's satisfaction level at 90.2%. We are very pleased with this rating, nonetheless we will strive to continually improve our service levels.

In 2019, we were delighted to team-up with the Temple Street Foundation as our charity partner. It was great to be involved with such a

worthwhile charity and to contribute towards helping the patients and staff at Temple Street. As a company with a national footprint, the IAA recognises and values the importance of Temple Street to sick children and their parents across Ireland. The IAA - DCU Geoffrey O'Byrne-White Scholarship for Aviation and the Propeller Shannon investment are an important part of the IAA's longer-term vision; promoting and supporting the next generation of aviation professionals and contributing to the development of the aviation sector.

At the time of writing, the aviation sector is facing its single greatest challenge, caused by the coronavirus/ COVID-19 global pandemic. With flights grounded across the world and significant fears for the viability of many aviation companies and the jobs of staff, it is a deeply worrying time for the aviation sector. However, public health, of course, is the priority and the IAA is assisting the national effort to overcome COVID-19 and will continue to work through the impact on the aviation industry.

Acknowledgements

Our people are our best asset and I would like to thank all IAA management and staff for their hard work and professionalism throughout the year. I look forward to another year and the challenges and opportunities that it will bring.

Finally, I would like to thank our Chairperson, Michael McGrail, and my fellow Board members for their assistance throughout the year.


Peter Kearney
Chief Executive

Operating Review

Safety Regulation

The IAA safely regulated the Irish civil aviation industry in 2019 and continued to maintain its high standing in Europe, and globally, following a very strong performance in four EASA standardisation inspections in the areas of air traffic management/air navigation services, air operations, systemic enablers for safety management and aircrew medical. These inspections included on-site audits of IAA's facilities, personnel, procedures and oversight records and visits to regulated organisations to confirm the effectiveness of IAA oversight activities. EASA standardisation ratings, which are a measure of how well oversight is performed in each EU Member State, shows that the IAA out-performs the EU average in every domain.

Regarding the International Civil Aviation Organisation (ICAO) league table for effective implementation (EI) of global aviation standards, the IAA has ensured that Ireland has maintained its strong position. Ireland has a current EI score of 95.05%. This score places the State in seventh position in the world ranking, well above the world average score of 68.98%. Ireland is in second position, to France, among EU Member States and ahead of the EU Member State average of 83.82%.

The regulated industry in Ireland remains substantial when compared to countries of similar size in the EU and we continue to perform extremely well in safety oversight of the approved and declared organisations involved. This is as a result of consistent, fair and impartial regulation, with credit to the regulated entities for their ongoing high levels of co-operation and high safety ethos. The IAA SRD has implemented a comprehensive internal compliance monitoring system to ensure that all oversight obligations are completed in accordance with regulations, across all sectors of civil aviation.

In 2019, the regulated industry in Ireland continued to grow in the areas of personnel licensing, training and drones. However, the previously increasing trend in total number of aircraft registered in Ireland was halted with a net reduction of 84 aircraft on the register. This reduction was principally in the commercial air transport sector and more particularly associated with the de-registration of aircraft by Irish Air Operator Certificate (AOC) holders Ryanair DAC and Norwegian Air International, both of whom transferred some aircraft to foreign registers because of internal restructuring activities. The number of aircraft operated by the main Irish AOCs in 2019 decreased by 13%, compared to 2018, to 602 aircraft.

Safety Risk Management

The IAA's Safety Regulation Division performs safety risk management functions on behalf of the State, including the systemic risks identified at the level of civil aviation oversight and the operational risks identified through oversight of regulated entities and safety performance monitoring. Risk profiling at State, sector and organisation level is used to prioritise actions in the areas of greater safety concern. The IAA engages closely with industry as part of the risk management process through information sharing and oversight activities with individual organisations, and domain or cross-domain safety workshops involving the relevant stakeholders. The 'State Plan for Aviation Safety' for Ireland is published annually by the IAA, and this Plan addresses the main actions that emerge from the risk management processes.

As well as implementing robust safety oversight processes, the IAA has implemented safety performance monitoring across the civil aviation system. The highest level safety performance information is published in the IAA Annual Safety Performance Review, available on <https://www.iaa.ie/safety/annual->

safety-performance-reviews. More detailed drill down safety information is developed and presented at safety review meetings with individual organisations and at sector-based safety workshops.

The safety analysis that underpins the risk management process depends on the collection and management of multiple types of safety data from multiple and diverse sources, with due regard for confidentiality and data protection. The IAA's digitalisation project, which commenced in 2019, will provide state-of-the-art data management, data visualisation and data analysis capabilities that will greatly enhance the current safety analysis processes. The EASA Data4Safety project is an EU wide project to integrate multiple sources of aviation safety data (e.g. aviation occurrences, flight data monitoring information, radar information, weather data etc) collected from organisations across the EU and to use big-data mining techniques to enhance the capability to extract safety intelligence. The IAA continues to participate as members of the Steering Board and Technical Board of this project.

The grounding of the Boeing 737-MAX aircraft has had an operational impact on aircraft operators across Europe, including Ireland. While the EU and EASA have the responsibility to set the requirements for the return to service of the aircraft type in Europe, the IAA continues to closely monitor the situation and is ready to assist affected operators, as required, once the aircraft type is re-certified as safe to fly.

Work continues within the IAA to ensure that drones can be safely operated within the State and not pose a risk to civil aviation and the public. In December 2015, the IAA was one of the first aviation regulators in the world to introduce mandatory drone registration and regulations. At that time, around 5,000 drones were in use in Ireland. Four years on, at 31 December 2019,

the number of drones registered has more than doubled to 12,600. In addition to traditional restricted and prohibited areas applicable to all aircraft operations, unmanned aircraft no-fly zones have been established in proximity to airports and around several hospitals and Coast Guard helicopter refuelling sites.

Regulatory Changes

The safety regulatory framework is constantly being updated to improve safety and efficiency in aviation and to support fair competition within the EU. The IAA's SRD, and regulated entities in Ireland, must have change management processes to ensure continued compliance with the regulations. While many of the regulatory changes are minor and focused on specific areas, some regulatory changes present significant implementation challenges, such as recent EU regulations on provision of air traffic management/air navigation services and functions, and forthcoming regulations on alcohol testing, changes to the organisation approval requirements for the continuing airworthiness management of aircraft and maintenance organisations and cybersecurity.

The EASA Basic Regulation extends EU competency to include the regulation of unmanned aircraft design and operation. The first set of implementing rules were published in June 2019 detailing the rules for the placing of smaller drones on the European market and requirements for the operation of these drones. These rules will become applicable in all EU States in 2020. Accordingly, the IAA has established a project team to manage the implementation of the new drone rules, including a communications campaign to ensure all stakeholders are fully informed of the new requirements. In addition, the IAA continues to support EU and global rule-making bodies in the development of regulations for higher risk unmanned aircraft operations,

automation, certification and U-Space.

Safety Promotion

The promotion of safety has gained increasing importance in recent years as a key regulatory tool. It serves as an aid to regulators, regulated organisations and individuals in providing enhanced guidance on regulatory changes, including performance-based regulations, as well as fulfilling the requirement to share safety information. It also entails greater use of modern communications media, including social media, to provide greater outreach. The main online communications channels used by the IAA for safety promotion are the IAA website www.iaa.ie and twitter @IAApress.

In addition to providing ongoing safety information, the IAA also runs specific safety promotion campaigns, such as the drone safety awareness campaign. In 2019, the IAA also conducted the #notonmyflight campaign, aimed at addressing unruly passenger behaviour on flights. This culminated in a joint declaration, in October 2019, to tackle this problem, signed by affected stakeholders including State bodies, airline operators and airports.

Aviation Security

As the appropriate authority in Ireland for the purposes of EC Regulation 300/2008 (common rules in the field of civil aviation security), the IAA continues to ensure that security regulatory requirements are implemented by airport operators, air carriers and entities involved in securing persons (other than passengers), passengers, baggage, cargo, mail, in-flight supplies and airport supplies while in the security restricted areas of airports or on board aircraft. State authorities, with a role in aviation security, are also subject to compliance monitoring. In 2019, more than 340

organisations were regulated by the IAA for their aviation security activities in the State.

Overall compliance is improving year on year. In 2019, 2,230 aviation security occurrence reports were handled by the security team. Throughout the year, a series of workshops and coordination activities were undertaken to further advance aviation security implementation standards. Technical advice was provided at both national and European level.

A key development in 2019 saw the introduction, by the Department of Transport, Tourism and Sport, of the EC Civil Aviation Security (Amendment) Regulation 2019, S.I. 632 of 2019. This legislation comes into effect on 1 January 2020 and applies aviation security fees to all regulated entities. The fees are charged on a cost recovery basis.

Digitalisation Project

The digitalisation project represents a large capital investment by the IAA to transform the current safety regulation service offering through maximising business activity within the digital environment. This is a two-year project that will see business processes such as client management, applications processes (approvals, registration, certification and licensing) and oversight processes migrate to online platforms across all domains over the next number of years. It will also improve business intelligence capability and create online portals to facilitate exchange of information between the Regulator and regulated entities.

A project implementation plan has been developed and Phase 1 of the plan includes software applications in several areas such as drones, air navigation services, aviation security and flight operations. Go-live dates are scheduled for mid-2020.

Operating Review - safety regulation (continued)

Brexit

Contingency planning continued throughout the year to ensure that there was no major disruption to Irish civil aviation in 2019 as the various stages and levels of uncertainty on 'deal or no-deal' Brexit played out in Britain. The implications of Brexit continued to generate increased applications to the IAA in 2019 from UK-based individuals (aircrew and engineer licensing) and organisations (maintenance and air operations). The number of commercial and general pilot licences issued by the IAA increased by 15.9% to just over 13,500 at 31 December 2019 while engineer licences increased by 42.1% to just over 2,500 licences. Although not all this increase can be directly attributed to Brexit, Brexit was undoubtedly a significant contributor to the increase. The IAA will continue to support Irish industry on issues that arise on all aspects of aviation both during the Brexit discussions and following the termination of the transition arrangements.

Air Traffic Management

Operations

The IAA delivered safe and efficient air traffic control services in 2019. En route activity increased by 1.5% to 351,731 overflights. On the North Atlantic, the IAA provided high frequency (HF) voice communications services to 511,294 flights, up 1.2% on 2018. Terminal commercial traffic at the State airports, Cork, Dublin and Shannon, increased by 2.1% to 272,527 movements. Dublin Airport accounted for 85% of total commercial traffic with 2019 being the ninth consecutive year of growth in terminal air traffic.

