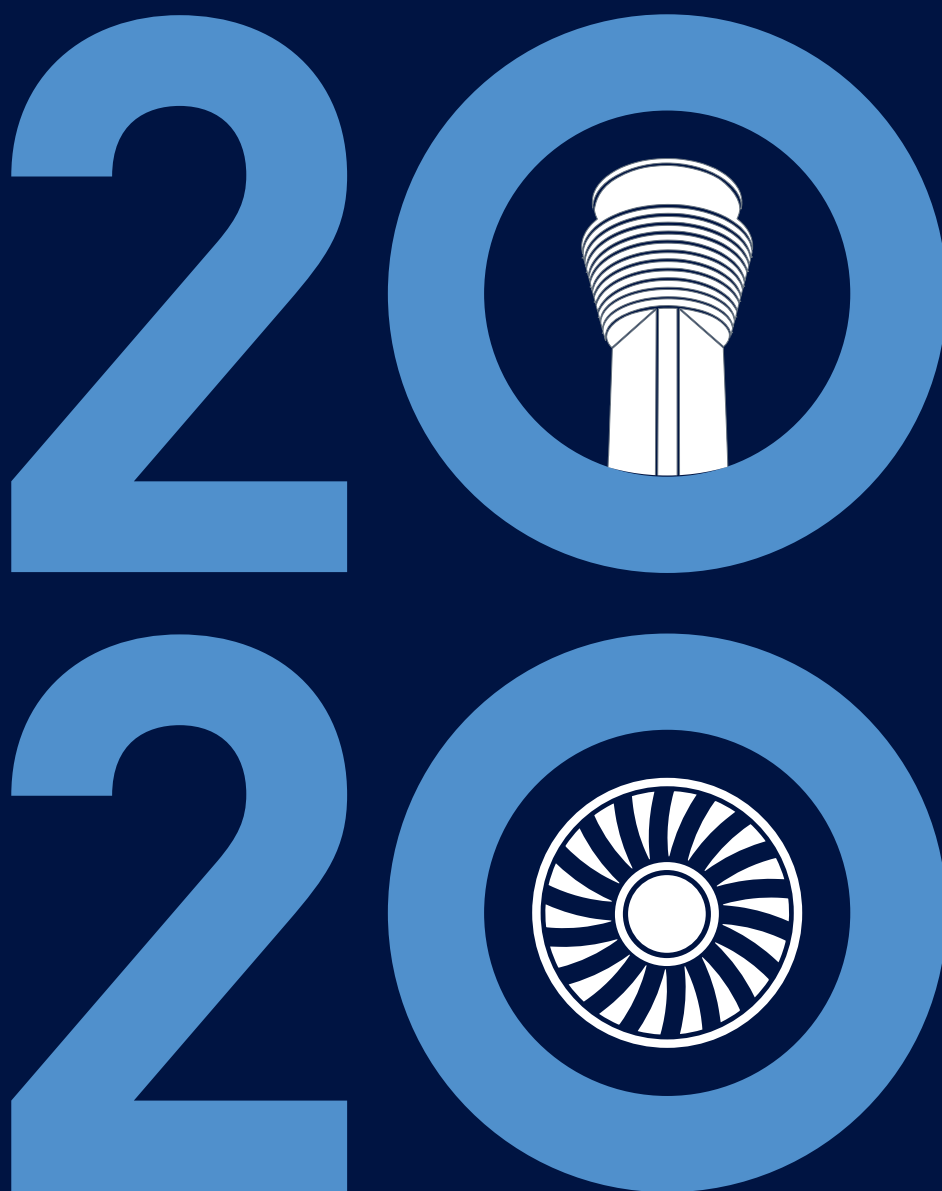


Irish Aviation Authority
Annual Report 2020



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For more information visit our website
www.iaa.ie



Key Messages for 2020

-60%

COVID-19 resulted in air traffic volumes collapsing by almost 60% in 2020 compared to 2019; during the year, the IAA carried out its air traffic management and safety regulation functions effectively, providing an uninterrupted service



IAA provided assistance to the aviation industry in dealing with COVID-19 through regulatory exemptions and alleviations, where safety was not impacted, and extended payment terms to its airline customers for its air traffic control and communications services



IAA followed all Government and HSE guidance in relation to the management of COVID-19, including the implementation of significant protections, measures and contingencies at its various centres to ensure business continuity for its essential services

€

The reduction in the IAA's income in 2020 was managed through phased cost containment measures, implemented from April onwards, and the use of the Company's cash reserves (reduced from €232.6 million at the start of the year to €169.8 million at the end of 2020); the liquidity of the Group will remain a priority for 2021 and beyond

2nd
in Europe

Ireland/IAA continues to perform strongly in its compliance with international safety standards, ranking 7th globally and 2nd in Europe by ICAO for the effective implementation of standards and procedures



The annual 'EASA effectiveness of safety management' measure assessed the IAA in the top tier of air navigation service providers in Europe with a maturity score of 92% compared to an average EU score of 84%



Preparations are continuing, as a priority, for the separation of the IAA's air traffic management functions from its safety regulation functions; the Air Navigation and Transport Bill is currently making its way through the Oireachtas



The IAA's en route contingency air traffic control centre was brought into operation in December 2020; the new visual control tower at Dublin Airport successfully completed live trials in the year and full operations are planned for 2021



Aireon ALERT, operated by the IAA from its communications centre, continued to provide vital life-saving services to the global aviation community and earned itself the CANSO Global ATM Safety Award for 2020



The expansion of drone activity in Ireland has been significant and presents a challenge to the IAA Regulator and the industry/private operators; IAA is supporting the Department of Transport in preparing a national UAS and U-Space strategy in consultation with industry stakeholders



The IAA's regulatory digitalisation project continued during 2020; this project will modernise the way that many of the IAA's regulatory services are offered

€

The EU regulatory process that underpins almost 80% of the IAA's business was delayed due to COVID-19; the regulatory period (RP3) 2020 – 2024 is currently being replanned with an updated Performance Plan expected to be approved in Q1 2022; this will determine the IAA's recovery profile post COVID-19

41%

In 2020, we achieved a 41% energy efficiency saving, well ahead of the 33% target set by SEAI; the IAA's Sustainability Management Plan will be formally launched in 2021

Key Figures 2020

Overflights

↓ **56.2%**
(down 68.2% Apr-Dec 2020)

Domestic traffic

↓ **64.4%**
(down 78.7% Apr-Dec 2020)

Aircraft on Irish Register

1,235
(down 8.5%)

Licences

17,632
(up 8.2%)

Turnover

€155.5m
(down 21.2%)

Loss for financial year

€0.9m
(down €28.7m)

Cash and short term deposits

€169.8m
(down €62.8m)

Debtors > 1 year

€72.2m
(up 249.6%)

Net assets

€203.0m
(down 5.8%)

Average employees

725

What We Do

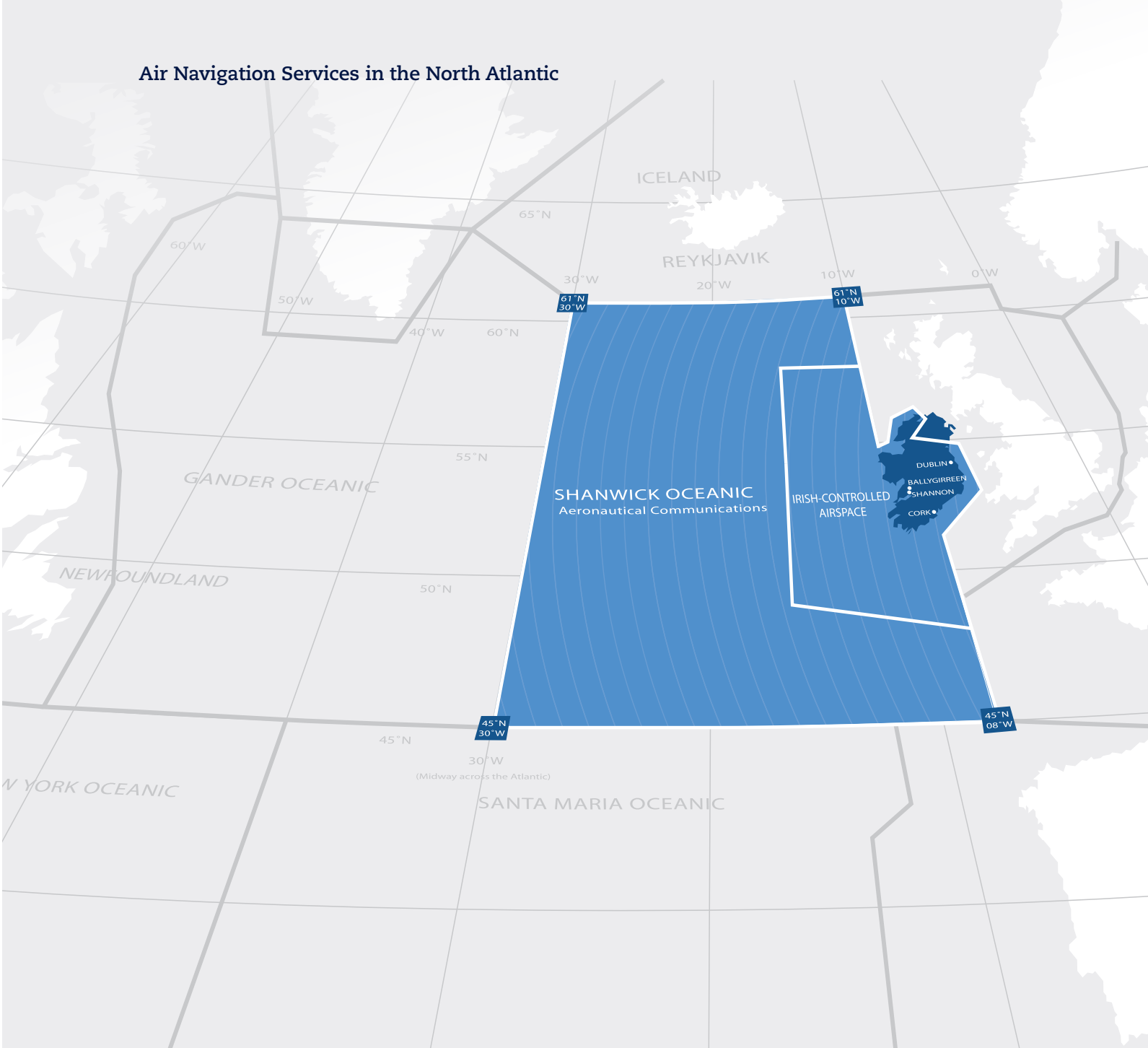
Civil Aviation
Safety Regulation

Aviation
Security

Air Traffic
Management

Commercial
Activities

Air Navigation Services in the North Atlantic



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 2020

FINANCIAL HIGHLIGHTS	2020 €'000	2019 €'000	% Change
Turnover	155,509	197,228	-21.2%
Operating profit	2,067	31,885	-93.5%
(Loss)/profit after tax	(876)	27,804	-103.2%
Dividends paid	7,784	19,524	-60.1%

AIR TRAFFIC ACTIVITY	2020 Number	2019 Number	% Change
En route overflights	154,189	351,753	-56.2%
Terminal commercial traffic	97,006	272,539	-64.4%
North Atlantic communications	213,106	511,294	-58.3%

EMPLOYMENT	2020 Number	2019 Number	% Change
Average employed	725	714	+1.5%

CUSTOMER CHARGES	2020 €	2019 €	% Change
En route overflight	24.48	28.12	-12.9%
Airport terminal traffic	123.01	150.44	-18.2%
North Atlantic communications	45.00	45.00	0.0%
Safety regulation	No change in Fees Order since 2016		

Chairman's Statement

“This is a critical time for the IAA as it deals with the restructuring of its statutory responsibilities while also addressing the challenges brought about by COVID-19 and its devastating impact on the aviation industry.”

Rose Hynes
Chairman



I am delighted to have been appointed as interim Chairman of the IAA last January and to present the Group's annual report and financial statements for 2020.

Restructuring of the IAA

It is a priority of the Board to lead the IAA through the reform programme which will see the air traffic management functions of the IAA transferred to a new commercial semi-State company. The safety regulation functions will remain with the existing IAA company and the functions of the Commission for Aviation Regulation (CAR) will be merged with the IAA to become a single regulatory body responsible for all aviation matters. The Air Navigation and Transport Bill was published in December 2020 and is currently making its way through the Oireachtas. In anticipation of a 2021 vesting day, preparations for the separation are progressing well. Diarmuid Ó Conghaile joined the IAA on 1st January as the Aviation Regulator and the Chief Executive Designate of the new IAA. Peter Kearney, the current Chief Executive of the IAA, will become the Chief Executive of the newly formed commercial entity.

COVID-19

The COVID-19 pandemic dominated the year causing unprecedented disruption to commercial and family life across the world. The repeated waves of COVID-19 infections and the restrictions on the movement of people has resulted in travel and aviation being one of the sectors most significantly impacted by the pandemic. Air traffic volumes managed by the IAA decreased by almost 60% in 2020 compared to 2019 and this affected both air traffic services and safety regulation.

Despite this, the IAA carried out its statutory duties and functions effectively during 2020 and provided much needed support to the industry. The safety regulator, based on the satisfactory assessment of the related safety case, ensured that appropriate exemptions were facilitated for airlines and other regulated entities, as required. It also focused on safety risk assessments and protocols for a return to normal operations for airlines following several months of suspended activity. At the same time, the IAA continued to provide a full 24/7 air traffic control and communications service at each of its operational centres. This has been an important aspect of the overall national effort on COVID-19, ensuring our vital supply chains for food, medical supplies and other important goods, remain open. Comprehensive contingency plans were put in place across the Company to ensure an uninterrupted service while at the same time protecting the health of our employees. The IAA has followed all relevant Government/Public Health guidance throughout the pandemic.

Financial Performance

The COVID-19 pandemic directly impacted the IAA's financial performance in 2020. The Group incurred a financial loss for the year of €0.9 million, down from a profit in 2019 of €27.8 million. While the EU regulatory framework provides certain downside protection to the en route and terminal air traffic activities of the IAA, the Group experienced a significant decline in its North Atlantic communications business of 58% relative to 2019 and reported a fair value loss on its financial investment, both attributable to the impact of COVID-19. The significant reduction in cash receipts as a result of reduced air traffic, coupled with an EU agreement to extend the payment terms on some 2020 invoices due by the airlines, resulted in the Group drawing significantly on its cash reserves. This ensured that service quality across the IAA's functions was prioritised and maintained despite the impact of the pandemic. The Group had a net cash and deposits outflow of €62.8 million and ended the year with a cash and deposits balance of €169.8 million. This balance would have been lower were it not for the implementation of significant cost containment measures. During the year, the Board received regular updates on the cash position of the Company. The liquidity of the Company will remain a priority for 2021 and beyond to ensure the Company can continue to manage its way through the ongoing challenges caused by the pandemic and support the recovery in air traffic when it comes.

EC Regulatory Framework (RP3)

At the beginning of 2020, the economic regulation of the IAA's air traffic control activities was transferred to the Commission for Aviation Regulation. The RP3 regulatory period, covering the years 2020 to 2024, is currently being replanned following the decision, in March 2020, by the EC to set aside the original Performance Plans submitted in late 2019. This is a very important process for the air traffic management business as it determines the level of operating expenditure and capital investment allowances for the 5-year period, thereby providing financial certainty and stability for the service provider as it focuses on a sustainable recovery post the pandemic.

Brexit

The signing of the EU-UK Trade and Cooperation Agreement at the end of 2020 brought an end to the uncertainty that had prevailed over the past number of years with regard to Brexit and its impact on both safety regulation and air traffic control services. The agreement provided for the effective continuation of cooperation between the EU and UK in the critical areas of safety regulation and air traffic control. The IAA continues to engage on challenges associated with Brexit and also continues to engage with the EU, EASA, the Department of Transport and the industry. Cooperation with the UK in the provision of air traffic services remains unaffected.