In 2019, the IAA was certified as a service provider pursuant to

Implementing Regulation (EU) 2017/373. This wide-ranging regulation repealed and amended several existing regulations and lays down common requirements for providers of air traffic management/air navigation services and their oversight.

En Route Operations

Our en route operations provide air traffic services to the IAA's airline customers both within Irish-controlled airspace and in the transition to/from European domestic-type airspace and oceanic North Atlantic operations. Each year, we incrementally improve our air traffic services and 2019 was no different. Key projects during the year included:

- facilitation of smooth re-routes and more efficient holding patterns to deliver the least average delay for arrivals into Heathrow and Gatwick Airports, thereby saving the airlines fuel and time and reducing CO₂ emissions
- implementation of an initiative for aircraft to absorb London Gatwick delays at more fuel-efficient higher flight levels
- implementation of a new entry point to the oceanic airspace to facilitate airlines routing to southern destinations such as Portugal, Spain and the Canary Islands
- successfully completing a full live trial operation from our new en route contingency centre with live operations expected in 2020.

Further improvements for the fuel efficiency of our airspace, by re-designing it to facilitate continuous climb and continuous descent operations (CDO/CCO) from airports, are planned for 2020. When pilots of arriving aircraft are enabled to glide from top of descent to arrival point, the aircraft burns minimum fuel. Similarly, a departing aircraft burns less fuel if allowed to continuously climb to the optimum flight level.

Terminal Operations

The IAA's terminal air traffic management performance was further refined in 2019. At Dublin Airport this included:

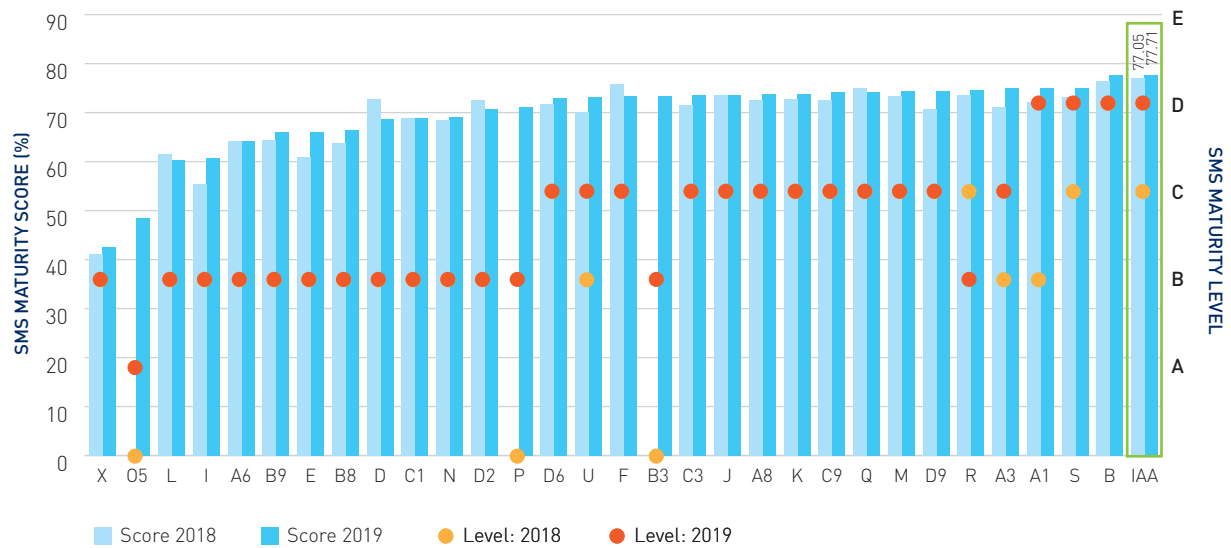
- improved reporting of performance statistics and analysis to support even higher levels of operational performance
- continued stakeholder engagement through the Dublin Airport Operations Planning Group (DAO PG) and Runway Performance Improvement Group (RPIG), facilitating initiatives to improve efficiency and runway throughput
- progression of new initiatives on reduced departure intervals and increased crosswind component parameters on the main runway
- introduction of new procedures and processes, in conjunction with the safety regulator and the daa, to maintain a safe operation and minimise disruption in the event of an unauthorised drone operating in the vicinity of the airport.

At Shannon Airport continued efforts were made to improve safety performance by engaging with multiple stakeholders to agree enhanced procedures to minimise safety-related incidents. Strengthened contingency arrangements were agreed with both the Shannon Airport Authority and Cork Airport, where training flights increased significantly, up from almost 22,000 in 2018 to just over 27,000 in 2019.

Performance

The IAA reported negligible en route and terminal air traffic flow management (ATFM) related delays in 2019, continuing to be one of the top performers in the European network. Departure ATFM slot adherence percentages at Cork, Dublin and Shannon Airports were significantly above the European average. The IAA also met its safety, capacity, environment and cost efficiency SES targets for 2019.

SMS Maturity Score and Level 2018-2019



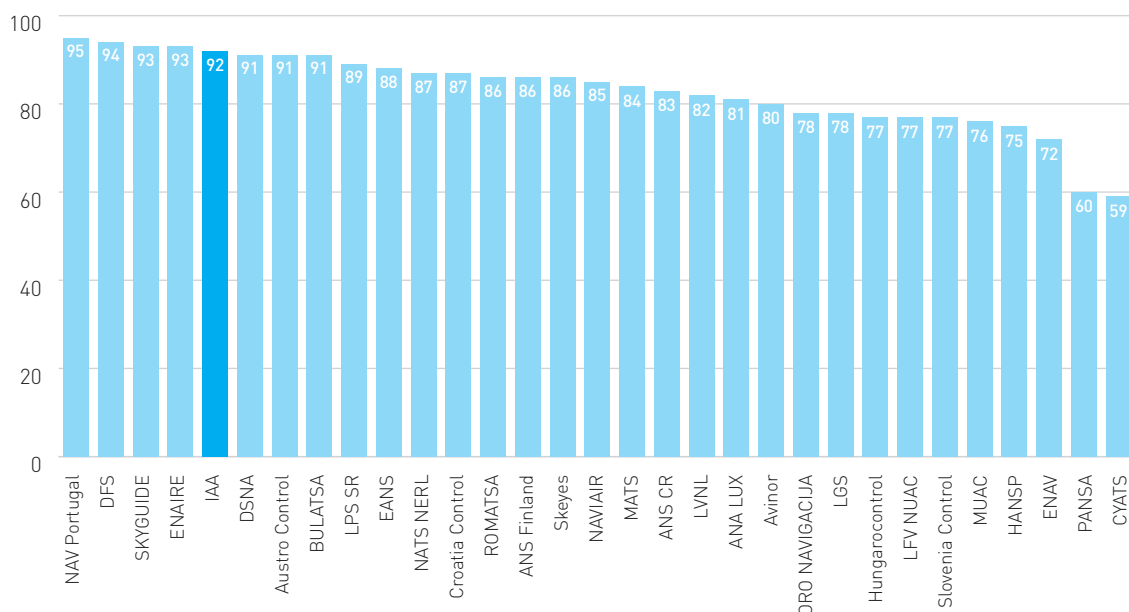
Since 2002, the EUROCONTROL Performance Review Commission (PRC) has been comparing the 'Air Traffic Management Cost-Effectiveness' (ACE) of European air navigation service providers (ANSPs) on an annual basis. The ACE process focuses on three key performance drivers which contribute to overall cost-effectiveness - productivity, employment costs and support costs. In the most recent ACE report for 2017, the IAA, once again, is a standout performer amongst the 38

participating service providers and substantially exceeds the European average for all key metrics.

In 2019, the IAA achieved the highest score (77.71%) of the 31 participating European and International ANSPs in the annual CANSO (Civil Air Navigation Services Organisation) Global Standard of Excellence (SoE). The SoE covers 17 safety assessment areas, aligned with ICAO Annex 19, and is intended to support the application of uniform standards to all ANSPs.

The safety key performance indicator measured as part of the SES performance scheme is the annual EASA Effectiveness of Safety Management (EoS_M) measurement. In the latest report, published in 2019, the IAA ANSP achieved a safety maturity of 92% compared with the average across all other EU service providers of 82%. This measurement ensures that the IAA remains in the top quartile of service providers.

EASA RP2 EoS_M Score - ANSP 2018



Operating Review - air traffic management (continued)

Safety remains the primary focus for everyone at the IAA. We are continually looking for ways to improve safety, whether through technology, the expertise of our staff or our approach to analysing and understanding safety data and trends. Our Safety Management Unit (SMU) works with all stakeholders to ensure that we continuously improve our safety performance.

Customer Charges

Our customer charges for en route were one of the lowest in Europe in 2019 and were significantly lower when compared to our European peer grouping. Our terminal charges also offered excellent value for money, being very competitive with airports of similar scale and complexity across Europe.

Customer Care Programme

The IAA is recognised by our airline customers as one of the most customer-focused air traffic service providers in the industry. Our Customer Care Programme helps us to understand our customers' operational objectives so that we can put in place technology and procedures to deliver an enhanced level of service excellence. In 2019, we met with 30 customer airlines across Europe, North America and the Middle East. At the end of the year, we engaged an independent international consultancy to survey our customers' level of satisfaction. The outcome was an overall satisfaction rating of 90.2%.

Technology

The provision of a safe and efficient air traffic management system is underpinned by effective technology. At the IAA, we have consistently tried to exploit technology to improve both our air traffic service and the productivity of our staff. 2019 was another busy year for the delivery of capital projects and we are anticipating further significant capital investment in the next few years.

The IAA, in its provision of air traffic management, has been designated as an Operator of Essential Service. This means that we must comply with the global network information security (NIS) standard framework. As a result, a new cybersecurity function in air traffic management was set up during the year with the aim of protecting IAA systems from cyber-related incidents.

New Visual Control Tower at Dublin Airport

March 2019 saw the completion of the construction of the new visual control tower at Dublin Airport, on time, to specification and within budget. The new tower is required to facilitate parallel runway operations at Dublin Airport. It is expected to be ready for current runway operations in late 2020 and for parallel runway operations in 2021. Work is now well underway on the installation, commissioning and testing of associated air traffic management equipment and systems with operational trials planned to start in April 2020. Work is underway on a new generation of air traffic control procedures, airspace re-design and training, amongst several other complex requirements. New student controllers are currently in training to meet the staffing requirement of a new tower operating parallel runway operations.

South East Corner Routes

During the year, the IAA successfully concluded years of international coordination and collaboration with ICAO, NATS and the Spanish ANSP ENAIRE to ensure a safe and diverse air traffic service in the airspace off the coast of Ireland known as the South East Corner. The IAA installed a new Very-High Frequency (VHF) site in Northern Spain and engaged in comprehensive training for air traffic controllers and radio officers to ensure that the most economic oceanic routes remained available to airline operators and that network flexibility is maintained for the European Network Manager in the event of European labour strikes.

New Radar Facility

In April 2019, the IAA commissioned a new secondary radar at a site adjacent to Dublin Airport. This radar will provide added resilience to the Dublin surveillance infrastructure.

COOPANS

The IAA is part of a consortium of six ANSPs – Naviair (Denmark), LFM (Sweden), AustroControl (Austria), Croatia Control (Croatia) and NAV Portugal (Portugal) - referred to as COOPANS. The COOPANS air traffic management system is recognised as a world-class system that meets the vision of the EC for technical co-operation and interoperability. During 2019, several software builds were deployed to further deliver on safety, resilience and efficiency. The same software builds were deployed by all six members. A major replacement of all the associated hardware was also completed during the year in a seamless manner, delivering enhanced system resilience.

Airport Collaborative Decision-Making (A-CDM)

A-CDM is a Europe-wide initiative that focuses on aircraft turnaround times and pre-departure sequencing processes to boost air traffic flow and operational efficiency of all airport operators by reducing delays and increasing the predictability of events. It offers improved real-time information sharing between airport operators, aircraft operators, ground handlers and air traffic control thereby increasing capacity at airports and improving the efficiency of the air traffic network.

Oceanic Virtual Centre Upgrade

The IAA operates a virtual High-Frequency (HF) communications centre on the North Atlantic with our partners ISAVIA (Iceland). During 2019, the HF communications system was successfully upgraded and provides additional enhanced functionality for radio officers managing North Atlantic communications.

Innovation

Aireon ALERT

In July 2019, the IAA launched the Aireon ALERT (Aircraft Locating and Emergency Response Tracking System) service. This service is the result of collaboration between the IAA, who provides the service, and Aireon, who provides the data. Aireon ALERT is the aviation industry's only free, global, emergency aircraft location service, providing air traffic control organisations, commercial aircraft operators, regulators, accident investigators and search and rescue (SAR) organisations access, on request, to the exact position data for an aircraft in distress or in an emergency anywhere in the world. In December, the Aireon ALERT service was announced as the winner in the 'Service Provision' category of the prestigious global Air Traffic Management (ATM) Awards. It has been short-listed for further awards in 2020.

Oceanic Gateway Partnership

The Oceanic Gateway Partnership (OGP) is a collaboration between the IAA and National Air Traffic Services (NATS) in the UK that seeks to establish a more integrated business and operational concept for the North Atlantic airspace. It is envisaged that, following successful conclusion of agreed work between the IAA and NATS, concerning operational, technological, commercial and legal issues, both companies will work together to develop and implement a common technological and operational solution in the Shanwick region that provides air traffic control and communication services within the Shanwick/North Atlantic airspace. Once these technological and operational resources are developed, NATS and the IAA will progressively and incrementally allocate air traffic control and communication services between IAA and NATS centres using a "One Operation – Two Centres" concept for oceanic traffic.

Financial Review

Group operating profit increased from €31.6 million in 2018 to €31.9 million in 2019. Turnover decreased marginally by 0.9% to €197.2 million. However, operating expenses were lower by 1.2% at €165.3 million resulting in an improved operating margin of 16.2% in 2019 compared with 15.9% in 2018. Profit for the financial year was down 11.2% to €27.8 million

due to the impact, in the previous years' accounts, of a fair value gain on financial assets.

Turnover

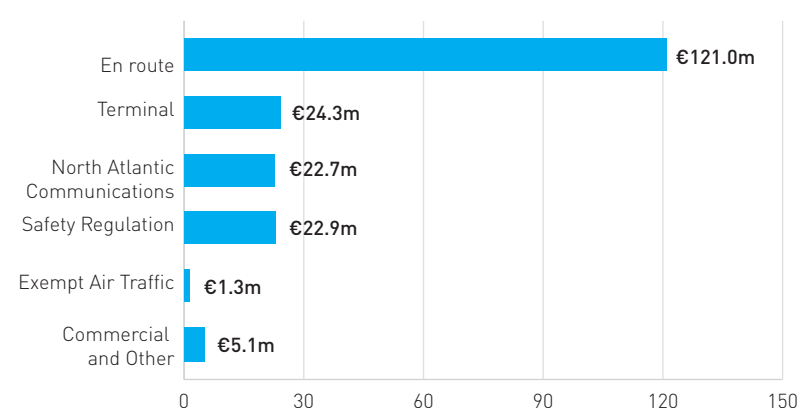
Total turnover of €197.2 million was shared 88% air traffic management services and 12% safety regulation fees. Revenues regulated under the SES Performance Scheme accounted for 76% of total revenues.

The key financial highlights for 2019 and 2018 were as follows:

	2019 '000s	2018 '000s
Traffic activity		
En route service units	4,641 +2.0%	4,550 +1.9%
Terminal service units	188 +2.8%	183 +6.4%
North Atlantic communications flights billed	505 +1.3%	499 +0.9%

	2019 €'m	2018 €'m
Profitability and Balance Sheet		
Turnover	197.2	198.9
Operating profit	31.9	31.6
Operating margin	16.2%	15.9%
Profit before tax	32.9	37.8
Profit after tax	27.8	31.3
Dividend paid	19.5	19.5
Shareholders' funds	215.6	236.4

Turnover by activity 2019



Operating Review - financial (continued)

- **En route** revenue of €121.0 million makes up 61% of total turnover and is attributable to air traffic services provided to flights that overfly 451,000 square kilometres of Irish-controlled airspace and, typically, do not land in Ireland.
- **Terminal** revenue of €24.3 million comprises 12% of total turnover and is attributable to aircraft that land and take-off at the State airports, Cork, Dublin and Shannon. Dublin Airport accounts for 85% of total terminal revenue.
- A **HF voice communications** service is provided to flights operating on the North Atlantic. In 2019, the number of flights billed increased by 1.3% to just over 505,000 resulting in revenue of €22.7 million. The busiest day of the year was the 28th June, when 1,778 flights were managed.
- **Safety regulation** revenue increased by 4.7% to €22.9 million and includes revenue from aircraft registrations and airworthiness certifications, operator approvals, licensing and validations. This source of revenue accounts for 12% of total turnover. Fees are charged in accordance with the Irish Aviation Authority Fees Order 2015, effective 1 January 2016.
- **Commercial and other** revenue of €5.1 million comprises mainly training services provided, on an arms-length basis, to Entry Point North Ireland DAC.

Operating Expenses

Group operating expenses of €165.3 million represent a decrease of €2.0 million, or 1.2%, on the previous year. Expenses as a percentage of turnover of 84% are consistent with the previous year.

Interest

Interest receivable and similar income decreased by €5.6 million or 29.6%. This is due to a revaluation of the fair value of our investment in Aireon in 2018.

Taxation

The Group's tax charge of €5.1 million represents an effective tax rate of 15.4%. This compares with 17.2% in 2018.

Balance Sheet

Net assets for the Group fell by €20.7 million to €215.6 million. This was due, in the main, to an increase in the defined benefit pension liability which increased by €31.4 million, net of taxes. The fair value of pension fund assets increased by €53.3 million to €588.2 million but pension liabilities increased by €89.1 million principally due to a reduction in the discount rate from 2.2% in 2018 to 1.4% in 2019. During the year, the company and pension trustees agreed the terms of a new funding proposal for the period 2019 to 2024. This proposal was submitted to The Pensions Authority in December for their consideration and approval.

Cash flow, Capital Expenditure and Dividends

The Group generated net cash from operating activities of €56.6 million, up from €52.5 million in 2018.

During the year, investment in tangible fixed assets amounted to €24.2 million. Expenditure on the new visual control tower at Dublin Airport accounted for €10.7 million of total expenditure while €2.9 million was spent on the air traffic management system hardware and software upgrades.

In 2019, the company paid a dividend to the shareholder of €7.5 million, equivalent to 30% of its after-tax profits earned in 2018. A special dividend of €12.0 million, agreed with the shareholder, was also paid, bringing the total dividend paid to €19.5 million and a dividend pay-out

ratio of 78%. A similar level of dividend was paid to the shareholder in 2018. Since the year-end, the Board has approved the payment of a dividend of €7.8 million to the shareholder.

Human Resources

The promotion of careers within the IAA is a key strategic objective for the company. In conjunction with employee representatives, management and a cross section of IAA professionals including air traffic controllers and engineers, we visited schools and universities and attended at several job fairs in 2019 to promote careers within the IAA. The IAA continues to receive a large number of applications for our much sought after roles. In 2019, 182 candidates were interviewed for positions (65% male and 35% female). Separately, over one thousand applicants registered their interest in joining our student air traffic controller programme from which one class commenced in 2019.

While the large level of interest in careers within our organisation is encouraging and very welcome, the demographic of our employees remains male dominated. In this regard the Company is involved in industry wide initiatives to improve female participation in the aviation industry. This will continue to be a priority in 2020.

The industrial relations climate remained stable in 2019 and the infrastructure supporting conflict resolution involving the Internal Dispute Resolution Board continued to receive the full support of management and our staff panel of trade unions.

Pension management was prominent in 2019 and a new Funding Proposal was agreed with the staff panel to meet a funding shortfall in our main pension plan arising from the requirement for a Funding Standard Risk Reserve. The pension plan supports two defined

benefit pension schemes that are closed to new entrants since 31 December 2011. It is expected, subject to the approval of The Pensions Authority, that the Funding Proposal will run to 31 December 2024. All new entrants to the IAA with effect from 1 January 2012, join a hybrid pension plan which comprises a defined benefit and defined contribution arrangement.

The dedication and commitment of all our staff to the provision of essential services takes place in an environment where teamwork and trust are paramount. Our staff are supported by progressive employee wellbeing initiatives which are delivered through a combination of on-site tutorials, periodic updates and webinars. The IAA was the first commercial semi-State company to be awarded the IBEC KeepWell accreditation mark for our progressive approach to employee wellbeing.

Staff recognition is important to us all in the IAA and in 2019 our significant contribution award went to our colleagues involved in Aireon ALERT, our innovative global aircraft location service. The winning team members were Paul O'Shea, Watch Manager, Paula Quinn, Watch Manager and Charlie O'Loughlin, Manager surveillance, mechanical and electrical systems.