New Dublin Tower

Despite significant COVID-related restrictions, work continued on the new visual control tower at Dublin Airport. The technical fit-out of the tower was completed on budget in 2020 and several live trials controlling live aircraft were successfully carried out. Full operations are planned in 2021. The tower is required to facilitate parallel runway operations at the airport.

The IAA's en route contingency control centre was also completed in 2020 and is now available for operations. This is a critical component of the IAA's operational business continuity plans and reflects the requirement of our customers for continued investment in resilience and contingency.

Climate Action and Sustainability

The IAA fully supports the Government's Climate Action Plan 2021 and has climate action and sustainability as one of its priorities. I am pleased to report that, in the latest SEAI report published recently, the IAA achieved a rate of energy efficiency improvement which was well ahead of the target set for public bodies. In 2020, the IAA met its operational environmental targets as set out in the EU regulatory framework.

Chairman's Statement (continued)

Governance

The Board is committed to continuing to meet the highest standards of corporate governance. In 2020, the IAA complied with the Code of Practice for the Governance of State Bodies and has put in place appropriate measures to ensure its continued compliance.

Acknowledgements

In December 2020, Michael McGrail retired as Chairperson and member of the Board. On behalf of the Board, I would like to thank Michael for his contributions. Diarmuid Ó Conghaile joined the Board and Ernie Donnelly's term was extended by the Minister for one year. I am pleased to note that the gender balance of the Board in 2021, 56% male and 44% female, has improved over 2020. The Board has adopted a gender balance policy.

On behalf of the Board, I would like to thank the Chief Executive, Peter Kearney, and all the staff at the IAA for their hard work and commitment in the last year.

Conclusion

There are challenging years ahead. The outlook for 2021 is not as positive as we would have hoped but an effective vaccine rollout across Europe and the US could see a sustainable re-opening of aviation later in the year. However, air traffic levels over the course of 2021 are likely to be as low, if not lower, than the full-year 2020. This will mean that the current difficult financial position will continue and the IAA will have to maintain its focus on cost containment in 2021. Notwithstanding this, however, the delivery of our statutory functions in a safe manner remains our priority. From a safety regulation perspective, the longer-term impacts of the pandemic on airline stakeholders remains unclear; for now, the priority is a safe and sustainable re-start in 2021, where public health safety remains to the fore.

With institutional separation on the horizon, we look forward to the enactment of the Air Navigation and Transport Bill, the establishment of the new commercial ANSP (Air Navigation Services Provider) and the merger of the Commission for Aviation Regulation into the IAA, to form the new Aviation Regulator. This single regulator model offers the opportunity to develop increased synergies and efficiencies between aviation economic and safety regulation, for the benefit of the industry and passengers. It also provides an enhanced framework for the new ANSP to pursue commercial and aviation development opportunities; indeed, the pandemic has highlighted the need for increased revenue diversity for both the ANSP and the aviation regulator.

Finally, the challenge of aviation sustainability will be to the fore in the coming years. The IAA has been an industry leader in this area to date and there remains an opportunity for the Company (and the two entities post separation) to continue to be agenda setters as the industry rebuilds post COVID-19. Aviation remains vital to the Irish economy, a significant economic sector in its own right and also a key enabler of tourism, business growth and societal well-being. This importance will be highlighted as the Irish economy seeks to re-build after COVID-19. However, we must ensure that the climate challenge is also addressed in parallel and that sustainable aviation supports a sustainable carbon-conscious economy.

I look forward to working with my colleagues on the Board and with the management and staff of the IAA on the challenges and opportunities.



Rose Hynes
Chairman

Chief Executive's Review

“The IAA maintained a full, safe and high-quality service to all its customers, despite the pandemic. Our primary focus was on ensuring the safety of our staff and the continuity of our essential air navigation and regulatory services. We will continue to support the industry through a sustainable restart in 2021.”

Peter Kearney
Chief Executive

**COVID-19**

The aviation industry has experienced many shocks in its time – the 9/11 terror attacks, volcanic ash, the global financial crisis of 2008 – but none of these compare with the impact and uncertainty brought about by COVID-19. Since our establishment in 1994, we have never faced the level of operational and financial challenge that we faced since March 2020, as a direct result of the COVID-19 pandemic.

The aviation and travel industries globally have been one of the sectors worst affected by COVID-19. In 2019, the IAA safely managed a record number of flights – 1.17 million in total with increases recorded across all flight categories (en route, terminal and North Atlantic communications). By the end of 2020, we had recorded levels of air traffic akin to the late 1980s, just 498,803 flights in total, down almost 60% on 2019. At one point in April 2020, flight numbers were down by 90%. Indeed, were it not for a broadly positive performance up to mid-March when the pandemic commenced, the figures for the full year would have been worse. This trend has continued into 2021 and all indications are that the recovery for aviation will not be in the short term. Despite this sudden reduction in air traffic levels and the pressures caused by the pandemic, the IAA maintained a full, safe and high-quality service to all its customers.

Throughout the pandemic, the IAA's primary focus has been on ensuring the safety of our staff and the continuity of our essential air navigation and regulatory services. We started planning our contingencies and business continuity scenarios in late January 2020 and had already implemented significant protections and health and safety measures for staff by the time COVID-19 arrived in Ireland.

Chief Executive's Review (continued)

These included PPE for staff, protective screens and barriers, improved ventilation/review of air-conditioning settings, modified rostering, remote working and reserve teams to minimise staff circulation and mixing. We have continued to review, revise and modify these various measures in line with Government and HSE guidance, working in collaboration with staff representatives and health and safety experts.

These measures, coupled with the adherence of IAA staff to public health advice, have ensured that a full service has been maintained across all of our areas of statutory responsibility. Significant assistance to the wider aviation industry was also provided. From a regulatory perspective, the IAA reviewed and provided appropriate exemptions and alleviations to airlines, where safety was not impacted, to ensure that airlines could adapt to the COVID-19 restrictions across Europe and the reductions in flight hours. We also provided important regulatory assistance and advice to airlines early in the pandemic with regard to the development of new routes to Asia and the Far-East for the sourcing and delivery of vital PPE and medical supplies. From an air navigation services (ANS) perspective, the IAA's role in keeping the skies open for important PPE, medical and cargo supplies into Ireland is highlighted, as well as our critical role, between Europe and the US, as the gateway to transatlantic travel and its importance for cargo between the two continents.

In a significant show of support to the industry, the IAA agreed, in line with the other Member States of EUROCONTROL, to extend the payment terms on its en route invoices due in April, May, June and July 2020, deferring payment out to November 2020, February, May and August 2021 respectively. The IAA voluntarily extended this offer/agreement to include terminal and North Atlantic communications invoices. This gesture was designed to deliver significant relief (almost €23.0 million) to our airline customers, recognising the sudden impact of the crisis on their cash-flow positions.

Managing our own cost base and preserving our liquidity was a key response to COVID-19 and the immediate loss of income. This financial shock required the IAA to focus on the utilisation of its cash reserves, established over a number of years of profitable, prudent financial management, in order to maintain its statutory services to its airline customers and regulatory stakeholders. Significant cost containment measures were introduced throughout the year while capital projects were re-prioritised, where safe to do so, to conserve liquidity. The Group's opening cash and deposits balance at the start of the year was €232.6 million and had reduced by €62.8 million to €169.8 million by the end of December 2020. Without the actions taken, the level of cash burn would have been significantly higher. Cost containment remains in place in 2021 and is a necessary component of our strategy to manage our way through the crisis and secure the future of the Company.

The 'Shine-Your-Light' campaign



We were extremely proud to work with the ESB in April 2020 to develop the IAA-ESB *Beacon of Light* in support of the *Shine-Your-Light* campaign for COVID-19 and in solidarity with healthcare workers. This beacon, shining from the top of Ireland's tallest building, the IAA's new air traffic control tower at Dublin Airport, was an important symbol of hope and support for the country during one of the toughest periods of the COVID-19 pandemic. We also acknowledge the role of our colleagues in the ESB in helping us to bring our vision for this beacon to reality.

Safety Regulation

Safety remains our number one priority across all areas of our business, notwithstanding the challenges caused by COVID-19. Over the course of 2020, our Safety Regulation Division (SRD) continued to deliver a world class safety regulatory system for the entire Irish aviation sector. The IAA's safety performance remains highly ranked in an international context, with ICAO (International Civil Aviation Organisation) scoring the IAA/Ireland as second in Europe in terms of the effective implementation of safety standards. A Section 32 (IAA Act 1993) audit, carried out by Helios and Egis on behalf of the Minister for Transport and published in May 2020, concluded:

"The IAA is a mature organisation in the way it applies and enforces technical and safety standards to aircraft and air navigation. In some areas, such as in the regulator's development of organisation risk registers and the ANSP safety performance management, it is at the forefront of aviation safety. This is reflected in the consistently good scores obtained during EASA standardisation inspections and Civil Air Navigation Services Organisation (CANSO) evaluations. The organisation has implemented a comprehensive safety system, with qualified staff who possess relevant industry experience. This is supported by the organisation's commitment to continuous training. SRD's oversight approach is proportional to the size and remit of regulated entities and stakeholders reported a healthy relationship with inspectors."

Further progress was made on our important *SRD Digitalisation* project in 2020. This initiative, which we formally commenced in 2019, will see the significant modernisation of many aspects of our regulatory services, with a wide range of services available in an electronic format and the opportunity for efficiencies and enhanced service in years to come. Our regulatory services have adapted throughout 2020 to the challenge of COVID-19, including our work with EASA/ECDC on the monitoring of the Aviation Health Safety protocols; *SRD Digitalisation* provides the opportunity for continued evolution for the benefit of the regulated industry and passengers in the future.

"The new air traffic control tower at Dublin Airport is planned to be fully operational in 2021; a number of live trials were conducted safely during 2020."

Air Navigation Services (ANS)

Significant work was carried out across the ANS business in 2020 to ensure full compliance with the safety and governance requirements of Commission Implementing Regulation (EU) 2017/373. This is a new and challenging Regulation, and is strongly supported by the IAA as being consistent with our ethos of continual improvement and critical review.

We continued with important capital project works over the course of 2020, despite some delays and re-plans required due to COVID-19 interruptions. The new air traffic control tower at Dublin Airport is planned to be fully operational in 2021; a number of live trials were conducted safely during 2020. We completed our en route contingency centre at Ballygirreen, Co. Clare in late 2020, providing vital business continuity and contingency for our business into the future.



Meanwhile our Aireon ALERT service, launched in July 2019 and based at our North Atlantic communications centre in Ballygirreen, continued to provide its vital life-saving services to the global aviation community. I am extremely proud that the service was awarded the CANSO Global ATM Safety Award for 2020, in February 2021. This is validation for the dedication and vision of

IAA staff in bringing this service to fruition and global recognition of the highest standards of excellence and public service that the IAA continually strives to achieve.

The COVID-19 pandemic resulted in the European Commission's decision not to approve the economic regulatory plans for the period 2020–2024 for European States, including the IAA's service provider's plan. Instead, the EC decided to review and amend the economic regulatory framework, resulting in specific, temporary measures published in November 2020 in a new Performance and Charging Regulation (Regulation EU 2020/1627). This now requires the IAA (and all other air navigation service providers across Europe) to develop a new regulatory plan for the period 2020–2024. A new plan is currently under development; however, this has contributed to the overall environment of uncertainty that exists, given that it will be almost halfway through the regulatory period (2022), before plans are finally approved by the EC.

Financial Performance

The Group recorded a loss for the financial year of €0.9 million, its first loss since its establishment in 1994. The Group's turnover decreased by 21.2% to €155.5 million. Under the exceptional measures introduced by the EC in response to COVID-19, almost one third of this revenue is deferred for collection over a period of up to seven years from 2023. Net assets for the Group reduced by €12.6 million to €203.0 million explained, in the main, by the increase in accrued revenue offset by the reduction of €62.8 million in the Group's cash and short term deposits. The shortfall in air traffic receipts due to reduced traffic volumes and the extended credit terms mentioned above resulted in the Group's cash and short term deposits balance decreasing from €232.6 million at the beginning of the year to €169.8 million at the end of the year. Managing the Company's cost base and liquidity will remain a key priority in 2021 and beyond.

"Our Aireon Alert service, continued to provide its vital life-saving services to the global aviation community and was awarded the CANSO Global ATM Safety Award for 2020."

IAA Restructuring

The aviation regulation reform project remained a core priority in 2020. Significant progress was made by the IAA over the course of the year, both in terms of the detailed preparatory work on financial, legal, HR, IT, contractual and other areas and in terms of our input and support to the Department of Transport on the Air Navigation and Transport Bill. We have welcomed the publication of the Bill in December 2020, as well as the appointment of the new Aviation Regulator / CEO Designate, Diarmuid Ó Conghaile, who started his new role with the IAA on 1st January 2021. This now marks the commencement of the transition phase of the project where all of the required transitionary steps will be put in

Chief Executive’s Review (continued)

place, in anticipation of the enactment of the Bill and formal legal separation of the air traffic service provider and the safety regulator in summer 2021. We embrace and look forward to the new structures. This provides us now with an opportunity to build upon the solid foundations created by the IAA since 1994 and continue to improve safety regulation and air navigation service provision into the future. Indeed, with the devastation that COVID-19 has caused for the aviation industry, there is no better time than now to refocus the regulatory structures and to enhance the commercial focus of the service provider, aimed at delivering further value to Irish aviation and to passengers.

I look forward to taking up my position as the first Chief Executive of the newly constituted commercial air traffic services semi-State company. There are a number of significant challenges facing the new company as the industry emerges from the COVID-19 pandemic. We must ensure financial stability in the first instance, whilst building upon the track record of world class performance established over 27 years by the IAA. In addition, we will look to diversify our revenue streams, establish a strong brand and grow our networks globally for the benefit of Irish aviation.

“IAA has achieved a 41% energy efficiency saving in 2020, well ahead of the 33% target. We have also sourced 100% renewable electricity and have developed our Sustainability Management Plan.”

Accordingly, this is likely to be the final annual report of the IAA as an integrated air navigation services provider and safety regulator. The structure set out in the Irish Aviation Authority Act, 1993 has undoubtedly served the Irish aviation sector, the State and airline passengers well, underpinning as it has the delivery of an internationally recognised tier 1 safety regulatory regime and a global leader in the provision of safe and efficient air traffic management services. The next chapter of the Company’s evolution is now imminent, and we look forward to a seamless transition to the new structures later this year, post enactment of the Air Navigation and Transport Bill.

Brexit
Brexit remained a key concern for both our ANS and safety regulation businesses over the course of 2020 and we provided support and input to the Department of Transport as the Brexit discussions continued. In addition, there was a large volume of work involved in transferring a significant volume of UK flight crew licences to the IAA in order to minimise the negative impacts of Brexit. The EU–UK Trade and Cooperation Agreement, finalised in late 2020, provided for the continuation of existing ANS and safety co-operation.

Sustainability
The IAA has always been conscious of the importance of sustainable aviation. In the past we have been to the forefront in delivering initiatives such as Free Route Airspace (FRA) across the Shannon FIR and Point Merge at Dublin Airport. These initiatives deliver CO₂ savings and fuel savings for airlines and environmental benefits for society. Sustainability has continued to be a priority over the course of 2020 and indeed the COVID-19 crisis now provides aviation with the opportunity to prioritise environmental sustainability in our efforts to combat climate change in the coming years. The IAA air traffic service provider will play a leading role in this. Over the course of 2020, we have achieved a 41% energy efficiency saving, well ahead of the 33% target set by SEAI. We have also sourced 100% renewable electricity for the first time and have developed our Sustainability Management Plan, for launch later in 2021.