Climate Action Performance

At the IAA we are committed to playing our part in reducing the impact of aviation on the environment and promoting a sustainable agenda.

Environmental Targets

We continue to be a leading European ANSP in terms of our environmental performance.

- We exceeded our flight efficiency targets in each of the five years of the SES regulatory period 2015 to 2019 and we are determined to meet and exceed our ambitious environmental targets for the next five years, 2020 to 2024
- Over the past decade, we have implemented numerous air traffic management measures with direct environmental benefits including Free Route Airspace (FRA), Point Merge (PM) and High Intensity Runway Operations (HIRO)
- We continue to focus on environmental performance improvement initiatives which facilitate aircraft to fly for longer at optimum flight levels and speed, allow more direct routings and enable more continuous climb and descent operations; all these measures reduce fuel burn and CO₂ emissions
- Recent initiatives include the trial implementation of advanced separation enhanced procedural separation (ASEPS) on the North Atlantic and XMAN (Cross Border Arrival Management) which, in co-operation with NATS in the UK, streamlines the flow of traffic into Heathrow and Gatwick airports

- The introduction of cross border FRA will further improve flight efficiency and progress is being advanced with our neighbouring service providers through our collaboration in the Borealis Alliance
- The introduction of the parallel runway at Dublin Airport in 2021 will also lead to significant reductions in delays and in environmental emissions

Energy Efficiency

As a public body, the IAA has an obligation (as defined in SI 426 of 2014) to achieve a 33% energy efficiency improvement by the end of 2020. The most recent IAA results published by the Sustainable Energy Authority of Ireland (SEAI) reflect our energy use in 2018 and show that IAA energy efficiency improvement projects have delivered energy efficiency savings of 37.6% - ahead of the 2020 target of 33%.

The IAA's recent energy improvement projects completed include:

- High efficiency variable speed drive pump replacements
- LED lighting upgrades
- Building fabric insulation upgrades
- Low energy heating and cooling system installations
- Boiler replacement programme

Further information on the IAA's performance against the Public Sector Energy targets is available at <https://psmr.seai.ie/public>

Sustainability Management Plan

The IAA is developing a 5-year Sustainability Management Plan (SMP) on climate action, mandated by the Government under the 2019 Climate Action Plan. This requires a 50% energy efficiency improvement and a 33% CO₂ reduction by 2030.

Operating Review - climate action performance (continued)

Over the next 5 years the IAA plans to replace additional building plant and equipment with energy efficient equivalents, reduce fossil fuel usage, improve building fabric performance, transition our vehicle fleet to electric vehicles and procure renewable electricity.

We have also developed strategies to reduce our waste generation by 50% by 2025. IAA sites will be ecologically assessed to enhance biodiversity through large and medium scale projects.

We are committed to engaging, educating and raising awareness of sustainability among our staff and stakeholders.

Corporate Social Responsibility

In 2019, we finalised and implemented a new strategy for Corporate Social Responsibility (CSR).

Charity Partner

The IAA chose Temple Street Hospital as its charity partner for 2019 raising €39,017 through a combination of direct sponsorship and the generosity of our own staff. Several fundraisers took place during the year including the Great Irish Bake, the Aviation Gala Ball, Trick or Treat and the Women's Mini-Marathon. The IAA also hosted a Christmas party in the new control tower at Dublin Airport for sick children from Temple Street Hospital ("Santa in the Tower"), a once-off event before the centre becomes operational next year. We're confident that this event was the "tallest" Santa experience ever held in Ireland.

Aviation Scholarships and Education

In memory of our former board member, Geoffrey O'Byrne-White, the IAA awarded two DCU aviation students with a scholarship for €5,000 to cover their college fees. The scholarship programme has been developed by the IAA as part of the IAA's ongoing commitment to supporting and promoting the growth and further development of aviation in Ireland.

The IAA is also a supporter of the DCU Access Programme providing funding for the programme which supports the availability of third level education to students from disadvantaged backgrounds.

During the year, the IAA launched a schools' programme for transition year students at our Ballycasey and Shannon Tower bases, giving them an overview of air traffic control and engineering operations. The programme was a great success and plans are in place to make this an organisation-wide programme.

Aviation Start-ups

The IAA continues to invest in the Irish aviation industry through the Propeller Shannon programme. Propeller Shannon is designed to assist with the development of young companies in the aviation, aerospace and travel-tech industries. Since 2018, Propeller Shannon has provided over €2 million to start-up companies along with access to advice and assistance from experts in the aviation sector. The IAA is one of the Propeller Shannon funders.

Culture Night

The IAA was delighted to host Culture Night at the new Dublin control tower in September. Visitors were welcomed for a tour of the tower which also played host to an artistic exhibition, entitled 'Nothing to Declare?', put together by the students and graduates of Dun Laoghaire Institute of Art, Design and Technology. This was a truly unique experience for the IAA, the public and the exhibiting artists.

Directors and other information

Directors

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

Secretary

Ms Aileen Gahan

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Statutory Audit Firm
Deloitte and Touche House
29 Earlsfort Terrace
Dublin 2

Bankers

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Dublin 2

Registered number

211082

Senior Management

Peter Kearney
Chief Executive

Paul Brandon
Head of Corporate Affairs

Anthony Eiffe
Internal Audit

Aileen Gahan
Company Secretary

Billy Hann
*Director ATM Operations
and Strategy*

Maeve Hogan
Director Finance

Brendan Mulligan
Director Human Resources

Maurice O'Connor
*A/Director Safety and
Security Regulation*

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✈ Directors' report

The directors present their annual report together with the audited consolidated and company financial statements of the Irish Aviation Authority ("the IAA", "the Company") and its subsidiary undertaking (with the Company and the subsidiary being together "the Group") for the year ended 31 December 2019.

Principal activities, risks and uncertainties, financial results and dividends

The IAA is committed to providing – on a sound commercial basis – safe, efficient and cost-effective air navigation and regulatory services which meet the needs of its customers. The information required by Section 327 of the Companies Act 2014 – a review of the business of the Company – is included in the Chairperson's Statement and Chief Executive's Review.

The IAA's vision, to be a world leading air navigation services provider and a best-in-class civil aviation safety regulator, is founded on six key results areas – safety regulation, air traffic management ("ATM") safety, security, service excellence, financial and stakeholder and customer relations – which drive its objectives in its day-to-day performance. The key risks and uncertainties likely to have the most significant potential impact on the IAA include:

- failure of regulatory oversight or air traffic management controls that results in a serious incident in the air or on the ground
- significant reliance on the performance and resilience of the IAA's communications, navigation, surveillance and flight data infrastructure

- separation of the safety regulation and service provision functions
- adverse economic and market conditions including EU policy decisions that directly affect the IAA's business and the European regulatory regime
- effect of COVID-19 on the aviation industry and on the wider economic outlook
- effect of Brexit on safety regulation and air traffic
- security of IAA assets.

Risks and uncertainties are assessed on a continual basis and the directors have developed a range of strategies to address these and other risks faced by the IAA. The corporate governance section of this directors' report, on pages 23 to 28, sets out the IAA's policies and approach to risks and the related internal control procedures and responsibilities.

Details of the Group's financial results for the year are set out in the consolidated profit and loss account on page 34 and in the related notes. As described therein, profit for the financial year after taxation was €27.8 million (2018: €31.3 million) on turnover of €197.2 million (2018: €198.9 million). During the year the Company declared and paid a final dividend of €19.5 million (€1.09 per share) for fiscal 2018 (2018: €19.5 million (€1.09 per share)). This included a special dividend of €12.0 million (€0.67 per share) (2018: €12.0 million (€0.67 per share)).

Directors

The names of the current directors are set out on page 21. Except as set out below, they served for the entire year. Mr Michael Norton's term of office expired on 5 October 2019.

Interests of directors and secretary

The directors and secretary who held office at 31 December 2019 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.

Corporate governance

Code of Practice for the Governance of State Bodies (2016)

The directors are committed to maintaining the highest standards of corporate governance. For the year under review, the IAA complied in all material respects with the Code of Practice for the Governance of State Bodies, issued in August 2016. The IAA has put in place appropriate measures to comply with this Code and continually reviews its policies and procedures to ensure continued compliance.

The Board

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

The Board comprises eight directors. Each director is appointed by the Minister for Transport, Tourism and Sport. The gender composition of the Board is split 62.5% male and 37.5% female. The directors hold office for such term as the Minister specifies when making the appointment, but not for a period exceeding four years, unless re-appointed by the Minister thereafter.

Directors' report (continued)

	Date of appointment (*or re-appointment)
Michael McGrail, <i>Chairperson</i>	4 September 2018
Peter Kearney, <i>Chief Executive</i>	25 June 2018
Cian Blackwell	4 December 2018
Marie Bradley	25 June 2018*
Ernie Donnelly	24 October 2016*
Gerry Lumsden	4 December 2018
Joan McGrath	4 December 2018
Eimer O'Rourke	4 December 2018

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

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

Effectiveness of the Board

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

The Chairperson and management maintain effective communication with the shareholder. The roles of the Chairperson and Chief Executive are separate and are set out in a policy approved by the Board. All the non-executive directors are

independent of management. It is the practice of the Board to meet without executive Board members present.

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

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

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

The Board conducted an end of year review of its performance,

measuring it against its strategic objectives and annual work plan. The Board did not carry out an external evaluation of its performance.

Board Committees

The Board uses the following committees to assist in the effective discharge of its responsibilities:

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

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 2019 (*2018: four*), each of which were chaired by Ms Marie Bradley. Committee members include Mr Cian Blackwell and Ms Eimer O'Rourke. The committee has an external independent member who has a service contract.

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

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

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

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

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

During 2019, the audit and risk committee:

- reviewed the draft financial statements for 2018 prior to recommending them for approval to the Board
- considered a report from the external auditor on its audit of the financial statements for the year ended 31 December 2018
- monitored the audit fees and non-audit fees payable to the external auditor
- reviewed and recommended to the Board the corporate risk register 2019-2020 including the key risks to the business and consideration of the adequacy of the system of risk identification and assessment
- reviewed the effectiveness of financial, operational and compliance controls and risk management processes
- reviewed the work undertaken by the Internal Audit department during the year and agreed an internal audit plan for 2020
- evaluated the effectiveness of internal audit
- reviewed and agreed the external audit plan for 2019 including the scope of the audit
- reviewed monthly management accounts
- received and considered presentations by management on the project management and governance of the Group's investment in Aireon, cyber security and disaster recovery and contingency planning protocols

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

During the year, KPMG's term as auditors expired and a public tender process was undertaken to select IAA's auditor for 2019 onwards. The Chair of the Audit and Risk Committee and the external independent member formed part of the evaluation committee which resulted in the recommendation being made to the Board to appoint Deloitte Ireland LLP as the external auditor for up to five years.

Finance committee

The finance committee operates under formal terms of reference and met once during the year (2018: twice). Mr Michael McGrail chaired the committee and Mr Ernie Donnelly and Mr Peter Kearney are members of the committee. Mr Michael Norton was a member of the committee until his retirement on 5 October 2019.

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

Human resources and remuneration committee

The human resources and remuneration committee (previously known as the personnel, appointments and remuneration committee) operates under formal terms of reference. The committee met twice during the year (2018: nil). Ms Eimer O'Rourke chaired the committee. Mr Michael McGrail and Ms Joan McGrath are members of the committee.

Directors' report (continued)

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

Investment planning committee

The investment planning committee operates under formal terms of reference and met seven times (2018: four) during the year.

The committee was chaired by Mr Michal Norton up to the date of his retirement on 5 October 2019. Mr Ernie Donnelly and Mr Gerry Lumsden are members of the committee. The committee considers the IAA's strategy in relation to capital investment and related expenditure. It reports to the Board following its meetings.

Safety oversight committee

The safety oversight committee was established in 2019 to assist the Board in managing the oversight of safety in the provision of air traffic management services and in safety

regulation and in the oversight of aviation security. The committee operates under formal terms of reference and held one meeting during the year (2018: nil). The Chair of the committee is Mr Michael McGrail. Committee members include Mr Cian Blackwell, Mr Ernie Donnelly and Mr Peter Kearney. An independent expert is invited to attend meetings to assist the committee. The committee reports to the Board following its meetings.

Restructuring committee

The restructuring committee was established in 2019 to assist the Board in managing the oversight of the restructuring of the IAA into two separate organisations – a regulator and an air traffic service provider. Once the restructuring is complete, the committee will be terminated. The committee operates under formal terms of reference and held three meetings during the year (2018: nil), each of which were chaired by Ms Joan McGrath. Committee members include Ms Marie Bradley, Mr Gerry Lumsden and Ms Eimer O'Rourke. The committee reports to the Board following its meetings.

Internal control

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

The IAA's system of internal control comprises those controls established in order to provide reasonable assurance regarding the safeguarding of assets and the maintenance of proper accounting records and reliable financial information for use within the business or for publication. The Board, whether directly or through the audit and risk committee, has reviewed the effectiveness of the systems of internal control covering financial, operational and compliance controls and risk management systems. This review took place on 20 March 2020 and is effective up to the date of approval of the financial statements.

Attendance at Board and Committee Meetings

Regular meetings of the Board and its committees are held throughout the year. The number of meetings held by the Board in 2019 was 7. These meetings and committee meetings were attended as follows:

Number of meetings attended/Number of eligible meetings

Director	Board	Audit and Risk	Finance	Human Resources and Remuneration	Investment Planning	Safety	Restructuring
Michael McGrail	7/7		1/1	1/2		1/1	
Cian Blackwell	7/7	3/3				1/1	
Marie Bradley	7/7	4/4					3/3
Ernie Donnelly	7/7		1/1		7/7	1/1	
Peter Kearney	6/7		1/1			1/1	
Gerry Lumsden	6/7				5/5		2/3
Joan McGrath	7/7			2/2			3/3
Michael Norton	6/6		0/0		4/4		
Eimer O'Rourke	7/7	4/4		2/2			3/3

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

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

deals with significant control issues raised by internal or external audit and which reviews and recommends the year-end financial statements for approval by the Board

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

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

The Board confirms that, for 2019, and up to the date of approval of the financial statements, there is a process for identifying and managing risks and that an appropriate system of internal control is in place and that these systems operated effectively in the year. No material weaknesses or frauds were identified in the course of the review of the effectiveness of the system of internal control.

Risk management

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

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

The Board has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Management is responsible for the identification and evaluation of significant business risks and for the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources, including control breakdowns, disruptions in information systems, competition, natural catastrophes and regulatory requirements. Management reports regularly to the Board on the key risks inherent in the business and on how these risks are managed.

An established and robust process for managing corporate risk is in place in the IAA. This provides for a documented and auditable trail of accountability. These procedures are relevant across all IAA operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board. This process is facilitated by internal audit, which provides assurance as to the operation and validity of the system of internal control. All planned corrective actions are closely monitored for timely completion.

Management reports regularly on its review of risks, and how they are managed, to the audit and risk committee, whose role it is to review, on behalf of the Board, the key risks, other than safety and security oversight, inherent in the business and the system of control necessary to manage such risks, and to present their findings to the Board. Internal audit independently reviews the risk-identification procedures and control processes implemented by management, and reports to the audit and risk committee on a quarterly basis.

Directors' report (continued)

The audit and risk committee reviews the assurance procedures to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The audit and risk committee presents its findings to the Board on an annual and on a quarterly basis or more frequently should the need arise.

Remuneration

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

Business and financial reporting

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

The 2016 Code of Practice for the Governance of State Bodies provides for specific financial information to be disclosed. In 2019, the IAA incurred travel and subsistence costs of €2.4 million, shared between domestic travel and subsistence costs of €0.9 million and international travel and subsistence costs of €1.5 million. Staff welfare and hospitality costs incurred were €0.5 million. Consultancy fees incurred amounted to €0.4 million. This comprised €0.3 million related to the IAA's aviation regulatory reform, separating its

safety regulation functions from the provision of air traffic management services, and €0.1 million related to a strategic review of the next generation of air traffic management systems. This information is reasonably stated in all material respects.

Going concern

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

Accounting records

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

Relevant audit information

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

Directors' compliance statement

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

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

Prompt payment of accounts

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

The IAA's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days from receipt of invoice, or confirmation of acceptance of the goods or services, which are the subject of payment. During the year ended 31 December 2019 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 20 March 2020, the Board proposed the payment of a dividend of €7.8 million (€0.44 per share) (2018: €19.5 million (€1.09 per share)). This includes a special dividend of €Nil (2018: €12.0 million (€0.67 per share)).

Political donations

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

Auditor

Following a procurement process, Deloitte Ireland LLP was appointed as external auditor and the predecessor auditor KPMG, Chartered Accountants, resigned during the year. In accordance with Section 383(2) of the Companies Act 2014, the auditor, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, will continue in office.

On behalf of the board:

Michael McGrail

Chairperson

Peter Kearney

Chief Executive

20 March 2020

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

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

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

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

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

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

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

On behalf of the board:

Michael McGrail	Peter Kearney
<i>Chairperson</i>	<i>Chief Executive</i>

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

Report on the audit of the financial statements

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

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

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2019 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

the group financial statements:

- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 23, including a summary of significant accounting policies as set out in note 1.

the parent company financial statements:

- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 23, including a summary of significant accounting policies as set out in note 1.

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

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

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

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

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

Opinion on other matters prescribed by the Companies Act 2014

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

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

Matters on which we are required to report by exception

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

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

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

Daniel Murray

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

20 March 2020

Consolidated profit and loss account for the year ended 31 December 2019

	<i>Note</i>	2019 €'000	2018 €'000
Turnover – continuing activities	2	197,228	198,922
Operating expenses	1, 20	(165,343)	(167,372)
Operating profit – continuing activities		31,885	31,550
Interest receivable and similar income	4	13,297	18,873
Interest payable and similar charges	5	(13,763)	(13,611)
Share of profit of associate	9	1,441	1,001
Profit on ordinary activities before taxation	6	32,860	37,813
Tax on profit on ordinary activities	7	(5,056)	(6,492)
Profit for the financial year		27,804	31,321

Consolidated statement of other comprehensive income for the year ended 31 December 2019

	<i>Note</i>	2019 €'000	2018 €'000
Profit for the financial year		27,804	31,321
Other comprehensive (loss)/income			
Re-measurement of the net defined benefit liability	<i>20</i>	(39,947)	5,222
Related deferred tax asset/(liability)	<i>14</i>	4,993	(653)
Cash in excess of pension service costs	<i>20</i>	5,522	7,068
Foreign exchange differences on translation of foreign operations		404	880
Other comprehensive (loss)/income for the year		(29,028)	12,517
Total comprehensive (loss)/income for the year		(1,224)	43,838

Consolidated balance sheet at 31 December 2019

	Note	2019 €'000	2018 €'000
Fixed assets			
Tangible assets	8	108,572	98,835
Financial assets	9	32,947	31,510
		141,519	130,345
Current assets			
Debtors	10	58,361	53,716
Short term deposits		212,436	197,769
Cash and cash equivalents		20,149	21,922
		290,946	273,407
Creditors: amounts falling due within one year	11	(62,166)	(42,768)
Net current assets		228,780	230,639
Total assets less current liabilities		370,299	360,984
Creditors: amounts falling due after more than one year	13	(41,568)	(47,670)
Provisions for liabilities			
Retirement benefit obligations	20	(113,097)	(76,932)
Net assets		215,634	236,382
Capital and reserves			
Called up share capital	15	22,675	22,675
Profit and loss account		192,821	213,973
Currency reserve		138	(266)
Shareholders' funds – equity		215,634	236,382

On behalf of the board:

Michael McGrail
Chairperson

Peter Kearney
Chief Executive

Company balance sheet at 31 December 2019

	<i>Note</i>	2019 €'000	2018 €'000
Fixed assets			
Tangible assets	8	108,572	98,835
Financial assets	9	15,218	15,218
		123,790	114,053
Current assets			
Debtors	10	62,637	59,959
Short term deposits		212,436	197,769
Cash and cash equivalents		19,783	20,765
		294,856	278,493
Creditors: amounts falling due within one year	11	(62,146)	(42,746)
Net current assets		232,710	235,747
Total assets less current liabilities		356,500	349,800
Creditors: amounts falling due after more than one year	13	(38,698)	(45,154)
Provisions for liabilities			
Retirement benefit obligations	20	(113,097)	(76,932)
Net assets		204,705	227,714
Capital and reserves			
Called up share capital	15	22,675	22,675
Profit and loss account		182,030	205,039
Shareholders' funds – equity		204,705	227,714

On behalf of the board:

Michael McGrail
Chairperson

Peter Kearney
Chief Executive

Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share capital €'000	Profit and loss account €'000	Currency reserves €'000	Total equity €'000
Balance at 1 January 2018	22,675	190,473	(1,146)	212,002
Comprehensive income				
Profit for the financial year	-	31,321	-	31,321
Other comprehensive income	-	11,637	880	12,517
Total comprehensive income for the year	-	42,958	880	43,838
Transactions with shareholders recognised directly in equity				
Dividends	-	(19,458)	-	(19,458)
Balance at 31 December 2018	22,675	213,973	(266)	236,382
Balance at 1 January 2019	22,675	213,973	(266)	236,382
Comprehensive income				
Profit for the financial year	-	27,804	-	27,804
Other comprehensive (loss)/income	-	(29,432)	404	(29,028)
Total comprehensive (loss)/income for the year	-	(1,628)	404	(1,224)
Transactions with shareholders recognised directly in equity				
Dividends	-	(19,524)	-	(19,524)
Balance at 31 December 2019	22,675	192,821	138	215,634

Company statement of changes in equity for the year ended 31 December 2019

	Called up share capital €'000	Profit and loss account €'000	Total equity €'000
Balance at 1 January 2018	22,675	187,780	210,455
Comprehensive income			
Profit for the financial year	-	25,080	25,080
Other comprehensive income	-	11,637	11,637
Total comprehensive income for the year	-	36,717	36,717
Transactions with shareholders recognised directly in equity			
Dividends	-	(19,458)	(19,458)
Balance at 31 December 2018	22,675	205,039	227,714
Balance at 1 January 2019	22,675	205,039	227,714
Comprehensive income			
Profit for the financial year	-	25,947	25,947
Other comprehensive loss	-	(29,432)	(29,432)
Total comprehensive loss for the year	-	(3,485)	(3,485)
Transactions with shareholders recognised directly in equity			
Dividends	-	(19,524)	(19,524)
Balance at 31 December 2019	22,675	182,030	204,705

Consolidated cash flow statement for the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Cash flows from operating activities			
Profit for the financial year		27,804	31,321
<i>Adjustment for:</i>			
Depreciation of tangible fixed assets	8	12,186	15,312
Interest receivable and similar income	4	(13,297)	(18,873)
Interest payable and similar charges	5	13,763	13,611
Share of profit of associate	9	(1,441)	(1,001)
Taxation	7	5,056	6,492
		44,071	46,862
Decrease/(increase) in debtors		1,432	(1,280)
Increase in creditors		16,202	11,393
		61,705	56,975
Tax paid		(5,100)	(4,492)
Net cash from operating activities		56,605	52,483
Cash flows from investing activities			
Acquisition of tangible fixed assets		(24,169)	(32,965)
Dividends received	9	558	-
Investment in short term deposits		(14,667)	(11,091)
Interest received		12	93
Net cash used in investing activities		(38,266)	(43,963)
Cash flows from financing activities			
Interest paid		(602)	(622)
Dividends paid	16	(19,524)	(19,458)
Net cash used in financing activities		(20,126)	(20,080)
Net decrease in cash and cash equivalents		(1,787)	(11,560)
Cash and cash equivalents at 1 January		21,922	33,417
Effect of exchange rate fluctuations on cash held		14	65
Cash and cash equivalents at 31 December		20,149	21,922

Notes

forming part of the financial statements

1 Accounting policies

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

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

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

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

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

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

True and fair view override

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

The costs to be taken into account for the purpose of the EUROCONTROL agreement are defined in the EUROCONTROL charging principles and in the EC Charging Regulations in a manner that includes all cash payments to pension funds. Consequently, the directors have determined that it is appropriate to incorporate all cash contributions made to the IAA’s pension fund in operating expenses to the extent they exceed the pensions charge determined in accordance with FRS 102 ‘Employee Benefits’, and to record an offsetting credit in the statement of other comprehensive income (“OCI”), in order to present a true and fair view of its comprehensive income and its assets, liabilities and financial position. Further details of the impact of this accounting treatment is shown in the employee benefits accounting policy on pages 43 and 44.

1.1 Measurement convention

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

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its 100% owned subsidiary, IAA North Atlantic Inc., up to 31 December 2019.

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.

Notes (continued)

1 Accounting policies (continued)

1.2 Basis of consolidation (continued)

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

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

1.3 Turnover

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

En route and terminal revenues

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

Deferred revenue

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

1.4 Tangible fixed assets and depreciation

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

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

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

1.5 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.

1 Accounting policies (continued)

1.5 Financial fixed assets (continued)

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

1.6 Leased assets

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

1.7 Foreign currencies

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

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

1.8 Taxation

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

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

1.9 Employee benefits

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

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.

Notes (continued)

1 Accounting policies (continued)**1.9 Employee benefits** (continued)

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as re-measurement gains and losses in the statement of other comprehensive income ("OCI"). The OCI includes an offset amounting to the additional pension charge, described in paragraph (b), expected to be recovered under the provisions of the EUROCONTROL agreement as described on page 41.

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 €5,522,000 (2018: €7,068,000) above the actuarially determined service costs, for recovery under the charging mechanism in the year ended 31 December 2019, and to record an offsetting credit in the OCI, thereby maintaining the profit and loss reserves and assets, liabilities and financial position of the Group and Company in line with the requirements of FRS 102.

1.10 Basic financial instruments**Trade and other debtors and creditors**

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

Cash, cash equivalents and short-term deposits

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

2 Turnover

	2019	2018
	€'000	€'000
<i>Activity</i>		
En route	120,964	122,658
Terminal	24,259	25,741
North Atlantic communications	22,746	22,480
Safety regulation	22,887	21,856
Exempt air traffic	1,284	1,241
Commercial and other	5,088	4,946
	197,228	198,922

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

3 Staff numbers and costs

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

	2019	2018
	Number	Number
Air traffic controllers	309	295
Engineers	76	72
Radio officers	51	50
Other operational	104	102
Safety regulation	108	107
Corporate services	66	59
Total employees	714	685

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

	2019	2018
	€'000	€'000
Wages and salaries	69,485	66,984
Social welfare costs	5,947	5,523
Other compensation costs	282	171
Pension costs – current service cost (note 20)	11,794	12,996
Pension costs – defined contribution (note 20)	179	126
Pension costs – additional cash cost (note 20)	5,522	7,068
Other post-employment costs (note 20)	323	321
	93,532	93,189

Wages and salaries can be further analysed as follows:

	2019	2018
	€'000	€'000
Basic pay	55,395	52,541
Overtime	2,215	2,750
Allowances	11,875	11,693
	69,485	66,984

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

	2019	2018
	Number	Number
€50,000 - €75,000	171	141
€75,001 - €100,000	93	107
€100,001 - €125,000	185	172
€125,001 - €150,000	154	131
€150,001 - €175,000	21	26
€175,001 and over	14	14

Notes (continued)

4 Interest receivable and similar income

	2019	2018
	€'000	€'000
Interest income on defined benefit assets	11,766	11,390
Fair value gain on other financial assets (note 9)	-	5,566
Dividend income from other financial assets	1,313	1,244
Other interest	22	167
Foreign exchange gain	196	506
	13,297	18,873

5 Interest payable and similar charges

	2019	2018
	€'000	€'000
Interest expense on defined benefit liabilities	13,192	12,936
Bank loan facility fees	-	211
Bank interest	571	464
	13,763	13,611

6 Statutory and other information

The profit for the financial year is stated after charging the following:

	2019	2018
	€'000	€'000
Depreciation	12,186	15,312
Met Éireann charges	8,306	8,976
Rentals payable under operating leases – buildings	3,921	3,896
Rentals payable under operating leases – other	106	116
Auditor's remuneration - group		
– audit	85	50
– other assurance	45	33
– tax services		
– compliance	27	21
– advisory	15	8
– other non-audit	-	4
Total auditor's remuneration - group	172	116

Following a procurement process, Deloitte Ireland LLP was appointed as external auditor and the predecessor auditor, KPMG, Chartered Accountants, resigned during the year.

6 Statutory and other information (continued)

	2019 €'000	2018 €'000
Auditor's remuneration - company (included above)		
– audit	85	50
– other assurance	45	33
– tax services		
– compliance	8	7
– advisory	15	4
Total auditor's remuneration – company	153	94

Following a procurement process, Deloitte Ireland LLP was appointed as external auditor and the predecessor auditor, KPMG, Chartered Accountants, resigned during the year.

	2019 €'000	2018 €'000
Directors' remuneration		
<i>Fees payable to directors</i>		
Mr Michael McGrail (Chairperson)	22	7
Mr Peter Kearney (Chief Executive)	-	-
Mr Cian Blackwell	12	1
Ms Marie Bradley	12	12
Mr Ernie Donnelly†	-	-
Mr Pascal Fitzgerald (<i>retired on 31 July 2018</i>)	-	7
Mr Basil Geoghegan (<i>resigned on 14 June 2018</i>)	-	6
Mr Gerry Lumsden	12	1
Ms Joan McGrath	12	1
Ms Anne Nolan (<i>retired on 12 June 2018</i>)	-	10
Mr Michael Norton (<i>retired on 5 October 2019</i>)	10	13
Mr Geoffrey O'Byrne-White (<i>deceased 11 June 2018</i>)	-	6
Ms Eimer O'Rourke	12	1
	92	65

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

In aggregate, expenses paid to, or paid on behalf of, directors, in respect of services as director were €21,020 in total during 2019 (2018: €14,659). These expenses primarily related to travel and subsistence.

	2019 €'000	2018 €'000
Emoluments and pension contributions relating to the Chief Executive's contract of employment		
Annual basic salary	225	221
Other taxable benefits	14	18
Pension contributions	81	60
	320	299

Mr Peter Kearney was appointed as Chief Executive on 6 June 2018. Prior to that date, following the resignation of the former Chief Executive, he had undertaken the duties of the Chief Executive in an acting capacity. Pursuant to his Chief Executive's contract, the salary of Mr Kearney is €225,000 per annum. He is a member of the defined benefit superannuation scheme "The Irish Aviation Authority Staff Superannuation Scheme 1996" in common with other staff members. His total remuneration as Chief Executive and acting Chief Executive in 2018 is as set out above. Mr Kearney was appointed to the board on 25 June 2018. He did not receive a director's fee.