Acknowledgements
Our people are our greatest asset. I know that the past year has been very challenging for our staff given the impact of COVID-19 on the aviation sector, as well as having to face the anxieties and stresses brought about by the pandemic. I am grateful that IAA staff have recognised the financial challenge which COVID-19 has caused for the Company and have continued to do all that has been asked of them to assist with our ongoing cost containment measures. This has not been easy, but unfortunately it has been necessary. Further, the continued expertise and professionalism of IAA staff in the delivery of their roles, despite the impact which COVID-19 has had on morale, must also be acknowledged and is appreciated.

I would like to thank our former Chairperson, Michael McGrail, and the Board for their assistance in 2020. I look forward to working closely with our new Chairman, Rose Hynes.

Finally, there are significant challenges facing the aviation industry in the coming years. I believe that the IAA remains in a good position to meet these challenges and to take advantage of the opportunities that lie ahead. As an essential public service provider, we are committed to keeping our skies safe and supporting the aviation industry through the recovery years ahead.

Peter Kearney

Peter Kearney
Chief Executive

Aviation Regulator / CEO Designate Statement

“The Restructuring Programme currently underway, with the legislation now before the Oireachtas, will create a single aviation authority with responsibility for all aspects of aviation regulation, including safety and security, personnel licensing, travel trade and airline licensing, financial oversight, economic regulation, runway-slot regulation and consumer protection, including arrangements for Passengers of Reduced Mobility. This structure represents a significant advance in our national approach to the sector, and will equip the regulator to facilitate and support the industry in its recovery from the unprecedented disruption of the pandemic and in meeting future challenges, including maintaining competitiveness and connectivity and meeting the environmental imperative.”

Diarmuid Ó Conghaile
Aviation Regulator / CEO Designate



COVID-19
The pandemic-wrought devastation of aviation is the story of 2020, and at time of writing the path for the industry to some sort of normality remains uncertain. Nor is it clear yet what the lasting impact of the pandemic will be. When the immediate crisis of the disease has passed, the huge economic shock will only begin to unwind.

For the IAA’s safety regulation function, one of its main tasks has been supporting industry in dealing with the impacts of lockdown, e.g. developing safety protocols for operating in the COVID environment, facilitating long-term storage of aircraft and conducting safety risk assessments for return to normal operations, with associated mitigating actions.

While passenger volumes dropped dramatically, new protective measures had to be put in place to minimise health risks to passengers during travel, i.e. at airports, embarking, on flights, and disembarking. The IAA has been responsible for monitoring the implementation of the EASA/ECDC Aviation Health Safety Protocol, and compliance has been very high. As disease risk recedes and passenger volumes rise, these protocols will need to be adjusted to accommodate greater flow of people.

“The pre-eminent responsibility of the IAA is our continuing oversight of safety and security in Irish aviation.”

Aviation Regulator / CEO Designate Statement (continued)

Safety and Security Performance

The pre-eminent responsibility of the IAA is our continuing oversight of safety and security in Irish aviation.

2020 was another year of strong safety performance by the Irish industry, and high-level information on safety performance is published in the IAA's Annual Safety Performance Review, available on <https://www.iaa.ie/safety/annual-safety-performance-reviews>.

The IAA is subject to review itself through ICAO, EASA and national audits (in addition to our own internal compliance monitoring activities) and we continue to perform as a global leader. For instance, the ICAO league table for effective implementation of global aviation standards scores Ireland/IAA at 95.1%, which places us 7th globally and 2nd in Europe, where the average is 84%.

“The development of the drone industry continues apace, with the enormous expansion of activity and the implementation of new regulations presenting challenges for industry, regulators and private users.”

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 the regulatory requirements are implemented by airport operators, airport-service providers, air carriers, cargo and logistics entities and others. In 2020, more than 400 organisations were regulated by the IAA for their aviation security activities in the State.

Brexit

Had it not been for COVID-19, Brexit would have been a big aviation story as we approached the end of the UK's transitioned exit from the EU at the end of 2020. Throughout the long period of uncertainty preceding the change, the IAA provided advice and support to affected parties on both sides of the Irish Sea, particularly in the areas of personnel licensing and medical certification, aircraft operations and airworthiness.

While the UK's exit from the EU is very much regretted and constitutes a blow to European aviation in the broad sense, the signing of the EU-UK Trade and Cooperation Agreement (TCA) brought necessary certainty. The impacts continue to play out. We have lost and will lose aircraft to the UK register. On the other hand, there are opportunities, including previously UK-based aviation organisations needing to set up EU-based subsidiaries, regulated by an EU Member State. As with other sectors, the aviation industry in Ireland needs to compete to win these opportunities, and the IAA, as aviation regulator, will play its part in presenting Ireland as the preferred EU destination.

Aviation Regulation Reform Project

At time of writing, the Air Navigation and Transport Bill (ANTB) 2020 is passing through the Oireachtas, with enactment due later this year. The ANTB will formalise the legal separation of the Air Navigation Service Provider (ANSP) from the IAA and the dissolution of the Commission for Aviation Regulation (CAR) and the merger of its functions with the IAA. Following the publication of the Bill and my appointment from the start of January as Aviation Regulator/IAA CEO Designate, we have accelerated the preparations for separation/merger and I am working closely with my colleagues Peter Kearney, current IAA CEO who will become the CEO of the new independent ANSP, and Cathy Mannion, Commissioner of CAR, who, together with the full CAR team, will be joining the new IAA.

The formation of a single civil aviation authority, with responsibility for all aspects of civil aviation regulation, including safety and security, personnel licensing, travel-trade licensing, airline licensing and financial oversight, economic regulation, runway-slot regulation, and consumer protection, including passenger compensation and arrangement for passengers with reduced mobility, represents a significant advance in the regulatory structure for aviation in Ireland and brings us into line with best European and global practice. The new structure will equip us to better support Irish aviation, at home and competing abroad, in this time of enormous difficulty and challenge for the sector, and also to support the Department of Transport, together with sector stakeholders, in formulating policy to facilitate competitiveness over the coming decade.

Drones

The development of the drone industry in Ireland continues apace. The expansion of activity in this sector in Ireland and throughout Europe is enormous. It is a big challenge for regulators to keep pace with the development of the industry, and a challenge for industry and private operators to understand and implement the requirements of new EU regulations.

The new drone regulations, applicable in all EU member states, affect anyone operating a drone, whether in a private or professional capacity. The first set of implementing rules were published in June 2019 and became applicable in December 2020. The new rules are detailed and complex and require fundamental changes in the current national operation rules and in how we conduct oversight of Unmanned Aircraft Systems (UAS).

The IAA's new digital platform, 'mySRS', has been successful in making available an online 24/7 drone-operator registration system and in providing the basic mandated pilot training, but much further work is required in this area, including in developing and managing U-Space, which in simple terms means air traffic control for drones, advanced socio-technical systems which will be required to handle large volumes of drones operating at low altitudes in urban areas.

The EU regulations to govern this area are due to be published in April 2021 with applicability from January 2023. The IAA is supporting the Department of Transport in preparing a national UAS and U-Space strategy in consultation with industry stakeholders.

Boeing 737-8 and -9 (Max) Return to Service

Throughout 2020, the IAA continued to be closely involved with EASA's work programme on the return to service of the Boeing 737 Max aircraft. The review was substantially completed during 2020 and EASA gave its formal approval for the return to service of a modified version of the Boeing 737 Max aircraft in January 2021.

“As vaccine roll-out gathers pace and we make progress fighting this disease, let us work together for the recovery, returning aviation to its pivotal role as a strategic driver of growth and prosperity for Ireland.”

The return-to-service conditions imposed by EASA mandate a package of aircraft software and hardware design changes, maintenance checks, operations manual updates and crew training which will allow the aircraft to return safely after almost two years on the ground. Any new Boeing 737 Max aircraft joining the Irish aircraft register will have the necessary design changes implemented in the factory prior to delivery. The IAA will ensure, on an aircraft-by-aircraft basis, that the required changes have been implemented prior to the return to service of individual aircraft already on the Irish register.

Team Effort

In conclusion, I would like to commend the IAA team for its performance in the past tumultuous year. Notwithstanding the difficult personal circumstances imposed by the pandemic and the demands of delivering our services (often remotely) to an industry under severe pressure, we pulled together as a team and maintained our commitment and effectiveness in supporting the Irish aviation industry. As vaccine roll-out gathers pace and we make progress fighting this disease, let us work now together with our industry partners for the recovery, returning aviation to its pivotal role as a strategic driver of growth and prosperity for Ireland.



Diarmuid Ó Conghaile
Aviation Regulator / CEO Designate

Operating and Financial Review

Safety Regulation

COVID-19



The COVID-19 pandemic had a significant impact on aviation regulatory functions during 2020 with the focus on two main areas:

- On-going assessment of the impact of new safety risks introduced by COVID-19 on the IAA regulatory oversight functions and the safety management functions of regulated entities; and
- The provision of regulatory support to the aviation industry, as necessary, to ensure continued operations for essential reasons.

A number of measures were put in place to identify and mitigate the safety risks including:

- Specific risk analysis to identify new COVID-19 risks in each aviation sector and appropriate mitigating actions by SRD (Safety Regulation Directorate of the IAA) to ensure appropriate risk controls were in place;
- Revised regulatory oversight programmes to include remote auditing, where appropriate, to overcome COVID-19 health restrictions preventing on-site audits and inspections;
- Actively supporting the EASA COVID-19 risk management processes to ensure an EU standardised approach to risk management and safety promotion in this area;
- Monitoring of the EASA/ECDC Aviation Health Safety Protocol at Irish airports and on flights into and out of Ireland.

The impact of COVID-19 had an immediate and dramatic effect on passenger air transport that caused a huge reduction in flight operations, including a complete cessation of operations for some operators. COVID-19 impacted some of the support services that enable air transport, such as crew training and aeromedical examinations and created new demands for health-related aircraft operations in Ireland.

Temporary regulatory approvals were issued to support the industry, based on the satisfactory assessment of the related safety case. This included the approval of alternate means of compliance to EASA regulations; approval of exemptions to specific licensing, operations and training requirements; extension of validity of medical certificates; processing of design changes to allow the use, for cargo, of the main cabin of passenger aircraft; and transition and storage of aircraft on the Irish register.

SRD will continue to support Irish industry and proactively identify and mitigate COVID-19 safety risks as the pandemic continues.

Brexit

The long period of uncertainty on foot of the UK Brexit decision continued throughout 2020. The IAA has been actively supporting affected Irish and UK industry stakeholders during this period of uncertainty, particularly in the areas of personnel licensing, aircraft operations and airworthiness.

The signing of the EU-UK Trade and Cooperation Agreement (TCA) and the withdrawal of the UK on the 31st December 2020 brought an end to the period of uncertainty, but it now requires continued engagement by the IAA with the EU, EASA, the Department of Transport and industry in the post-Brexit scenario. This includes addressing issues over market access requests from UK-based operators, as well as the certification and oversight of service providers based in the UK on behalf of EASA. The IAA continues to process UK-based pilot and aircraft maintenance engineer applications for Irish (EU) licences.

In addition, the EU-UK TCA provides a mechanism to agree certain annexes to expand future co-operation and mutual recognition of approvals and certificates. These annexes will address areas such as continued airworthiness, environment certification, aircraft design, organisation approvals, personnel licensing, training, and operation of aircraft to help address current difficulties caused by Brexit in these areas.

Boeing 737-8 and -9 (MAX) Return to Service



The IAA has been actively engaged with EASA on the return to service of the Boeing 737 MAX aircraft during 2020. The EASA review, in consultation with Member

States, was substantially completed during 2020 and EASA gave its final seal of approval for return to service of a modified version of the Boeing 737 MAX aircraft in January 2021.

The return to service conditions mandated a package of aircraft software and hardware design changes, maintenance checks, operations manual updates and crew training which will allow the aircraft to safely return to service after almost two years on the ground. It is intended that new Boeing 737 MAX aircraft will have the necessary design changes implemented in the factory prior to aircraft delivery.

The IAA oversight programme is focused on ensuring mandatory requirements are met on an individual aircraft basis, before the aircraft is returned to service by Irish operators, or by foreign operators of Irish registered B737 MAX aircraft.

Digitalisation project

The SRD 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 project will see business processes such as client management, applications processes (approvals, registration, certification, licensing etc.) and oversight processes migrate to online platforms across all domains over the next few 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, during 2020, the plan delivered enabling software applications (client management) and cybersecurity testing. Operational applications were implemented for drone operators and drone pilot training. Applications to support aerodrome and aviation security activities were developed to an advanced stage. The work programme for 2021 will see these applications implemented and further applications being developed in other aviation domains.

Unmanned aircraft systems (UAS)

The new EU drone regulations affects anyone operating a drone with a mass of 250 grammes and above, whether in a private or professional capacity. The first set of implementing rules were published in June 2019 and became applicable in December 2020. EU Regulation 2019/947 lays down the rules and procedures for the operation of UAS, as well as for personnel, including remote pilots and organisations, involved in those operations. These regulations are detailed and comprehensive and require fundamental changes in the oversight of UAS.

The focus of SRD activities during 2020 was in planning for the implementation of the regulations at the authority level, and in advising existing nationally approved drone operators and the Irish public of the new regulations. The SRD digitalisation system has been used to provide an online 24/7 drone operator registration system and basic pilot training.

We are also involved in developing the U-Space concept and regulation, a future automated air traffic control system which can handle large volumes of drones in low altitude urban areas. The related EU regulations are due to be published in April 2021 with an applicability date of 26th January 2023. SRD is supporting the Department of Transport in discussions with other State departments and agencies to develop a national UAS and U-Space strategy, as well as supporting research and industry in this area.

More information can be found at <https://www.iaa.ie/general-aviation/drones>.

Regulatory changes

The safety regulatory framework is continuously being updated to improve safety and efficiency in aviation and to support fair competition within the EU. The IAA safety regulation division (SRD), and regulated entities in Ireland, must have robust change management processes to ensure continued compliance with the regulations.

EU/EASA implemented a temporary suspension of elements of the EU rulemaking programme in 2020 in recognition of the impact of the COVID-19 pandemic on both regulators and industry stakeholders. Nonetheless, work has continued in preparation for some significant regulatory changes to be implemented by SRD in 2021, including:

- Alcohol testing of flight and cabin crews, effective in February 2021; and
- New global runway condition reporting format, impacting aerodromes, airlines, and air navigation service providers, effective in August 2021.

Safety performance

The level of aviation activity in Ireland during 2020 was significantly affected, in some sectors, with large reductions in operations for passenger-carrying commercial aircraft, and aviation traffic in Irish airspace and at Irish airports. As expected, cargo operations increased to meet public demand and COVID-19 related needs, however, airworthiness operations were largely unaffected as aircraft (including parked aircraft) required on-going maintenance.

There were 1,235 aircraft on the Irish civil aviation register at the end of 2020, a decrease of 114 or 8.5% from the end of 2019. An analysis is provided in the table below. COVID-19 did have an impact in terms of increased aircraft in storage, however the biggest change was due to a pre-planned transfer of commercial transport aircraft off the Irish register as part of a new Group operations model.

Operating and Financial Review (continued)

	At 31 December 2020	Compared with 31 December 2019
Registered Aircraft		
Commercial Irish AOC	457	- 146
Commercial foreign lease	168	- 29
Commercial storage	78	+ 46
Non-Commercial EASA	259	+ 8
Non-Commercial National	273	+ 7
Total	1,235	- 114

Personnel licensing applications continued to increase during 2020, mainly driven by Brexit preparations, with many UK licence holders applying for EASA licences through the IAA.

	At 31 December 2020	Compared with 31 December 2019
Licences Issued		
Commercial pilot	13,191	+ 920
General aviation pilot	1,476	+ 240
Maintenance engineer	2,721	+ 213
Air traffic controller	214	- 4
Radio officer	25	- 32
AFISOs	5	0

A comprehensive internal compliance monitoring system has been implemented to ensure that all oversight obligations are completed in accordance with regulations, across all sectors of civil aviation. In addition, the IAA is subject to EASA standardisation inspections during which EASA confirms that the IAA is fully compliant with EASA requirements for authorities. There were no EASA standardisation audits planned for Ireland in 2020. 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.