Notes (continued)

7 Tax on profit on ordinary activities

	2019	2018
	€'000	€'000
Analysis of tax charge in the year		
<i>Current tax</i>		
Corporation tax	4,717	4,373
Adjustments in respect of prior periods	(2)	(15)
	4,715	4,358
<i>Deferred tax</i>		
Origination and reversal of timing differences	347	2,216
Adjustments in respect of prior periods	(6)	(82)
	341	2,134
Tax on profit on ordinary activities	5,056	6,492

	2019	2018
	€'000	€'000
Profit and loss total tax reconciliation		
Profit on ordinary activities before tax	32,860	37,813
Expected current tax at 12.5% (2018: 12.5%)	4,107	4,727
<i>Effects of:</i>		
Permanent differences	774	969
Expenses not deductible for tax purposes	154	130
Income not taxable at the standard rate	56	67
Corporation tax in respect of prior years	(2)	(15)
Deferred tax in respect of prior years	(6)	(82)
Effect of foreign tax	(27)	696
Tax on profit on ordinary activities	5,056	6,492

8 Tangible fixed assets

	Buildings €'000	Completed installations and other works €'000	Installations in progress €'000	Office equipment €'000	Total €'000
Group and Company					
Cost					
At beginning of year	30,464	156,237	57,216	12,804	256,721
Additions in year	-	80	21,273	570	21,923
Brought into use in year	-	6,651	(6,958)	307	-
Disposals in year	-	(10,545)	-	(277)	(10,822)
At end of year	30,464	152,423	71,531	13,404	267,822
Accumulated depreciation					
At beginning of year	22,317	125,185	-	10,384	157,886
Charge in year	1,523	9,302	-	1,361	12,186
Disposals in year	-	(10,545)	-	(277)	(10,822)
At end of year	23,840	123,942	-	11,468	159,250
At 31 December 2019	6,624	28,481	71,531	1,936	108,572
At 31 December 2018	8,147	31,052	57,216	2,420	98,835

9 Financial fixed assets

	Interest in associate €'000	Other financial assets €'000	Total €'000
Group			
At 1 January 2018	1,690	22,033	23,723
Share of profit of associate	1,001	-	1,001
Fair value gain	-	5,566	5,566
Foreign exchange movements	-	1,220	1,220
At 31 December 2018	2,691	28,819	31,510
Dividends received	(558)	-	(558)
Share of profit of associate	1,441	-	1,441
Foreign exchange movements	-	554	554
At 31 December 2019	3,574	29,373	32,947

Notes (continued)

9 Financial fixed assets (continued)

	2019 €'000	2018 €'000
Company		
Interest in associate, at cost	1,384	1,384
Ordinary shares in subsidiary undertaking, at cost	13,834	13,834
	15,218	15,218

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

The Group has a 4.389% preference shareholding in Aireon, a company providing space-based global air traffic surveillance systems. The investment in Aireon is held through a 100% owned subsidiary undertaking, IAA North Atlantic Inc., 108 West 13th Street, Wilmington, New Castle County, 19801, USA. In May 2018, NATS, the air navigation service provider in the UK, invested US\$68.75 million in Aireon. The Group's shareholding was diluted from 4.83% to 4.389%. Following this investment, the Group has used the price paid by NATS to determine the fair value of its investment in Aireon. This resulted in a fair value gain of €5.6 million in 2018. Management has reviewed this valuation in light of more recent information available and has concluded that the fair value of the Group's investment, based on the price paid by NATS, is still valid. It is expected that the Group's preferred interests will be converted to a 5.333% common interest in 2021 (6.0% prior to NATS' investment).

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

10 Debtors

	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Trade debtors, net	32,400	34,763	32,400	34,763
Prepayments and accrued income	3,690	2,664	3,690	2,664
Other debtors	6,419	5,010	387	375
Corporation tax	783	386	783	386
Value added tax	304	564	304	564
Deferred tax asset (note 14)	14,765	10,329	14,765	10,329
Due from subsidiary undertaking	-	-	10,308	10,878
	58,361	53,716	62,637	59,959

Debtors of €20,652,000 (2018: €14,964,000) in the Group and debtors of €14,620,000 (2018: €10,329,000) 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 €16,137,000 (2018: €18,464,000) of which €3,016,000 (2018: €5,346,000) is provided for within bad debt provisions.

11 Creditors: amounts falling due within one year

	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Trade creditors	2,697	3,775	2,697	3,775
Other creditors including tax and social welfare (note 12)	2,422	463	2,422	463
Accruals	14,822	16,375	14,802	16,353
Deferred income	42,225	22,155	42,225	22,155
	62,166	42,768	62,146	42,746

12 Taxation and social welfare included in other creditors

	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
PAYE	2,274	-	2,274	-
Relevant contracts tax	27	9	27	9
Professional services withholding tax	121	120	121	120
Deferred tax liability (note 14)	-	334	-	334
	2,422	463	2,422	463

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Deferred income	37,870	44,136	37,870	44,136
Deferred tax liability (note 14)	3,698	3,534	828	1,018
	41,568	47,670	38,698	45,154

14 Deferred tax asset

Ref	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Deferred tax (liability)/asset— excluding employee benefits-related (i)	(2,725)	(2,850)	145	(334)
Deferred tax asset – employee benefits-related (non-current) (ii)	13,792	9,311	13,792	9,311
Deferred tax asset – buildings – (non-current)	828	1,018	828	1,018
Deferred tax liability – buildings – (non-current)	(828)	(1,018)	(828)	(1,018)
Deferred tax asset, net	11,067	6,461	13,937	8,977

Notes (continued)

14 Deferred tax asset (continued)

(i) Deferred taxation – excluding employee benefits-related

	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
At beginning of year	(2,850)	(1,316)	(334)	(484)
Charged to profit and loss account (note 7)	171	(1,444)	479	150
Effect of foreign exchange	(46)	(90)	-	-
At end of year	(2,725)	(2,850)	145	(334)

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

Included in deferred taxation – excluding employee benefits-related – is €2,870,000 (2018: €2,516,000) in the Group and €Nil (2018: €Nil) in the company due after more than one year relating to income taxable at a future date.

(ii) Deferred taxation – employee benefits-related

	Group		Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
At beginning of year	9,311	10,654	9,311	10,654
Changes in actuarial assumptions recognised in OCI	4,993	(653)	4,993	(653)
Charged to profit and loss account (note 7)	(512)	(690)	(512)	(690)
At end of year	13,792	9,311	13,792	9,311

15 Called up share capital – equity

	2019 €'000	2018 €'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

	2019 €'000	2018 €'000
Group and Company		
Declared and paid during the year		
Final dividend paid: €1.09 per share (2018: €1.09 per share)	19,524	19,458

Total dividends paid in 2019 of €19,524,000 (2018: €19,458,000) include €7,524,000 or €0.42 per share in respect of 2018 (2018: €7,458,000 or €0.42 per share in respect of 2017) and a special dividend of €12,000,000 or €0.67 per share (2018: €12,000,000 or €0.67 per share).

17 Related parties

Group and Company

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

In 2014, the IAA entered into a commercial arrangement to provide air traffic management training services to Entry Point North Ireland DAC, a 100% owned subsidiary of Entry Point North (EPN) AB, an associate of the IAA (note 9). Entry Point North Ireland DAC also provides air traffic management training services to the IAA on an arm’s-length basis. During the year, the IAA earned revenue of €3.5 million (2018: €3.4 million) and incurred costs of €7.9 million (2018: €7.4 million) in transactions with Entry Point North Ireland DAC. As at 31 December 2019, there is a net receivable balance due from Entry Point North Ireland DAC amounting to €1.2 million (2018: €3.0 million).

Total compensation of key management personnel in the year amounted to €2.5 million (2018: €2.1 million) comprising salaries and other short-term employee benefits of €1.9 million (2018: €1.8 million), post-employment benefits of €0.4 million (2018: €0.3 million) and termination benefits of €0.2 million (2018: €Nil). Key management compensation represents compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group. These include the board members and senior executives.

18 Commitments

	2019 €'000	2018 €'000
Group and Company		
(i) Capital commitments		
Future capital expenditure approved by the directors:		
Not contracted for	59,590	60,736
Contracted for	20,869	20,630
	80,459	81,366

(ii) Operating lease commitments

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

	2019 Buildings €'000	2019 Motor Vehicles €'000	2018 Buildings €'000	2018 Motor Vehicles €'000
Group and Company				
Payable:				
Within one year	3,605	94	3,604	103
Between one and five years	12,499	191	12,546	258
More than five years	23,029	-	26,352	-
	39,133	285	42,502	361

Notes (continued)

19 Contingent liabilities**Group and Company**

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

20 Employee benefits

	2019	2018
	€'000	€'000
Group and Company		
Defined benefit pension liability (see A below)	110,340	74,490
Supplementary ex-gratia pension liability (see B below)	2,757	2,442
Total retirement benefit obligations	113,097	76,932

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

The IAA undertakes actuarial valuations of the defined benefit pension schemes at least every three years. The date of the latest actuarial valuations is 1 January 2018 and covers all accrued benefits. These valuations were conducted by qualified independent actuaries.

The valuations employed for FRS 102 purposes have been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2019 and to take account of financial conditions at this date. The valuations used for FRS 102 purposes have been completed using the projected unit method, and assets for this purpose have been valued at market value.

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

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

A. The Irish Aviation Authority Defined Benefit Schemes

	2019	2018
	Projected unit	Projected Unit
(i) Actuarial assumptions		
<i>Weighted average assumptions to determine benefit obligations</i>		
Discount rate	1.40%	2.20%
Rate of general compensation increase (staff/senior staff) †	1.25%	1.50%
Rate of price inflation	1.25%	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.