As well as implementing robust compliance 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 at sector and organisational level.

The IAA continues to maintain its strong position on the ICAO league table for effective implementation (EI) of global aviation standards, with a current EI score of 95.06%. This places Ireland in 7th position in the world ranking, well above the world average score of 68.86%, and in 2nd position among EU Member States where the EU Member State average is 83.96%.

The SRD safety risk management function maintains ongoing review and analysis of risk and performance at State, sector, and organisation levels to help prioritise regulatory actions towards the areas of greater safety concern. The key outputs from this process are published in the State Plan for Aviation Safety for Ireland <https://www.iaa.ie/safety/state-safety-plan>.

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 the 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 2020, more than 400 organisations were regulated by the IAA for their aviation security activities in the State.

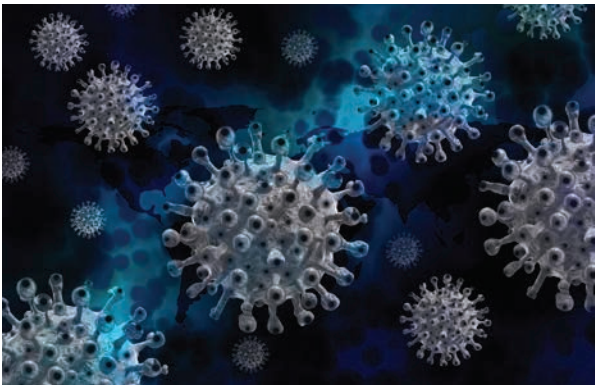
With the UK leaving the European Union, a redistribution of regulatory tasks previously assigned to the UK was undertaken by the European Commission. One outcome of the re-distribution was that the regulation of a number of large third country air carriers was assigned to the IAA.

The considerable changes in operational practices as a result of the pandemic can impact security culture and for this reason the IAA is maintaining a close focus on return to normal operations. Two additional inspectors were appointed in 2020 and a series of workshops and coordination activities were conducted to further advance aviation security implementation standards. We continued to provide technical advice at national and European level.

Air Traffic Management

COVID-19

The COVID-19 pandemic had a dramatic impact on air traffic levels from mid-March 2020 as passenger demand declined due to health concerns and travel restrictions imposed by governments across the world. This resulted in the largescale cancellation of passenger flights and the suspension of many routes. The International Air Transport Association (IATA) estimates that, globally, air traffic reduced by 66% in 2020 compared to 2019. EUROCONTROL reported that flights were down by 55% in Europe with 1.7 billion fewer passengers through airports. 2020 traffic volumes on the North Atlantic routes, critically important to the business of the IAA, reduced by 58% year-on-year.



On the ground, preventative measures such as increased sanitisation and modified rosters were put in place to protect the health and safety of all IAA staff and, where possible, staff were asked to work from home. Despite the challenges posed by the pandemic, staff continued to deliver uninterrupted safe and efficient air traffic management and communications services throughout 2020.

Air traffic activity

In Irish-controlled airspace, en route overflights decreased by 56.2% in 2020 to 154,189 flights and in North Atlantic oceanic airspace, the IAA provided high frequency (HF) communications services to 213,106 flights, down 58.3% on 2019. Commercial terminal traffic at Cork, Dublin and Shannon airports decreased by 64.4% to 97,006 movements in 2020. Traffic at Dublin Airport accounted for 86% of total commercial terminal traffic (83,252 movements). An initial recovery of air traffic started in Q3, but it stalled in Q4 as a third wave of COVID-19 infections was accompanied by the imposition of increased travel restrictions across Europe.

En route operations

Our en route operations centre, based in Shannon, Co. Clare, manages the transition of flights between European and North Atlantic oceanic airspaces through our efficient free route airspace. Almost 90% of all transatlantic traffic between Europe and North America passes through Irish-controlled airspace.

Irish free route airspace is one of the most environmentally efficient airspaces in the world, allowing our airline customers the ability to choose their most efficient trajectories. Nevertheless, the IAA is continually trying to reduce the environmental impact of aviation through a range of projects including increased continuous decent and continuous climb operations (CDO/CCO) and the re-design of lower airspace. We are also participating in a number of environmental improvement studies such as the 'Fello'fly' study. This study, supported by leading cross-industry partners, aims to determine the fuel saving benefits and feasibility of formation flights, utilising the wake of the leading aircraft to reduce drag on following aircraft thereby reducing their fuel burn. This concept is very similar to the way birds migrate in formation to conserve energy.

Terminal operations

The IAA provides terminal air traffic management services at Dublin, Cork and Shannon airports. Despite significant COVID-19 related restrictions, the technical fit-out of the new visual control tower at Dublin Airport was completed and tested. Several trials controlling live aircraft were successfully conducted from the new tower during the summer. The remaining staff training and regulatory approval for full operations will take place shortly with the intention of moving to live operations in 2021.

We have been working in close co-operation with the daa on the parallel runway project and the runway is now nearing completion. We expect to commission landing systems for the new runway later this year. We also worked closely with the daa to re-designate the existing main runway as Runway 28L/10R. This was done as a safety precaution while the new runway is under construction.

At Shannon Airport, all recommendations of a recent independent safety survey (NOSS survey) of operations have been implemented. New runway patrol procedures, which aim to reduce the potential for runway incursions, were implemented at Cork Airport in 2020 in association with the daa.

Technology

The provision of a safe and efficient air traffic management system is underpinned by effective technology. In 2020, the IAA's technical services managed to progress a number of projects while operating in an extremely challenging COVID-19 environment. These projects included:

- **En route contingency centre**
In December 2020, the IAA opened a new contingency centre for en route operations at Ballygirreen, Co. Clare. The Centre significantly improves the operational resilience of our en route operations by replicating the Shannon air traffic control centre and allowing for a full air traffic control service to be provided within four hours of the Shannon centre becoming unavailable.
- **New visual control tower at Dublin Airport**
While construction on the new Dublin Control Tower was completed in 2019, the tower was advanced to a state of technical readiness in 2020 with the completion of the technical fit-out, within budget. Full live operations are planned for 2021. The new tower is required to facilitate parallel runway operations at the airport.
- **Cyber resilience**
The IAA, as an air traffic management provider, has been designated as an operator of essential service. This means that we must comply with the EU-wide security of network and information systems (NIS Directive) which aims to boost the overall level of cybersecurity. To support this, a programme of works to maximise NIS framework compliance was completed in 2020.

Operating and Financial Review (continued)

COOPANS

The IAA is a member of COOPANS, a consortium of six air navigation service providers - AustroControl (Austria), Croatia Control (Croatia), IAA, LfV (Sweden), Naviar (Denmark) and Nav Portugal (Portugal) – and its industry partner, Thales. COOPANS operates an internationally recognised world-class air traffic management system. In 2020, the replacement of all of the flight data processing hardware was completed and a number of software enhancements were also deployed.

Other

A new IP (Internet Protocol) network providing connectivity between all of the IAA's sites and centres and a renovated VHF communications site at Rosslare went operational during the year.

The technical services division of the IAA significantly strengthened its competency assessment processes to ensure compliance with the requirements of Regulation (EU) 2017/373 while a wide-ranging mechanical and electrical systems upgrade programme was also completed in 2020.

attainable. This maturity level demonstrates a consistent approach to all SMS objectives. In addition, the IAA ANSP has three recognised *Optimised Best Practices* (just culture, safety culture and safety performance monitoring) which have been validated by the CANSO best practice moderation review group.

The safety key performance indicator measured as part of the Single European Sky (SES) performance scheme is the annual EASA Effectiveness of Safety Management (EoS_M). It is an annual, regulatory assessed and competent authority validated, safety key performance indicator. In the latest report, published in 2020, the IAA ANSP maintained its safety maturity score of 92% compared with the average across all other EU service providers of 84.47%.

The IAA ANSP continually reviews the assessment measurement processes of both survey formats mentioned above in order to identify areas for potential safety management systems enhancements. This approach, and focused activity, supports the IAA's policy of SMS 'Continuous Improvement'.

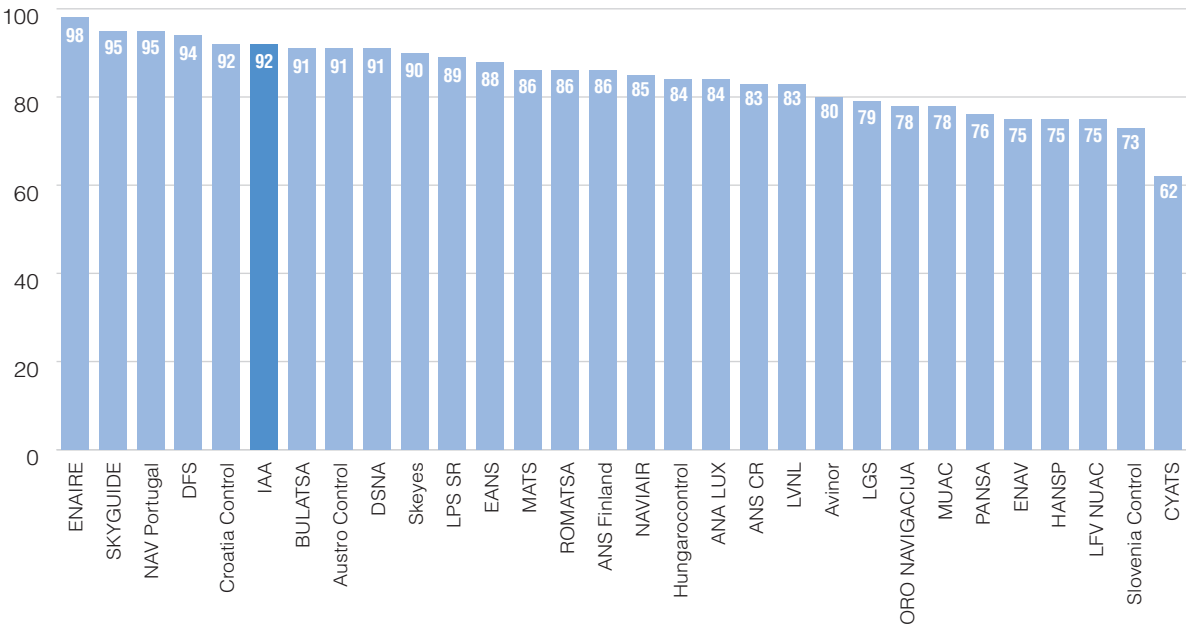
Safety performance

Since 2002, CANSO/EUROCONTROL has conducted surveys to establish the level of compliance of air navigation service providers with regulatory requirements and the level of implementation of safety management systems (SMS) in their organisations. These surveys contribute to establishing a global level for safety, based on the highest standards.

In the 2020 CANSO/EUROCONTROL global standard of excellence survey measurement, the IAA air navigation service provider (ANSP) achieved a maturity performance placing us in the top tier of the 49 participants for a fourth successive year. A level 'D' performance was achieved, the highest maturity level



EASA RP2 EoS_M Score (published in 2020)



Operational performance

As an air navigation service provider, the IAA continues to achieve its EC single European sky safety, cost-efficiency, environmental and capacity targets. Our environmental performance, as measured by EC horizontal and vertical flight-efficiency metrics, is consistently one of the best in Europe and we are actively engaging with our Borealis partners with a view to further improvements. In terms of capacity, the IAA reported no en route and negligible terminal air traffic flow management related delays in 2020 and continues to be one of the top performers within the European network. Departure slot adherence at Cork, Dublin and Shannon airports exceeded 95%, well above the European target of 80%. The reduced air traffic levels experienced in 2020 contributed to a general improvement in these metrics across Europe.

Economic regulation - RP3

The IAA ANSP is subject to economic regulation under the single European sky (SES) performance and charging scheme regulations. During the previous economic regulatory reference period (RP2), which ran from 2015 to 2019, the IAA performed strongly, meeting all of its targets under the State Performance Plan in the key performance areas of safety, capacity, environment, and cost efficiency.

In November 2019, the State Performance Plan for the RP3 period (2020 to 2024) was submitted to the European Commission for review and approval. It was anticipated that approval would be provided by early Q2 2020 at the latest. This plan outlined the IAA's forecast costs and investments required to meet forecast air traffic growth over the period to end 2024. However, when the COVID-19 pandemic struck in March 2020, the European Commission took a decision not to approve the RP3 performance plans for any States in the EU. Instead, and as a direct result of the impact of the pandemic on the aviation sector, a decision was taken to revise the performance and charging regulation, which would require a complete revision of RP3 plans, based on new targets and forecasts for the period 2020 to 2024.

After a number of months of negotiation at EU level, Member States signed off on a new performance and charging regulation in November 2020. Regulation (EU) 2020/1627 provides the basis for the development of revised RP3 plans and sets out "exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic". The new Regulation requires that the IAA ANSP prepares its revised RP3 plan in 2021, for evaluation by the Commission for Aviation Regulation, prior to submission of a State Performance Plan to the European Commission in October 2021. It is expected that this plan will then be approved early in 2022.

The revised approach to RP3 is designed to take account of the impact of the reduction in air traffic levels, whilst still requiring appropriate investments in technology, maintenance and training. It provides a mechanism whereby a portion of the IAA's approved costs for the "emergency years" of 2020 and 2021 will be

recovered in later years, commencing in 2023. In addition, revised targets and traffic forecasts will be put in place for the whole RP3 period.

Over the course of 2020 and notwithstanding that there was significant uncertainty around the RP3 framework, the IAA continued to deliver its services to its customers to the same high standards as in previous regulatory periods. While air traffic levels reduced significantly in 2020 as a result of the COVID-19 pandemic, it remained nonetheless important that the IAA's focus on safety and quality remained. The safety of all flights operating under the IAA's control was assured throughout 2020.

Customer care

The IAA is widely recognised as one of the most customer-focused providers of air traffic management services in the industry. Our customer care programme helps us to understand our customers' operational needs and expectations so we can implement the technology and procedures necessary to deliver the excellent service they demand. The customer care programme also supports our customer consultation obligations under European regulation.

The 2020 programme was substantially curtailed by the impact of the COVID-19 pandemic on our customer airlines and by the associated travel restrictions imposed across the world. At the end of 2020, we engaged an independent Brussels-based consultancy to conduct an online survey of our customers' views of our performance during the year. The rate of response to the survey was lower than in previous years but at the end of January 2021, those customers who did respond awarded us an overall customer satisfaction rating of 87.11%. This rating is lower than in recent years, but we believe the reduction is reflective of the many challenges facing our airline customers as a result of COVID-19.



Aireon ALERT

Aireon ALERT (Aircraft Locating and Emergency Response Tracking) is the aviation industry's first and only free global emergency aircraft location service. Aireon ALERT utilises Aireon's space-based ADS-B data and is operated by the IAA at our North Atlantic communications centre in Ballygirreen, County Clare.

Operating and Financial Review (continued)

Air navigation service providers, commercial aircraft operators/airlines, regulators and search and rescue organisations in need of crucial aircraft location data can rely on Aireon ALERT to help provide information on the aircraft's most recent known position, ensuring that search and rescue personnel have the most accurate aircraft position data available when responding to an incident anywhere in the world. The service was launched on the 9th July 2019. Since then, it has assisted in over 60 search and rescue missions. In recognition of its excellence in air traffic management (ATM) safety and its outstanding contribution to the reduction of aviation risk, the Aireon ALERT team have recently been awarded the prestigious international CANSO Global ATM Safety Achievement Award for 2020.

Oceanic Gateway Partnership (OGP)

The Oceanic Gateway Partnership is a collaboration between the IAA and the 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 covering operational, technological, commercial and legal issues, both companies will work together to develop and implement a common operational and technological solution that provides air traffic control and communications services in the Shanwick/North Atlantic oceanic airspace. Project progress has slowed due to the pandemic and the significant reduction in traffic on the North Atlantic.

SES II+

In September 2020, the European Commission communicated a proposed recast of the Single European Sky (SES) legislative framework (SES II+). The SES is the broad suite of European regulations which governs the operation of air traffic management across the European region. While air traffic levels have been severely impacted by the COVID-19 pandemic, the key objectives of the European air traffic management (ATM) system – safety, capacity, environment and cost-efficiency – remain valid. The changes proposed by the European Commission to the broad framework seek to improve the resilience of the ATM system, largely through digitalisation, and open, where possible, a competitive market for some air navigation services. This revision of SES II+ has also been identified by the Commission as an enabler to achieve the goals of the European Green Deal, the EU's headline strategy on climate action.

A separate proposal to amend the EASA Basic Regulation was also put forward by the Commission to establish a pan-European economic regulator for air navigation services within EASA. In this capacity EASA would act as the Performance Review Body (PRB) of the SES meaning EASA would be expanding its regulatory functions beyond its current safety role.

The SES II+ initiative, when it is fully developed and implemented through a number of implementing regulations, will be a core piece of regulation for the IAA ANSP. It is planned that the new framework would

be ready for implementation across Europe from 1 January 2025.

In relation to these proposals, the IAA ANSP has worked with the Department of Transport to develop positions on all the proposed amendments ahead of consultation planned for 2021. This work fed into the initial observations prepared by the Department for the Aviation Working Party videoconferences held in October and November 2020. In addition, the IAA has also inputted its positions to CANSO (Civil Air Navigation Services Organisation) who are also liaising directly with the European Commission. Following on from Member States' comments on the initial draft of SES II+ Regulations, in January 2021, the Portuguese Presidency issued compromise text on each Chapter for the Member States to further consider. Again, when requested, the ANSP engaged constructively with the Department, providing additional observations on the adjusted text.

The Council of the European Union plan to have agreement from Member States on a general approach regarding the recast by the end of May 2021. The ANSP will continue to monitor the development and outcomes of the SES II+ proposals and will develop its corporate strategy to meet any associated challenges and potential opportunities.

Financial

The Group incurred a loss for the year of €0.9 million compared with a profit in the previous year of €27.8 million. COVID-19 has had a significant impact on the financial position of the Group, notwithstanding the downside protection afforded to the IAA's en route and terminal activities by the EU performance and charging regulations (EU) 2019/317 and (EU) 2020/1627. While turnover decreased by 21.2% to €155.5 million compared to an average reduction in overall air traffic activity of 57.4%, almost one third of reported revenue is accrued revenue to be paid to the IAA through adjustments to en route and terminal customer charges in future years, up to 2027 (or, at the discretion of the Regulator, 2029). As a result, debtors in the Group have increased by 77.9% to €103.9 million and the Group's cash and short term deposits balance has declined by €62.8 million from €232.6 million to €169.8 million.

Cost containment measures introduced in 2020 have helped to preserve the Group's liquidity in the face of lost income. These measures included a moratorium on recruitment, pay freezes, a reduced working week in July to October, deferral, where risk-assessed as appropriate, of capital projects, cancellation of student controller training and cancellation/deferral of all non-essential expenditure. Cost reduction measures will continue in 2021. A banded pay cut of up to 10% for employees is in place and will apply from 8th January 2021 to 6th January 2022.

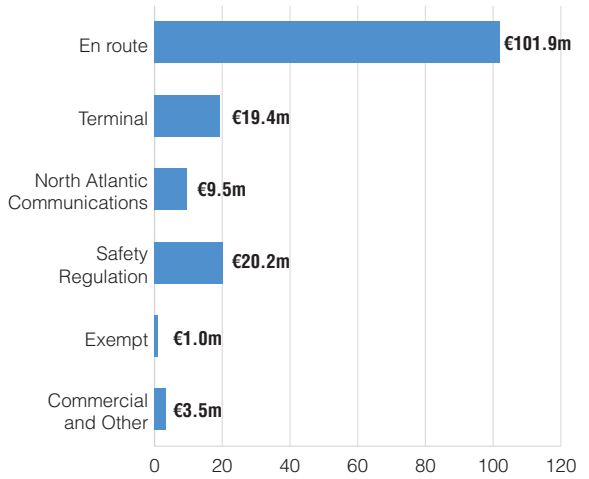
The key financial highlights, including air traffic activity, for 2020 and 2019 were as follows:

	2020 '000s	2019 '000s
Traffic activity		
En route service units	1,986 -57.2%	4,641 +2.0%
Terminal service units	70 -62.5%	188 +2.8%
North Atlantic communications (flights billed)	211 -58.2%	505 +1.3%
	2020 €'m	2019 €'m
Profitability and Balance Sheet		
Turnover	155.5	197.2
Operating profit	2.1	31.9
Operating margin	1.3%	16.2%
(Loss)/profit before tax	(0.2)	32.9
(Loss)/profit after tax	(0.9)	27.8
Dividend paid	7.8	19.5
Shareholders' funds	203.0	215.6

Turnover

Group turnover in 2020 was €155.5 million of which 80% comprises income regulated under the single European sky performance and charging scheme and 20% relates to fees charged for communications services on the North Atlantic and safety regulation fees.

Turnover by activity in 2020



En route and terminal revenues of €101.9 million and €19.4 million respectively represent 78% of total revenues. These activities are regulated by the National Supervisory Authority (NSA) (the Commission for Aviation Regulation and the IAA SRD) and the EC's single European sky. En route revenues comprise charges for flights that overfly Irish-controlled airspace and, typically, do not land in Ireland while terminal charges apply to flights that land and take-off at the State airports, Cork, Dublin and Shannon.

Charges for both en route and terminal activities comprise, in the main, air traffic management services but also include a share of MET Éireann costs and costs of the safety regulator/NSA. En route services are provided in 451,000 square kilometres of Irish-controlled airspace.

North Atlantic communications revenues of €9.5 million are generated through the provision of a HF (high frequency) voice communications service to aircraft on the North Atlantic. The impact of COVID-19 on transatlantic traffic has seen this revenue decline by 58.2% relative to 2019.

Safety regulation revenues of €20.2 million represents 13.0% of total revenues. This revenue comprises fees charged for aircraft registrations and airworthiness certifications, personnel exams and licensing fees, aerodrome fees, operator approvals, aviation security oversight fees and EASA-related fees. Charges are underpinned by the Irish Aviation Authority (Fees) Order, 2015 (Statutory Instrument (SI) 523 of 2015) and the European Communities (Civil Aviation Security) (Amendment) Regulations 2019 (SI 632 of 2019). In addition to this income stream, the NSA (National Supervisory Authority) function of IAA SRD is remunerated through the IAA's en route and terminal charges, consistent with Commission Implementing Regulation (EU) 2019/317, and through direct charges to the air navigation service provider. In 2020, this revenue amounted to €3.1 million.

Commercial and other revenue of €3.5 million comprises mostly training services provided, on an arms-length basis, to Entry Point North Ireland DAC – see note 18 to the financial statements.

Operating expenses

Group operating expenses decreased by 7.2% or €11.9 million to €153.4 million as a result of the cost containment measures introduced, as set out above. Staff pay and pension costs accounted for 59.1% of total expenses and decreased by €2.8 million in the year compared to 2019. The charge from MET Éireann was €6.5 million in 2020, comprising 4.2% of total expenses. The charge for depreciation decreased by €1.9 million to €10.3 million. During the year, an impairment loss of €0.9 million was recorded. Legal costs in relation to awards/settlements charged to the profit and loss account in the year amounted to €0.1 million. A credit of €0.3 million was recorded in respect of legal settlements.

Group loss after tax

In arriving at the Group's loss after tax of €0.9 million (2019: €27.8 million profit), the Group recorded a fair value loss on its Aireon investment, using a discounted cash flow technique, of €3.2 million (US\$3.6 million) before taxes (€2.4 million (US\$2.7 million) after taxes). The Company recorded government funding in 2020 through the Employment Wage Subsidy Scheme (EWSS) of €1.7 million. The Company did not avail of the Temporary Wage Subsidy Scheme (TWSS).

Operating and Financial Review (continued)

Balance Sheet

Net assets in the Group fell by €12.6 million to €203.0 million. The significant change in the Group's balance sheet, compared to previous years, is the significant increase in debtors, up 77.9% from €58.4 million in 2019 to €103.9 million in 2020 and the reduction in cash and short term deposits held by the Group from €232.6 million at the end of 2019 to €169.8 million at the end of 2020.

Debtors include accrued revenue of €52.3 million (2019: €Nil) attributable in the main to the shortfall in 2020 of costs incurred in providing an en route and terminal service to airspace users and actual revenue charged on air traffic activity that took place in the year. Despite the significant reduction in air traffic, the IAA continued to provide a safe and effective air traffic control service on a continuous basis. Group debtors due after more than one year increased from €20.7 million at the end of 2019 to €72.2 million at the end of 2020. These debtors will be recovered over an extended period up to 2027 and possibly even 2029, as set out in EU regulation. Trade debtors at the end of 2020 of €24.1 million were also higher than expected by c€10.8 million due to a European-wide agreement, in support of the airlines, to defer collection of en route debtors beyond 2020 due in respect of flights that took place in March, April and May 2020. The IAA voluntarily extended this arrangement to cover terminal and North Atlantic communications invoices due for the same period.

The shortfall in air traffic receipts due to the reduced traffic volumes and the extended credit terms explained above resulted in a reduction in the Group's liquidity, although cost containment measures implemented throughout the year, as set out above, ensured that the reduction in the Group's cash and short term deposits balance was managed to provide the Company with sufficient liquidity for 2021 and beyond.

The Company's net defined benefit pension liability increased by €3.9 million, after taxes, to €100.4 million. A funding proposal for the period 2019 to 2024 for the Company's main defined benefit pension scheme was agreed with The Pensions Authority in May 2020.

Cash flow activity

Net cash outflow in the Group, comprising cash and short term deposits, amounted to €62.8 million in 2020. This is explained by operating cash outflows of €40.9 million, cash outflows from investing activities, mainly capital expenditure, of €13.4 million and cash outflows from financing activities of €8.5 million. Operating cash outflows of €40.9 million compared with cash inflows of €56.6 million in 2019. The main driver was the reduced volumes of air traffic and the agreement to defer some debtor balances due in 2020 to 2021 resulting in less cash receipts to support the delivery of a continuous air traffic control and communications service, offset by the various cost containment measures implemented during the year as explained above. Expenditure on capital projects of €13.8 million was lower than in 2019 by €10.4 million as a result of decisions taken to defer capital projects and preserve

the Group's cash balance. Short term deposits of €113.8 million were utilised in the year. Taking cash and short term deposits together, the Group's cash balance decreased from €232.6 million to €169.8 million at 31 December 2020.

Human Resources

COVID-19 cost containment measures

Cost containment dominated the human resources agenda in 2020. The dramatic fall in revenue arising from the effect the COVID-19 pandemic has had on the aviation industry resulted in the Company implementing a number of cost reduction measures with the agreement of our Staff Panel of Trade Unions. Our cost containment programme operated on a phased basis:

- Phase 1 commenced in April 2020 and introduced a moratorium on non-essential recruitment, cessation of non-essential training, no pay increases and a review of all operating and capital expenditure;
- Phase 2 resulted in all staff being paid on the basis of a 4.5 day week from July to October; and
- Phase 3 introduced reductions in pay for all staff earning above €38,500. The pay reductions will remain in place for the duration of 2021.

The services of our Internal Dispute Resolution Board (IDRB) were utilised in concluding agreement on the Phase 3 measures and it is agreed that the IDRB will hold periodic reviews during 2021.

Recruitment

Some limited recruitment took place in 2020 to positions predominantly in the Safety Regulation Directorate (SRD) and the engineering domain of the air traffic management Operations Directorate. Unfortunately, due to the dramatic fall in traffic and revenue, the Company had to suspend two student air traffic controller training programmes in 2020.

Collective labour agreement

Negotiations with our Staff Panel of Trade Unions commenced on a new Collective Labour Agreement to update the 2015 Agreement which encompassed the period 1 January 2015 to 31 December 2019. Negotiations are at an advanced stage and, if agreed, the new agreement will cover the period 1 January 2020 to 31 December 2024.

Health and safety

The pandemic has resulted in many non-frontline staff working remotely while all front-line staff have continued to attend for duty as normal. Providing a safe working environment and ensuring all Government guidance is understood and translated through internal notifications and policies has been overseen by managers and staff representatives with health and safety responsibilities. It is important to acknowledge the collective efforts of all involved.

Employee wellbeing

Employee wellbeing remains a very important consideration even more so now as we manage our way through the pandemic. The IAA continues to support staff through our Employee Assistance Programme in addition to a Digital Wellbeing Programme which provides a range of live webinars and periodic updates on health and wellbeing initiatives. The IAA was the first commercial semi-State company to be awarded the Ibec KeepWell Accreditation Mark for our progressive approach to employee wellbeing.

Managing coronavirus (COVID-19) in the IAA

As highlighted throughout this report, COVID-19 has had a dramatic impact across all areas of the IAA's activities in 2020. While the reduction in air traffic levels and its knock-on financial impact are the clearest examples of how the pandemic has affected the IAA, the Company like all businesses in Ireland, has also had to adapt rapidly to manage the virus, implement Government guidance and ensure best practice policies and procedures were in place to protect staff and maintain service.

The IAA began monitoring COVID-19 developments in January 2020 and established a dedicated COVID-19 Management Team. Staff notices were issued, providing available guidance to IAA staff, between January and March 2020. The World Health Organization (WHO) declared COVID-19 a pandemic on 11th March 2020. The IAA continued to closely monitor and follow all Government/Public Health guidance throughout this period and developed and implemented strategies to secure the safety and health of staff and operations. This included early procurement of personal protective equipment (PPE) and sanitising consumables, the implementation of business continuity procedures such as cleaning, staff rostering, protective barriers/screens at appropriate locations, additional ventilation at IAA sites, remote working and constant monitoring of Public Health Guidance.

After the initial lockdown period (March to April 2020) detailed guidance was published by Government in May in the "Return to Work Safely Protocol". From this guidance, the IAA developed a detailed internal response plan based on the five phases of that protocol.

COVID-19 Lead Worker Representatives participated on the IAA's Health and Safety Committees to ensure full staff consultation in all health and safety measures. Site risk assessments were carried out and related policies, procedures, forms, briefings and training documents were reviewed and updated to reflect the protocol. Further support and guidance was given to staff working remotely.

On publication of the Government "Resilience and Recovery 2020-2021: Plan for Living with COVID-19" in September 2020, the IAA response plan and associated documentation was updated to reflect the new framework.

In November 2020, the updated "Work Safely Protocol" was issued by the Government and further changes were made to the response plan. All IAA COVID-19 policies and procedures were updated to reflect changes and communicated to staff via Safety Committees/Lead Worker Representatives and standard communication channels.

Since the start of the pandemic, the IAA has remained in regular contact with the Department of Transport, providing assurance around service continuity, contingency planning, staff availability and scenario modelling. The IAA's air navigation services and regulatory services are considered essential services by Government and this has assisted in ensuring that staff can access IAA locations and service can be provided throughout the various lockdown periods. However, there have been periods during the pandemic where a number of IAA staff have been unavailable due to the pandemic (illness, close contact or caring for family members) while the amendments to rostering and the cost of meeting COVID-19 protective requirements has also been noted. The pandemic has also caused delays to certain capital projects due to the requirement to cease works or the travel restrictions in place for contractors based overseas.

A review of the IAA's response to the COVID-19 pandemic throughout 2020 was undertaken at the end of November 2020 with the objective of refining and adapting the IAA's response as the pandemic extended beyond year-end. With the increase in COVID-19 case numbers across society again in late 2020 and into 2021, the IAA has further redoubled its efforts to protect its staff and maintain its essential services as the pandemic continues.