20 Employee benefits (continued)

(i) Actuarial assumptions (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on the standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

	2019	2018
<i>Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligations for:</i>		
Current active and deferred members	24.2	24.1
Current pensioner members	22.5	22.4
<i>Life expectancy for a female member from age 65 on post-retirement mortality table used to determine benefit obligations for:</i>		
Current active and deferred members	26.2	26.1
Current pensioner members	24.3	24.3

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

	2019 €'000	2018 €'000
(ii) Amounts recognised in the balance sheet		
Present value of wholly or partly funded obligations	(698,543)	(609,396)
Fair value of plan assets	588,203	534,906
Net liability	(110,340)	(74,490)

	2019 €'000	2018 €'000
(iii) Movements in fair value of plan assets		
Fair value of plan assets at beginning of year	534,906	540,570
Re-measurement: return on plan assets excluding interest income	42,929	(19,792)
Interest income	11,766	11,390
Employer contributions	17,317	20,064
Member contributions	2,225	3,345
Benefits paid from plan	(20,940)	(20,671)
Fair value of plan assets at end of year	588,203	534,906

	2019 €'000	2018 €'000
(iv) Movements in present value of defined benefit obligations		
Benefit obligation at beginning of year	(609,396)	(625,804)
Current service cost	(11,794)	(12,996)
Interest expense	(13,192)	(12,936)
Member contributions	(2,225)	(3,345)
Re-measurement: actuarial (losses)/gains	(82,876)	25,014
Benefits paid from plan	20,940	20,671
Benefit obligation at end of year	(698,543)	(609,396)

Notes (continued)

20 Employee benefits (continued)

	2019 €'000	2018 €'000
(v) Components of pension cost		
<i>Expense recognised in the profit and loss account</i>		
Current service cost (note 3)	(11,794)	(12,996)
Additional cash cost (note 3)	(5,522)	(7,068)
Interest income on defined benefit assets (note 4)	11,766	11,390
Interest expense on defined benefit liabilities (note 5)	(13,192)	(12,936)
Total pension cost recognised in the profit and loss	(18,742)	(21,610)
Amounts recognised in other comprehensive income		
Actuarial (losses)/gains immediately recognised	(39,947)	5,222
Additional cash cost	5,522	7,068
	(34,425)	12,290
Total for the year	(53,167)	(9,320)
Cumulative amount of actuarial losses recognised in other comprehensive income	(288,594)	(248,647)
	2019 Amount of plan assets €'000	2018 Amount of plan assets €'000
(vi) Plan assets		
<i>The asset allocations as at 31 December:</i>		
Equity securities	159,566	134,185
Bond securities	299,560	272,927
Other	129,077	127,794
	588,203	534,906
Interest income on plan assets will be charged at 1.4% (2018: 2.2%).		
	2019 €'000	2018 €'000
<i>Actual return on assets</i>		
Actual return on plan assets	54,695	(8,402)

20 Employee benefits (continued)

	€'000
(vii) Other required disclosure amounts	
Contributions expected to be paid by the IAA during 2020	18,000

B. Supplementary ex-gratia pension liability

	2019 €'000	2018 €'000
At beginning of year	2,442	2,131
Amounts provided for supplementary ex-gratia pension liability	323	321
Payments made during the year	(8)	(10)
Amounts falling due after more than one year	2,757	2,442

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 €179,399 (2018: €126,487).

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

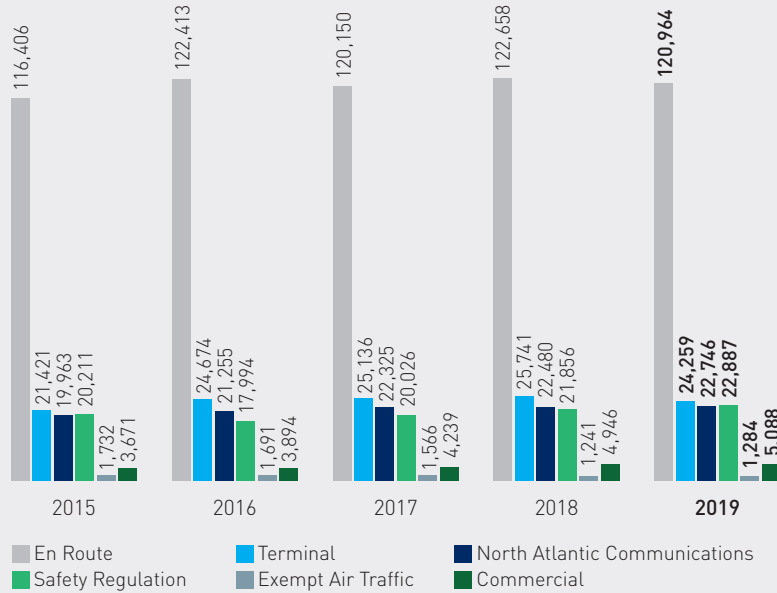
On 20 March 2020, the board proposed the payment of a dividend of €7.8 million (€0.44 per share) (2018: €19.5 million (€1.09 per share)). This includes a special dividend of €Nil (2018: €12.0 million (€0.67 per share)).

23 Approval of the financial statements

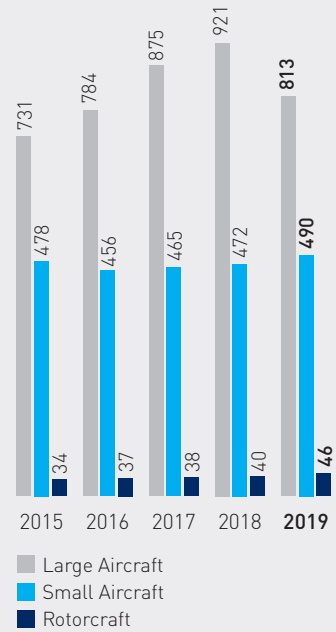
The financial statements were approved by the directors on 20 March 2020.

Five Year Summary 2015-2019

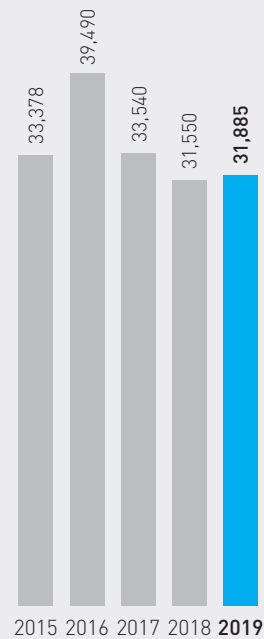
Turnover €'000



Registered Aircraft



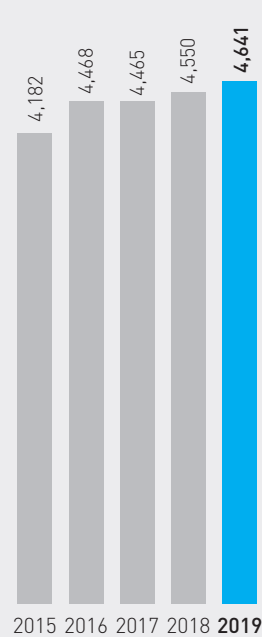
Operating Profit €'000



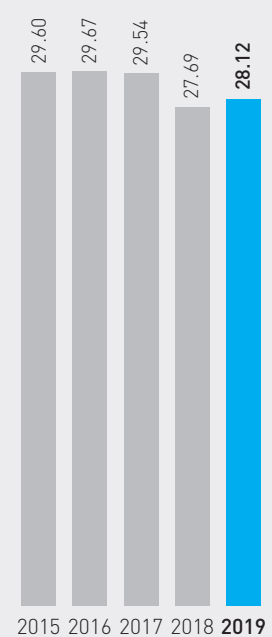
Profit after Tax €'000



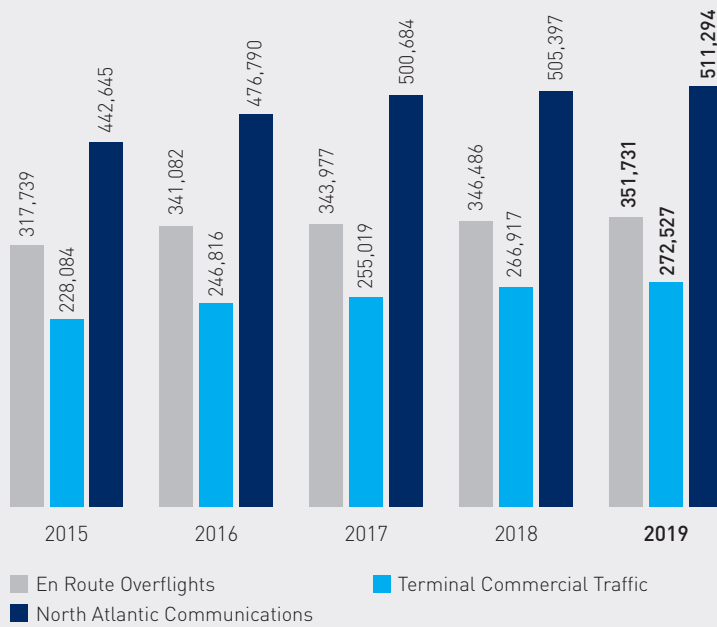
En Route Service Units ('000)



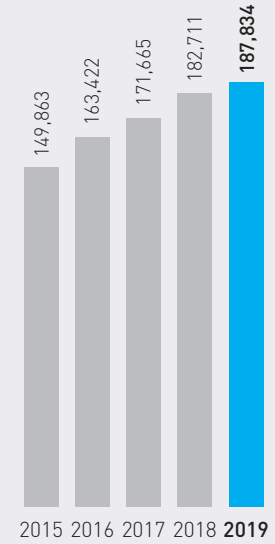
En Route Service Unit Rate (€)



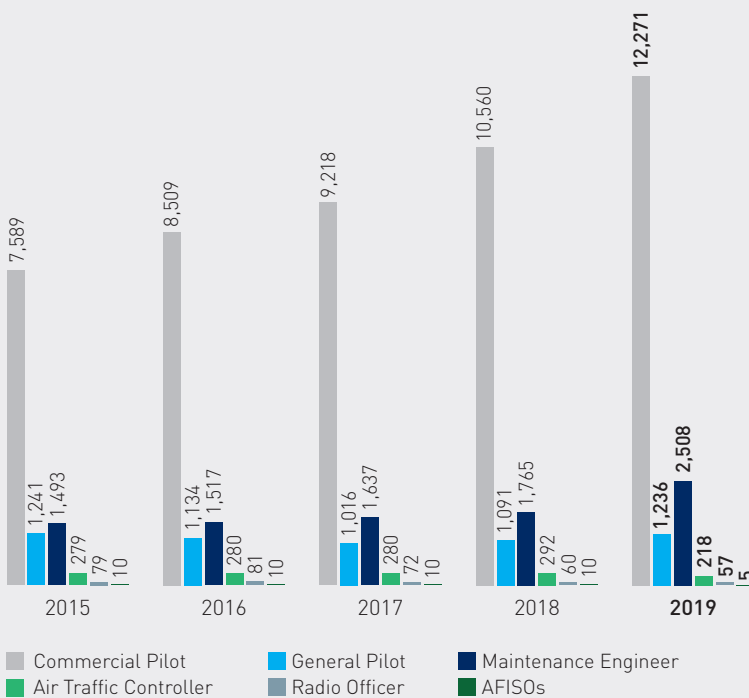
Air Traffic Activity



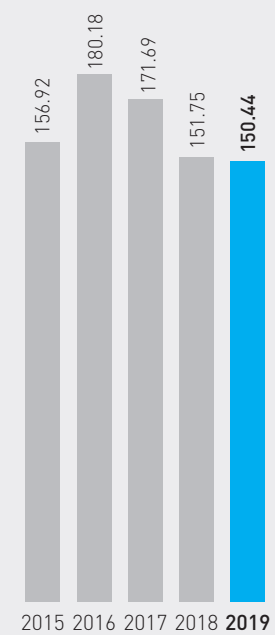
Terminal Service Units



Valid Licences



Terminal Unit Rate (€)





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