Energy and Sustainability

Energy performance

The 2020 Sustainable Energy Authority of Ireland (SEAI) annual report on public sector energy performance was published earlier this year. This report, which is based on 2019 energy usage, demonstrated that IAA energy improvement projects have delivered efficiency improvements of 41%, ahead of the 2020 (33%) target. This is a positive reflection of the effort and investment that the IAA has made across the Company in recent years in energy efficiency, CO₂ reduction and sustainability.

In 2019, Government launched the National Climate Action Plan, with new sustainability targets for public bodies for the 2021 to 2030 period. The existing energy efficiency improvement target has been increased from 33% to 50% along with a new similar CO₂ equivalent reduction target, to be achieved by 2030.

Operating and Financial Review (continued)

5-year sustainable management plan

In line with this and indeed consistent with the priority that the IAA has given to climate action and sustainability in recent years, this area is now one of the IAA's core areas of focus and improvement for the medium term. The IAA has developed an initial 5-year Sustainability Management Plan with a number of key objectives including:

- sourcing green electricity
- transition of the IAA vehicle fleet to electric vehicles
- waste reduction (eliminating single use plastics, improving recycling of paper, cardboard, metal and glass)
- implementing a biodiversity management framework.

From an IAA operations perspective, the IAA continues to play a leading role in achieving the targets set down by the EU Single European Sky initiative, with all environmental targets achieved by the IAA. We are also active within the NCADF sub-group on environmental issues, aiming to play a leading role within the wider aviation industry in promoting best practice in environmental sustainability within aviation. The IAA's Sustainability Management Plan, which was reviewed and approved by the IAA Board during 2020, also involves implementing Green Public Procurement policies, promoting sustainability actions with our staff and key stakeholders, key partners, suppliers, contractors, service providers and wider society.

Over the course of 2021, the IAA plans to formally launch its Sustainability Management Plan, aligning investment plans with the RP3 period (2020 to 2024) and noting the importance of ensuring that appropriate allowances are made within the State Performance Plan for RP3 to support and progress the IAA's approach to climate action, energy efficiency and reduction of CO₂ emissions.

Directors and other information

Directors

Ms. Rose Hynes (*Chairman*)
Mr. Cian Blackwell
Ms. Marie Bradley
Mr. Ernie Donnelly
Mr. Peter Kearney (*Chief Executive*)
Mr. Gerry Lumsden
Ms. Joan McGrath
Mr. Diarmuid Ó Conghaile
Ms. Eimer O'Rourke

Secretary

Ms. Aileen Gahan

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Senior Management

Peter Kearney
Chief Executive

Diarmuid Ó Conghaile
Aviation Regulator / CEO Designate of new regulator

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



Directors’ Report and Consolidated Financial Statements

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Directors’ report

The directors present their annual report together with the audited consolidated and company financial statements of the Irish Aviation Authority (“the IAA”, “the Company”) and its subsidiary undertaking (with the Company and the subsidiary being together “the Group”) for the year ended 31 December 2020.

Principal activities, risks and uncertainties, financial results and dividends

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

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
- 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
- separation of the safety regulation and service provision functions
- 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 31 to 36, 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 41 and in the related notes. As described therein, loss for the financial year after taxation was €0.9 million (2019: €27.8 million profit) on turnover of €155.5 million (2019: €197.2 million). During the year the Company declared and paid a final dividend of €7.8 million (€0.44 per share) for fiscal 2019 (2019: €19.5 million (€1.09 per share) for fiscal 2018). This included a special dividend of €Nil (2019: €12.0 million (€0.67 per share)).

Directors

The names of the current directors are set out on page 29. Except as set out below, they served for the entire year. Mr Ernie Donnelly’s term of office was extended for one year from 6 October 2020. Mr Michael McGrail retired as Chairperson and member of the Board on 18 December 2020. Mr. Diarmuid Ó Conghaile was appointed to the Board on 1 January 2021. Ms. Rose Hynes was appointed to the Board as Chairman on 12 January 2021.

Interests of directors and secretary

The directors and secretary who held office at 31 December 2020 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 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.

Role of 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 the senior management team sufficient flexibility to run the business efficiently and effectively within a structured reporting framework. In preparation for the Government legislation to enact the separation of the IAA’s air navigation services and safety regulation functions, the board of directors assigned the full responsibility of the Safety Regulation Division of the IAA to the Aviation Regulator with effect from 1 January 2021.

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.

Appointments to the Board

The Board comprises nine directors. Each director is appointed by the Minister for Transport. The gender composition of the Board is split 56% male and 44% 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)
Rose Hynes, Chairman	12 January 2021
Cian Blackwell	4 December 2018
Marie Bradley	25 June 2018*
Ernie Donnelly	6 October 2020*
Peter Kearney, Chief Executive	25 June 2018
Gerry Lumsden	4 December 2018
Joan McGrath	4 December 2018
Diarmuid Ó Conghaile†	1 January 2021
Eimer O'Rourke	4 December 2018

†The IAA is preparing for the separation of the Company into two legal entities, as provided in the Air Navigation and Transport Bill 2020. In this regard, Mr Diarmuid Ó Conghaile joined the IAA, on 1 January 2021, as the Aviation Regulator and as the CEO Designate of the new regulator.

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.

Effectiveness of the Board

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

The Chairman and management maintain effective communication with the shareholder. The roles of the Chairman and Chief Executive are separate 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 and the Aviation Regulator report 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 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.

Access to professional advice

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.

Performance evaluation

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 has an effective committee structure to assist in the discharge of its responsibilities. The Board committees comprise:

- 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 2020 (2019: four), each of which were chaired by Ms Marie Bradley. Committee members include Mr Cian Blackwell and Ms Eimer O'Rourke. The committee had an external independent member whose service contract expired at 31 December 2020, following four years' valuable service to the committee.

Meetings are usually attended by the director of finance, head of internal audit and representatives from different IAA units such as operations, human resources, information technology, 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 2020, the audit and risk committee:

- reviewed the draft financial statements for 2019 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 2019
- monitored the audit fees and non-audit fees payable to the external auditor
- reviewed and recommended to the Board the corporate risk register 2020-2021 including the key risks to the business and consideration of the adequacy of the system of risk identification and assessment
- reviewed and considered reports on the impact of COVID-19 on the control environment, assurance levels and risk management processes
- received and considered reports by the internal auditor on 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 2021
- evaluated the effectiveness of internal audit
- reviewed and agreed the external audit plan for 2020 including the scope of the audit
- reviewed monthly management accounts
- received and considered reports and presentations by IAA management on relevant internal control processes
- 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.

Finance committee

The finance committee operates under formal terms of reference and met once during the year (2019: once). Mr Michael McGrail chaired the committee until his retirement on 18 December 2020. Committee members include Mr Cian Blackwell, Mr Ernie Donnelly and Mr Peter Kearney.

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.

Directors' report (continued)

Human resources and remuneration committee

The human resources and remuneration committee operates under formal terms of reference. The committee met twice during the year (2019: twice). Ms Eimer O'Rourke chaired the committee. Ms Joan McGrath is a member of the committee. Mr Michael McGrail was a member of the committee until his retirement on 18 December 2020.

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. The committee reports to the Board following its meetings.

Investment planning committee

The investment planning committee operates under formal terms of reference and met three times (2019: seven) during the year. The committee is chaired by Mr Gerry Lumsden. Mr Ernie Donnelly is a member of the committee. The committee considers the IAA's strategy in relation to capital investment and related expenditure. It reports to the Board following its meetings.

Safety oversight committee

The safety and oversight committee operates under formal terms of reference and held two meetings during the year (2019: one). Committee members include Mr Cian Blackwell, Mr Ernie Donnelly and Mr Peter Kearney. Mr Michael McGrail was a member until his retirement on 18 December 2020.

Mr Michael McGrail chaired the first meeting of the year and Mr Cian Blackwell chaired the second meeting. An independent expert is invited to attend meetings, as appropriate, 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. During the year the committee operated under formal terms of reference and held six meetings (2019: three), each of which were chaired by Ms Joan McGrath. Committee members included Ms Marie Bradley, Mr Gerry Lumsden and Ms Eimer O'Rourke. The committee reported to the Board following its meetings. In January 2021, in view of the work to be completed in preparation for the separation of the Company into two legal entities, the restructuring committee was replaced by a Board working group, chaired by Ms Rose Hynes following her appointment to the Board as Chairman on 12 January 2021.

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 2020 was 9. 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	9/9		1/1	2/2		1/1	
Cian Blackwell	9/9	4/4	1/1			2/2	
Marie Bradley	9/9	4/4					6/6
Ernie Donnelly	9/9		1/1		3/3	2/2	
Peter Kearney	6/9		0/1			1/2	
Gerry Lumsden	9/9				3/3		6/6
Joan McGrath	9/9			2/2			6/6
Eimer O'Rourke	9/9	4/4		2/2			6/6

Statement on the system of 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 comprises those controls established in order to provide reasonable assurance regarding the safeguarding of assets against loss, the maintenance of proper accounting records and reliable financial information for use within the business or for publication and compliance with relevant laws and regulations.

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 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 24 March 2021 and is effective up to the date of approval of the financial statements.

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

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

- an audit and risk committee which approves audit plans and deals with significant control issues raised by internal or external audit and which reviews and recommends the year-end financial statements for approval by the Board
- a policy to cover oversight of IAA's wholly-owned subsidiary
- policies and procedures for the reporting and resolution of suspected fraudulent activities.

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

The Board confirms that, for 2020, 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.

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

The risk management 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.

Directors' report (continued)

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

Directors' 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 Chairman reports regularly to the Minister for Transport 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. This information is reasonably stated in all material respects. In 2020, the IAA charged to the profit and loss account travel and subsistence costs of €0.7 million, shared between domestic travel and subsistence costs of €0.5 million and international travel and subsistence costs of €0.2 million. Staff welfare and hospitality costs charged to the profit and loss account amounted to €0.1 million. Consultancy costs charged to the profit and loss account amounted to €0.7 million. These costs were analysed as follows: €0.5 million related to the IAA's aviation regulatory reform programme, separating its safety regulation functions from the provision of air traffic management services, €0.1 million related to a strategic review of air traffic commercial opportunities and €0.1 million related to various smaller financial and technical consultancies. Consultancy costs incurred and included in tangible fixed assets amounted to €0.1 million and comprised of human factors and other technical assessments. Consultancy costs do not include expenditure on processes which have been outsourced under

'business as usual'. Legal costs incurred in the year amounted to €0.2 million.

Going concern

The directors, after making enquiries and considering the impact of COVID-19 on its business and the planned separation of the IAA's business into two legal entities, believe that the Group and the Company have adequate resources to continue in operation for the foreseeable future and to meet its ongoing liabilities as they fall due for a period of at least 12 months from the date of the approval of these financial statements and therefore, it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The assessment of going concern is considered further in Note 1 to 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 2020 substantially all payments were made within the appropriate credit period. The IAA continually reviews its administrative procedures in order to assist in minimising the time taken for invoice query and resolution. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

Post balance sheet events

On 24 March 2021, the Board proposed the payment of a dividend of €40,500 (2019: €7.8 million). There were no significant events affecting the Company since 31 December 2020 which require adjustment to, or disclosure in, the financial statements.

Political donations

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

Auditor

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:

Rose Hynes	Peter Kearney
<i>Chairman</i>	<i>Chief Executive</i>

24 March 2021

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:

Rose Hynes <i>Chairman</i>	Peter Kearney <i>Chief Executive</i>
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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 2020 and of the loss 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 24, 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 24, 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

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. 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.

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.

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.

Independent auditor’s report (continued)

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.

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 Directors’ Report 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.

Use of our report

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.

Daniel Murray

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

24 March 2021

Consolidated profit and loss account
for the year ended 31 December 2020

	Note	2020 €’000	2019 €’000
Turnover – continuing activities	2	155,509	197,228
Operating expenses		(153,442)	(165,343)
Operating profit – continuing activities		2,067	31,885
Other income	3	1,719	-
Interest receivable and similar income	4	9,549	13,297
Interest payable and similar charges	5	(14,292)	(13,763)
Share of profit of associate	9	793	1,441
(Loss)/profit on ordinary activities before taxation	6	(164)	32,860
Tax on (loss)/profit on ordinary activities	7	(712)	(5,056)
(Loss)/profit for the financial year		(876)	27,804

Consolidated statement of other comprehensive income for the year ended 31 December 2020

		2020	2019
	Note	€'000	€'000
(Loss)/profit for the financial year		(876)	27,804
Other comprehensive loss			
Re-measurement of the net defined benefit liability	21	(7,352)	(39,947)
Related deferred tax asset	15	919	4,993
Cash in excess of pension service costs	21	4,307	5,522
Foreign exchange differences on translation of foreign operations		(1,809)	404
Other comprehensive loss for the year		(3,935)	(29,028)
Total comprehensive loss for the year		(4,811)	(1,224)

Consolidated balance sheet at 31 December 2020

		2020	2019
	Note	€'000	€'000
Fixed assets			
Tangible assets	8	111,923	108,572
Financial assets	9	27,931	32,947
		139,854	141,519
Current assets			
Debtors			
– due within one year	10	31,652	37,709
– due after more than one year	10	72,199	20,652
Short term deposits	11	98,648	212,436
Cash and cash equivalents	11	71,152	20,149
		273,651	290,946
Creditors: amounts falling due within one year	12	(51,285)	(62,166)
Net current assets		222,366	228,780
Total assets less current liabilities		362,220	370,299
Creditors: amounts falling due after more than one year	14	(41,324)	(41,568)
Provisions for liabilities			
Retirement benefit obligations	21	(117,857)	(113,097)
Net assets		203,039	215,634
Capital and reserves			
Called up share capital	16	22,675	22,675
Profit and loss account		182,035	192,821
Currency reserve		(1,671)	138
Shareholders' funds – equity		203,039	215,634

On behalf of the board:

Rose Hynes
Chairman

Peter Kearney
Chief Executive

Company balance sheet at 31 December 2020

	Note	2020 €'000	2019 €'000
Fixed assets			
Tangible assets	8	111,923	108,572
Financial assets	9	15,218	15,218
		127,141	123,790
Current assets			
Debtors			
– due within one year	10	41,086	48,017
– due after more than one year	10	65,481	14,620
Short term deposits		98,648	212,436
Cash and cash equivalents		70,841	19,783
		276,056	294,856
Creditors: amounts falling due within one year	12	(51,267)	(62,146)
Net current assets		224,789	232,710
Total assets less current liabilities		351,930	356,500
Creditors: amounts falling due after more than one year	14	(39,143)	(38,698)
Provisions for liabilities			
Retirement benefit obligations	21	(117,857)	(113,097)
Net assets		194,930	204,705
Capital and reserves			
Called up share capital	16	22,675	22,675
Profit and loss account		172,255	182,030
Shareholders' funds – equity		194,930	204,705

On behalf of the board:

Rose Hynes
Chairman

Peter Kearney
Chief Executive

Consolidated statement of changes in equity for the year ended 31 December 2020

	Called up share capital €'000	Profit and loss account €'000	Currency reserves €'000	Total equity €'000
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
Balance at 1 January 2020	22,675	192,821	138	215,634
Comprehensive income				
Loss for the financial year	-	(876)	-	(876)
Other comprehensive loss	-	(2,126)	(1,809)	(3,935)
Total comprehensive loss for the year	-	(3,002)	(1,809)	(4,811)
Transactions with shareholders recognised directly in equity				
Dividends	-	(7,784)	-	(7,784)
Balance at 31 December 2020	22,675	182,035	(1,671)	203,039

Company statement of changes in equity for the year ended 31 December 2020

	Called up share capital €'000	Profit and loss account €'000	Total equity €'000
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
Balance at 1 January 2020	22,675	182,030	204,705
Comprehensive income			
Profit for the financial year	-	135	135
Other comprehensive loss	-	(2,126)	(2,126)
Total comprehensive loss for the year	-	(1,991)	(1,991)
Transactions with shareholders recognised directly in equity			
Dividends	-	(7,784)	(7,784)
Balance at 31 December 2020	22,675	172,255	194,930

Consolidated cash flow statement for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Cash flows from operating activities			
(Loss)/profit for the financial year		(876)	27,804
<i>Adjustment for:</i>			
Depreciation of tangible fixed assets	8	10,317	12,186
Loss on disposal of tangible fixed assets	8	2	-
Impairment loss on tangible fixed asset	8	886	-
Interest receivable and similar income	4	(9,549)	(13,297)
Interest payable and similar charges	5	14,292	13,763
Share of profit of associate	9	(793)	(1,441)
Taxation	7	712	5,056
		14,991	44,071
(Increase)/decrease in debtors		(43,117)	1,432
(Decrease)/increase in creditors		(11,172)	16,202
		(39,298)	61,705
Tax paid		(1,632)	(5,100)
Net cash from operating activities		(40,930)	56,605
Cash flows from investing activities			
Acquisition of tangible fixed assets		(13,776)	(24,169)
Dividends received	9	385	558
Investment in short term deposits		113,788	(14,667)
Interest received		23	12
Net cash from investing activities		100,420	(38,266)
Cash flows from financing activities			
Interest paid		(681)	(602)
Dividends paid	17	(7,784)	(19,524)
Net cash from financing activities		(8,465)	(20,126)
Net increase/(decrease) in cash and cash equivalents		51,025	(1,787)
Cash and cash equivalents at 1 January		20,149	21,922
Effect of exchange rate fluctuations on cash held		(22)	14
Cash and cash equivalents at 31 December	11	71,152	20,149

Notes
forming part of the financial statements

1 Accounting policies

General information and basis of preparation

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 22.

Going concern

The consolidated financial statements have been prepared on a going concern basis. This assumes that the Group and the Company will have adequate resources to continue in operation for the foreseeable future and can meet its ongoing liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

At 31 December 2020, the Group had cash of €71.2 million (2019: €20.1 million) and short term deposits of €98.6 million (2019: €212.4 million) and access to an overdraft facility of €10.0 million. While there is uncertainty around the timing, rate and extent of recovery in air traffic volumes, the Group's cash flow forecasts show that the Group and Company should be able to operate within the level of its available liquidity for the foreseeable future. Management will continue to monitor the cash position of the Group and continue to implement cost containment initiatives.

Accordingly, having considered the future cash requirements of the Group and the Company's business, the economic environment over the next 12 months, the principal risks and uncertainties facing the Group and the Company, the Group and the Company's operating budget and the planned separation of the IAA's business into two legal entities, the directors believe that the Group and Company have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

True and fair view override

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

The costs to be taken into account for the purpose of the EUROCONTROL agreement are defined in the EUROCONTROL charging principles and in the EC Charging Regulations in a manner that includes all cash payments to pension funds. Consequently, the directors have determined that it is appropriate to incorporate all cash contributions made to the IAA's pension fund in operating expenses to the extent they exceed the pensions charge determined in accordance with FRS 102 'Employee Benefits', and to record an offsetting credit in the statement of other comprehensive income (“OCI”), in order to present a true and fair view of its comprehensive income and its assets, liabilities and financial position. Further details of the impact of this accounting treatment is shown in the employee benefits accounting policy on page 51.

1 Accounting policies (continued)

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 2020.

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

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

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

1.3 Turnover

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

En route and terminal revenues

The provision of en route and terminal services are economically regulated activities. 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. Accrued/deferred income is recovered/reimbursed by way of an adjustment to charges in future years, typically on an 'n+2' basis.

In response to COVID-19, amounts to be recovered in respect of 2020 have, on an exceptional basis, been determined by reference to actual costs incurred in providing an en route service. The related accrued income balance is due to be recovered through an adjustment to charges over a period of five to seven calendar years starting in 2023. 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. Further information on en route and terminal revenues is provided in Note 22.

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.

Notes (continued)

1 Accounting policies (continued)

1.4 Tangible fixed assets and depreciation

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

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

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

1.5 Financial fixed assets

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

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

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

The Group recognises Government grants in line with the accruals model under FRS 102. Revenue grants in respect of expenditure are recognised in the profit and loss account at the same time as the related expenditure for which the grant is intended to compensate is incurred.

1 Accounting policies (continued)

1.9 Taxation

Corporation tax is provided for on the loss 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.

1.10 Employee benefits

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

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

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

The difference between the interest income on assets and the return actually achieved, and any changes in the liabilities due to changes in assumptions, or because actual experience during the year was different to that assumed, are recognised as 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 48.

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 €4,307,000 (2019: €5,522,000) above the actuarially determined service costs, for recovery under the charging mechanism in the year ended 31 December 2020, 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.

1.11 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.

Notes (continued)

2 Turnover

	2020 €'000	2019 €'000
<i>Activity</i>		
En route	101,912	120,964
Terminal	19,407	24,259
North Atlantic communications	9,514	22,746
Safety regulation	20,226	22,887
Exempt air traffic	967	1,284
Commercial and other	3,483	5,088
	155,509	197,228

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:

	2020 Number	2019 Number
Air traffic controllers	304	309
Engineers	79	76
Radio officers	52	51
Other operational	106	104
Safety regulation	117	108
Corporate services	67	66
Total employees	725	714

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

	2020 €'000	2019 €'000
Wages and salaries	66,710	69,485
Social welfare costs	5,930	5,947
Other compensation costs	11	282
Pension costs – current service cost (note 21)	13,212	11,794
Pension costs – defined contribution (note 21)	227	179
Pension costs – additional cash cost (note 21)	4,307	5,522
Other post-employment costs (note 21)	321	323
	90,718	93,532

The Company is availing of the Government Employment Wage Subsidy Scheme (EWSS). The amount due in respect of 2020 was €1,719,000 (2019: €Nil).

Wages and salaries can be further analysed as follows:

	2020 €'000	2019 €'000
Basic pay	56,320	55,395
Overtime	766	2,215
Allowances	9,624	11,875
	66,710	69,485

3 Staff numbers and costs (continued)

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

	2020 Number	2019 Number
€50,000 - €75,000	192	171
€75,001 - €100,000	117	93
€100,001 - €125,000	220	185
€125,001 - €150,000	101	154
€150,001 and over	14	35

4 Interest receivable and similar income

	2020 €'000	2019 €'000
Interest income on defined benefit assets	8,241	11,766
Dividend income from other financial assets	1,286	1,313
Other interest	22	22
Foreign exchange gain	-	196
	9,549	13,297

5 Interest payable and similar charges

	2020 €'000	2019 €'000
Interest expense on defined benefit liabilities	9,643	13,192
Fair value loss on other financial assets (note 9)	3,161	-
Bank interest	617	571
Foreign exchange loss	871	-
	14,292	13,763

6 Statutory and other information

The (loss)/profit for the financial year is stated after charging the following:

	2020 €'000	2019 €'000
Depreciation (note 8)	10,317	12,186
Met Éireann charges	6,499	8,306
Rentals payable under operating leases - buildings	3,921	3,921
Rentals payable under operating leases - other	94	106
Impairment loss on tangible fixed assets (note 8)	886	-

Auditor's remuneration - group

– audit	85	85
– other assurance	97	45
– tax services		
– compliance	27	27
– advisory	38	15
Total auditor's remuneration - group	247	172

Notes (continued)

6 Statutory and other information (continued)

	2020 €'000	2019 €'000
Auditor's remuneration - company (included above)		
– audit	85	85
– other assurance	97	45
– tax services		
– compliance	8	8
– advisory	37	15
Total auditor's remuneration - company	227	153
	2020 €	2019 €
Directors' remuneration		
<i>Fees payable to directors</i>		
Mr Michael McGrail (<i>Chairperson</i>) (<i>retired 18 December 2020</i>)	21,200	21,600
Mr Cian Blackwell	12,600	12,600
Ms Marie Bradley	12,600	12,600
Mr Ernie Donnelly†	-	-
Mr Peter Kearney (<i>Chief Executive</i>)	-	-
Mr Gerry Lumsden	12,600	12,600
Ms Joan McGrath	12,600	12,600
Mr Michael Norton (<i>retired 5 October 2019</i>)	-	9,700
Ms Eimer O'Rourke	12,600	12,600
	84,200	94,300
† 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 €1,649 in total during 2020 (2019: €21,020). These expenses primarily related to travel and subsistence.		
	2020 €'000	2019 €'000
Emoluments and pension contributions relating to the Chief Executive's contract of employment		
Annual basic salary	217	225
Other taxable benefits	14	14
Pension contributions	81	81
	312	320

Mr Peter Kearney was appointed as Chief Executive on 6 June 2018. Pursuant to his Chief Executive's contract, the salary of Mr Kearney is €225,000 per annum. During the year, in response to COVID-19, his basic salary was reduced following the introduction, on a Company-wide basis, of a 4.5 day week from July to October 2020. He is a member of the defined benefit superannuation scheme "The Irish Aviation Authority Staff Superannuation Scheme 1996" in common with other staff members. Mr Kearney was appointed to the board on 25 June 2018. He did not receive a director's fee.

7 Tax on (loss)/profit on ordinary activities

	2020 €'000	2019 €'000
Analysis of tax charge in the year		
<i>Current tax</i>		
Corporation tax	907	4,717
Adjustments in respect of prior periods	14	(2)
	921	4,715
<i>Deferred tax</i>		
Origination and reversal of timing differences	(195)	347
Adjustments in respect of prior periods	(14)	(6)
	(209)	341
Tax on (loss)/profit on ordinary activities	712	5,056
	2020 €'000	2019 €'000
Profit and loss total tax reconciliation		
(Loss)/profit on ordinary activities before tax	(164)	32,860
Expected current tax at 12.5% (2019: 12.5%)	(20)	4,107
<i>Effects of:</i>		
Permanent differences	726	774
Expenses not deductible for tax purposes	284	154
Income not taxable at the standard rate	50	56
Corporation tax in respect of prior years	14	(2)
Deferred tax in respect of prior years	(14)	(6)
Effect of foreign tax	(328)	(27)
Tax on (loss)/profit on ordinary activities	712	5,056

Notes (continued)

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	152,423	71,531	13,404	267,822
Additions in year	-	297	13,667	592	14,556
Brought into use in year	4,827	10,369	(15,196)	-	-
Impairment loss	-	-	(886)	-	(886)
Disposals in year	-	-	-	(528)	(528)
At end of year	35,291	163,089	69,116	13,468	280,964
Accumulated depreciation					
At beginning of year	23,840	123,942	-	11,468	159,250
Charge in year	1,449	7,787	-	1,081	10,317
Disposals in year	-	-	-	(526)	(526)
At end of year	25,289	131,729	-	12,023	169,041
At 31 December 2020	10,002	31,360	69,116	1,445	111,923
At 31 December 2019	6,624	28,481	71,531	1,936	108,572

An impairment loss of €886,000 (2019: €Nil) has been recognised in operating expenses in the profit and loss account following an internal review completed during the year which confirmed that, due principally to a change in the regulatory environment, an asset which was in the development phase was no longer viable.

9 Financial fixed assets

	Interest in associate €'000	Other financial assets €'000	Total €'000
Group			
At 1 January 2019	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
Dividends received	(385)	-	(385)
Share of profit of associate	793	-	793
Foreign exchange movements	-	(2,263)	(2,263)
Change in value of financial asset	-	(3,161)	(3,161)
At 31 December 2020	3,982	23,949	27,931

9 Financial fixed assets (continued)

	2020 €'000	2019 €'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 33¹/₃% 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% preferred interest in Aireon Holdings LLC, a company providing a global satellite-based surveillance capability for air navigation service providers through Automatic Dependent Surveillance-Broadcast (ADS-B) receivers on the Iridium NEXT satellite constellation. It is intended that the Group's preferred interest will be converted to a 5.333% common interest. 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. The Group's investment is carried at fair value. In May 2018, NATS (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 used the price paid by NATS to determine the fair value of its investment. At 31 December, management has reviewed this valuation using a discounted cash flow (DCF) technique. As a result, the Group has impaired the investment down to US\$29.4 million which was its original cost. The fair value adjustment of US\$3.6 million (€3.2 million) (2019: US\$Nil (€Nil)) has been recognised in the consolidated profit and loss account.

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	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Trade debtors, net	24,092	32,400	24,092	32,400
Prepayments	2,688	3,690	2,688	3,690
Accrued income	52,349	-	52,349	-
Other debtors	7,109	6,419	388	387
Corporation tax	1,493	783	1,493	783
Value added tax	285	304	285	304
Deferred tax asset (note 15)	15,835	14,765	15,835	14,765
Due from subsidiary undertaking	-	-	9,437	10,308
	103,851	58,361	106,567	62,637

Debtors and accrued income of €72,199,000 (2019: €20,652,000) in the Group and debtors and accrued income of €65,481,000 (2019: €14,620,000) in the Company fall due after more than one year. The impact of the time value of money is not material and balances due after more than one year have been recorded at their nominal values.

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

Included in trade debtors are amounts past due of €19,454,000 (2019: €16,137,000) of which €3,919,000 (2019: €3,016,000) is provided for within bad debt provisions.

Notes (continued)

11 Cash and cash equivalents and short term deposits

Group	At 1 January €'000	Cash flows €'000	Effect of foreign exchange €'000	Utilisation of deposits €'000	At 31 December €'000
Cash and cash equivalents	20,149	(62,763)	(22)	113,788	71,152
Short term deposits	212,436	-	-	(113,788)	98,648
	232,585	(62,763)	(22)	-	169,800

12 Creditors: amounts falling due within one year

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Trade creditors	5,115	2,697	5,115	2,697
Other creditors including tax and social welfare (note 13)	1,899	2,422	1,899	2,422
Accruals	15,462	14,822	15,444	14,802
Deferred income	28,809	42,225	28,809	42,225
	51,285	62,166	51,267	62,146

13 Taxation and social welfare included in other creditors

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
PAYE	1,826	2,274	1,826	2,274
Relevant contracts tax	20	27	20	27
Professional services withholding tax	53	121	53	121
	1,899	2,422	1,899	2,422

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Deferred income	37,893	37,870	37,893	37,870
Deferred tax liability (note 15)	3,431	3,698	1,250	828
	41,324	41,568	39,143	38,698

15 Deferred tax asset

		Group		Company	
	Ref	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Deferred tax (liability)/asset—excluding employee benefits-related	(i)	(1,945)	(2,725)	236	145
Deferred tax asset – employee benefits-related (non-current)	(ii)	14,349	13,792	14,349	13,792
Deferred tax asset – buildings – (non-current)		1,250	828	1,250	828
Deferred tax liability – buildings – (non-current)		(1,250)	(828)	(1,250)	(828)
Deferred tax asset, net		12,404	11,067	14,585	13,937

(i) Deferred taxation – excluding employee benefits-related

	Group		Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
At beginning of year	(2,725)	(2,850)	145	(334)
Credited to profit and loss account (note 7)	571	171	91	479
Effect of foreign exchange	209	(46)	-	-
At end of year	(1,945)	(2,725)	236	145

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 €2,181,000 (2019: €2,870,000) in the Group and €Nil (2019: €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	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
At beginning of year	13,792	9,311	13,792	9,311
Changes in actuarial assumptions recognised in OCI	919	4,993	919	4,993
Charged to profit and loss account (note 7)	(362)	(512)	(362)	(512)
At end of year	14,349	13,792	14,349	13,792

Notes (continued)

16 Called up share capital — equity

	2020 €'000	2019 €'000
Group and Company		
Authorised, allotted, called up and fully paid		
17,858,000 ordinary shares of €1.27 each	22,675	22,675

17 Equity dividends paid

	2020 €'000	2019 €'000
Group and Company		
Declared and paid during the year		
Final dividend paid: €0.44 per share (2019: €1.09 per share)	(7,784)	(19,524)

Total dividends paid in 2020 of €7,784,000 (2019: €19,524,000) include €7,784,000 or €0.44 per share in respect of 2019 (2019: €7,524,000 or €0.42 per share in respect of 2018) and a special dividend of €Nil (2019: €12,000,000 or €0.67 per share).

18 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 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 €2.5 million (2019: €3.5 million) and incurred costs of €5.2 million (2019: €7.9 million) in transactions with Entry Point North Ireland DAC. As at 31 December 2020, there is a net receivable balance due from Entry Point North Ireland DAC amounting to €Nil (2019: €1.2 million).

Total compensation of key management personnel in the year amounted to €1.7 million (2019: €2.5 million) comprising salaries and other short-term employee benefits of €1.3 million (2019: €1.9 million), post-employment benefits of €0.4 million (2019: €0.4 million) and termination benefits of €Nil (2019: €0.2 million). Key management compensation represents compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group. These include the board members and senior executives.

19 Commitments

	2020 €'000	2019 €'000
Group and Company		
(i) Capital commitments		
Future capital expenditure approved by the directors:		
Not contracted for	104,717	59,590
Contracted for	14,437	20,869
	119,154	80,459

19 Commitments (continued)

(ii) Operating lease commitments

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

	2020 Buildings €'000	2020 Motor Vehicles €'000	2019 Buildings €'000	2019 Motor Vehicles €'000
Group and Company				
<i>Payable:</i>				
Within one year	3,625	102	3,605	94
Between one and five years	11,826	130	12,499	191
More than five years	20,619	-	23,029	-
	36,070	232	39,133	285

20 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.

21 Employee benefits

	2020 €'000	2019 €'000
Group and Company		
Defined benefit pension liability (see A below)	114,787	110,340
Supplementary ex-gratia pension liability (see B below)	3,070	2,757
Total retirement benefit obligations	117,857	113,097

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 2020 and to take account of financial conditions at this date. The valuations used for FRS 102 purposes have been completed using the projected unit method, and assets for this purpose have been valued at market value.

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

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

Notes (continued)

21 Employee benefits (continued)

A. The Irish Aviation Authority Defined Benefit Schemes

	2020 Projected unit	2019 Projected Unit
(i) Actuarial assumptions		
<i>Weighted average assumptions to determine benefit obligations</i>		
Discount rate	1.15%	1.40%
Rate of general compensation increase (staff/senior staff) †	1.25%	1.25%
Rate of price inflation	1.25%	1.25%
Rate of pension increase †	0.00%	0.00%

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

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

	2020	2019
<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	24.3	24.2
Current pensioner members	22.5	22.5
<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	26.3	26.2
Current pensioner members	24.4	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.

	2020 €'000	2019 €'000
(ii) Amounts recognised in the balance sheet		
Present value of wholly or partly funded obligations	(735,142)	(698,543)
Fair value of plan assets	620,355	588,203
Net liability	(114,787)	(110,340)

	2020 €'000	2019 €'000
(iii) Movements in fair value of plan assets		
Fair value of plan assets at beginning of year	588,203	534,906
Re-measurement: return on plan assets excluding interest income	25,891	42,929
Interest income	8,241	11,766
Employer contributions	17,519	17,317
Member contributions	3,860	2,225
Benefits paid from plan	(23,359)	(20,940)
Fair value of plan assets at end of year	620,355	588,203

21 Employee benefits (continued)

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

	2020 €'000	2019 €'000
(iv) Movements in present value of defined benefit obligations		
Benefit obligation at beginning of year	(698,543)	(609,396)
Current service cost	(13,212)	(11,794)
Interest expense	(9,643)	(13,192)
Member contributions	(3,860)	(2,225)
Re-measurement: actuarial losses	(33,243)	(82,876)
Benefits paid from plan	23,359	20,940
Benefit obligation at end of year	(735,142)	(698,543)

	2020 €'000	2019 €'000
(v) Components of pension cost		
<i>Expense recognised in the profit and loss account</i>		
Current service cost (note 3)	(13,212)	(11,794)
Additional cash cost (note 3)	(4,307)	(5,522)
Interest income on defined benefit assets (note 4)	8,241	11,766
Interest expense on defined benefit liabilities (note 5)	(9,643)	(13,192)
Total pension cost recognised in the profit and loss	(18,921)	(18,742)

Amounts recognised in other comprehensive income		
Actuarial losses immediately recognised	(7,352)	(39,947)
Additional cash cost	4,307	5,522
	(3,045)	(34,425)

Total for the year	(21,966)	(53,167)
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Cumulative amount of actuarial losses recognised in other comprehensive income	(295,946)	(288,594)
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	2020 Amount of plan assets €'000	2019 Amount of plan assets €'000
(vi) Plan assets		
<i>The asset allocations as at 31 December:</i>		
Equity securities	169,065	159,566
Bond securities	324,958	299,560
Other	126,332	129,077
	620,355	588,203

Interest income on plan assets will be charged at 1.15% (2019: 1.4%).

Notes (continued)

21 Employee benefits (continued)

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

	2020 €'000	2019 €'000
Actual return on assets		
Actual return on plan assets	34,132	54,695
	€'000	
(vii) Other required disclosure amounts		
Contributions expected to be paid by the IAA during 2021		16,300

B. Supplementary ex-gratia pension liability

	2020 €'000	2019 €'000
At beginning of year	2,757	2,442
Amounts provided for supplementary ex-gratia pension liability	321	323
Payments made during the year	(8)	(8)
Amounts falling due after more than one year	3,070	2,757

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 €226,588 (2019: €179,399).

22 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 21. 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.

Fair value investment in Aireon

The Group's investment in Aireon Holdings LLC is measured at fair value with adjustments to fair value recorded in the profit and loss account. Further details are given at Note 9. A discounted cash flow (DCF) model was used to determine the fair value of the investment. This valuation model considered the present value of projected dividends, discounted using a risk-adjusted discount rate.

22 Accounting estimates and judgements (continued)

The critical assumptions and estimates used when determining the fair value are:

- A discount rate range of 15% to 17%, which is generally consistent with discount rates used by the other investors in Aireon
- Expected timing of receipt of future dividend payments, after tax, which is based on Aireon management's long term operating plan (November 2020).

En route and terminal revenues

En route and terminal activities are regulated by the National Supervisory Authority (the Commission for Aviation Regulation) and the European Commission's single European sky. Under the regulatory framework, a State Performance Plan is submitted to the EC for approval, in advance of the start of each five-year regulatory period. The current regulatory period is for the years 2020 to 2024, known as RP3. COVID-19 has resulted in a revision of the RP3 planning process to take place in 2021. Exceptionally, for 2020, the NSA will retrospectively assess the IAA's en route and terminal cost base for eligibility of recovery in future years. While EU Implementing Regulation (EU) 2020/1627 recognises that due account should be taken of the actual costs incurred by air navigation service providers and Member States (in 2020 and 2021), there is a risk that the total cost base for 2020 may not be approved. This would have an impact on reported revenues.

Management have assessed this risk as low given the cost containment measures implemented in the year and management's assessment that the actual costs incurred in 2020 were required to provide a safe and effective air traffic control service to its en route and terminal customers on a continuous basis. In addition, the 2020 costs incurred meet the expectations of the EU of a reduction in costs relative to both 2019 actual costs and costs included in the original RP3 Performance Plan prepared pre-COVID.

23 Post balance sheet events

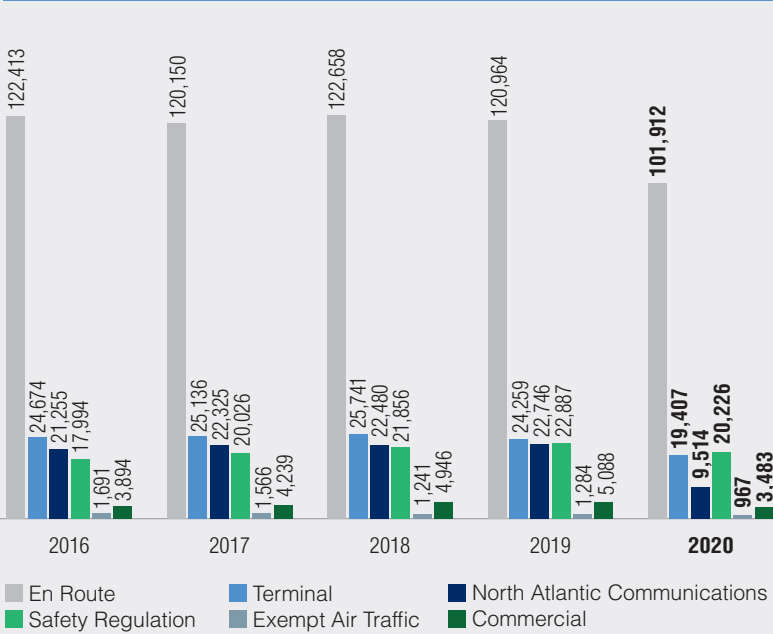
On 24 March 2021, the Board proposed the payment of a dividend of €40,500 (2019: €7.8 million). There were no other significant events affecting the Company since 31 December 2020 which require adjustment to, or disclosure in, the financial statements.

24 Approval of the financial statements

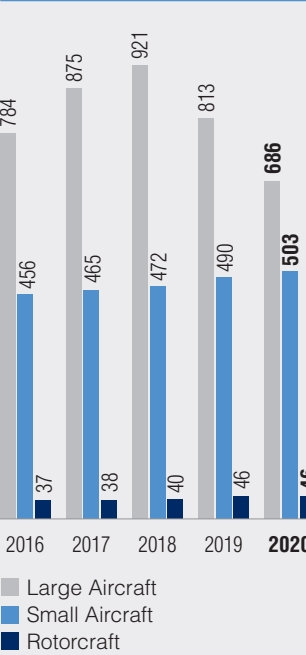
The financial statements were approved by the directors on 24 March 2021.

Five Year Summary 2016-2020

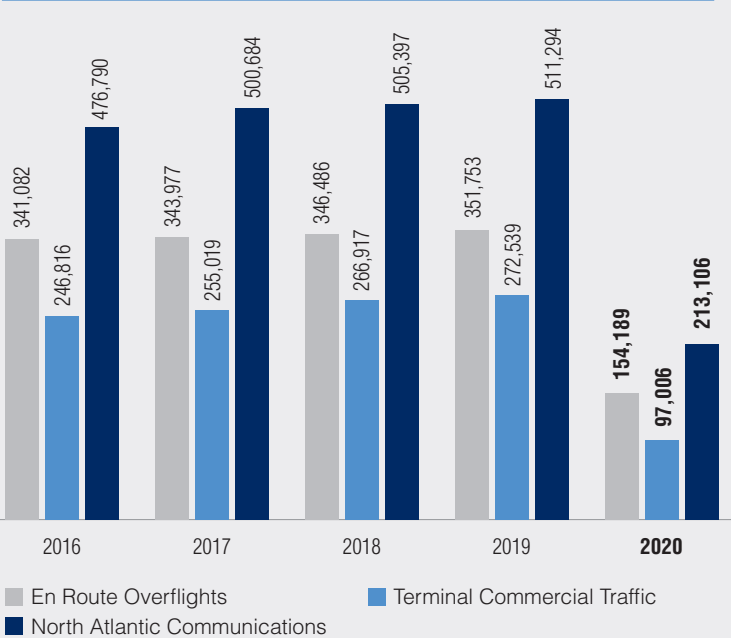
Turnover €'000



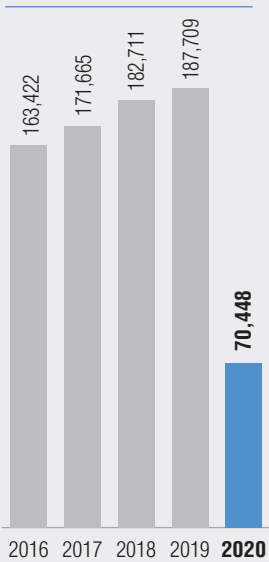
Registered Aircraft



Air Traffic Activity



Terminal Service Units



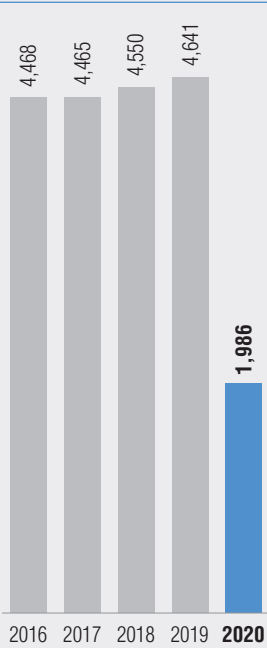
Operating Profit €'000



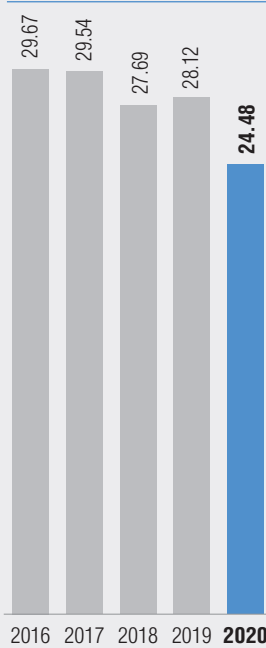
Profit after Tax €'000



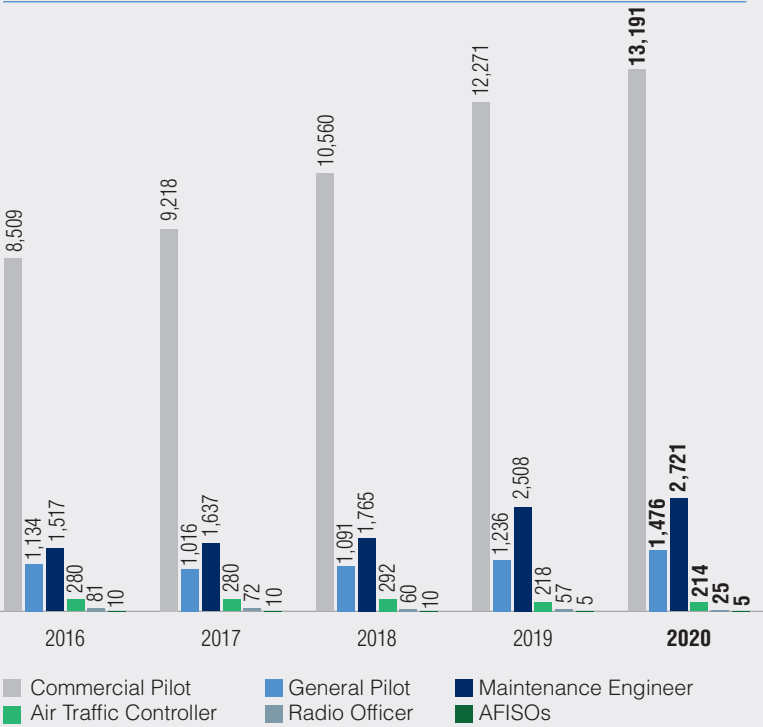
En Route Service Units ('000)



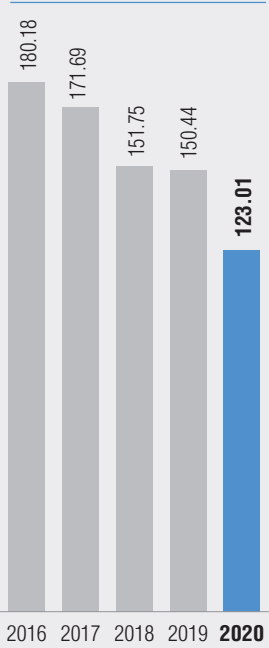
En Route Service Unit Rate (€)



Valid Licences



Terminal Unit Rate (€)





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