



**Commission for Aviation Regulation
Financial Statements for the year
ended 31 December 2006**

Table of Contents

1. Report of the Commission for the year ended 31 December 2006	2
2. Statement of Commission's Responsibilities	3
3. Report of the Comptroller and Auditor General	4-5
4. Statement on Internal Financial Control	6
5. Statement of Accounting Policies	7-8
6. Income & Expenditure Account	9
7. Statement of Total Recognised Gains and Losses	10
8. Balance Sheet	11
9. Cashflow Statement	12
10. Notes to the Financial Statements for the year ended 31 December 2006	13-19

Commission for Aviation Regulation

Report of the Commission for the year ended 31 December 2006

I have pleasure in presenting the Draft financial statements of the Commission for Aviation Regulation for the year ended 31 December 2006.

Financial Year

The accounting period consists of twelve months to 31 December 2006.

Principal Activities

The Commission for Aviation Regulation was established on 27 February 2001 by the passing of the Aviation Regulation Act, 2001. The principal functions of the Commission are the regulation of airport charges at Dublin Airport, and the regulation of aviation terminal services charges levied by the Irish Aviation Authority. The Commission is also responsible for licensing/bonding of tour operators and travel agents in Ireland, the implementation of Ireland's obligations under EU slot allocation legislation, oversight of schedule coordination procedures at Dublin Airport, licensing of Irish air carriers and the approval of ground handling service providers. The Commission is also responsible for ensuring (under EU Regulation 261/2004) that the minimum rights of air passengers in the event of delays, cancellations and denied boarding are met.

Results

Details of the financial results of the Commission for the year are set out in the Financial Statements and in the related notes.

European Communities (Late Payment in Commercial Transactions) Regulations 2002

The Commission for Aviation Regulation came under the remit of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 with effect from 7 August, 2002. The Commission complies with the requirements of the Regulations and has done so since the date of its establishment on 27 February, 2001.

Auditors and Accounts

Section 26 of the Aviation Regulation Act, 2001 obliges the Commission for Aviation Regulation to keep, in such form as may be approved by the Minister for Transport with the concurrence of the Minister for Finance, all proper and usual accounts of all monies received or expended by it, including an income and expenditure account and balance sheet. The Commission is also required to submit those accounts to the Comptroller and Auditor General for audit and those accounts when so audited, together with the report thereon, shall be presented to the Minister for Transport.



**Cathal Guiomard
Commissioner**

Date 27 June 2007

Commission for Aviation Regulation

Statement of Commission's Responsibilities

Section 26(a) of the Aviation Regulation Act, 2001 requires the Commission to prepare financial statements in such form as may be approved by the Minister for Transport with the concurrence of the Minister for Finance and to submit them for audit to the Comptroller and Auditor General. In preparing these financial statements, the Commission is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis, unless that basis is inappropriate
- disclose and explain any material departures from applicable accounting standards

The Commission is responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Commission and which enable it to ensure that the financial statements comply with Section 26 of the Act. The Commission is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Cathal Guiomard
Commissioner

Date 27 June 2007

COMMISSION FOR AVIATION REGULATION

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the Commission for Aviation Regulation for the year ended 31 December 2006 under the Aviation Regulation Act, 2001.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes.

Respective Responsibilities of the Commission and the Comptroller and Auditor General

The Commission is responsible for preparing the financial statements in accordance with the Aviation Regulation Act, 2001, and for ensuring the regularity of transactions. The Commission prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Member of the Commission are set out in the Statement of Commission's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Commission's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Commission's affairs at 31 December 2006 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Commission. The financial statements are in agreement with the books of account.



Gerard Smyth
For and on behalf of the
Comptroller and Auditor General
29 June 2007

Commission for Aviation Regulation

Statement on Internal Financial Control

The Commissioner for Aviation Regulation has overall responsibility for the Commission for Aviation Regulation's system of internal financial control and for monitoring its effectiveness. This system is designed to provide reasonable but not absolute assurance against material misstatement or loss.

In order to discharge this responsibility in a manner that ensures compliance with legislation and regulations, the Commissioner has established an organisational structure with clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

The Commission has in place a strong control framework, which covers all areas of control. The system of internal control includes the following:

- Clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Commissioner, which support the maintenance of a strong control environment;
- Comprehensive budgeting systems with an annual budget approved by the Commissioner;
- Comprehensive system of reporting which covers financial performance, occurs on a timely and regular basis and aims to ensure budgetary variances are examined and addressed promptly;
- Comprehensive set of policies and procedures relating to financial controls;
- The Commission monitors risk by means of a Risk Register that is reviewed and updated by the management team quarterly. The Commission is working with its internal auditors to distinguish, identify and manage its residual risks.

The Commission's internal auditors, Deloitte and Touche, carried out a formal review of the Commission's system of internal financial controls in 2005. A review of the effectiveness of the Commission's system of internal financial control was not carried out in respect of the year 2006. It is the Commissioner's intention to carry out a review in future years.



Cathal Guiomard
Commissioner

Date 27 June 2007

Commission for Aviation Regulation

Statement of Accounting Policies

1. Basis of Accounts

The financial statements are prepared under the accruals method of accounting, except as stated below and in accordance with generally accepted accounting principles under the historical cost convention. Financial Reporting Standards recommended by the accountancy bodies are adopted, as they become operative. The unit of currency in which the Financial Statements are prepared is the Euro.

2. Income Recognition

Aviation Levy income is brought to account over the period to which it relates.

Licence fee income from travel trade operations is brought to account in the year in which the licence is issued.

3. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. The Commission's capitalisation threshold is €1,500. Depreciation is calculated in order to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Furniture and Fittings	5	Years
Office Equipment	10	Years
Computer Equipment	5	Years

4. Travel Trade Bonds and the Travellers' Protection Fund

Responsibility for administering the licensing of travel agents and tour operators in accordance with the Transport (Tour Operators and Travel Agents) Act, 1982 as amended, was transferred from the Department of Public Enterprise to the Commission on its establishment day, 27 February 2001.

Sums lodged as bonds by travel agents and tour operators as required under Section 13 of the Act are held in separate bank accounts under the control of the Commission. The Commission makes payments on foot of claims made on the bonds as they arise. Unspent balances on bond accounts as at 31 December 2006 are accounted for as creditors.

The Traveller's Protection Fund was established under Section 15 of the Transport (Tour Operators and Travel Agents) Act, 1982 to provide for any shortfall on the travel bonds in covering losses or liabilities incurred by customers of travel agents and tour operators. Monies of the Fund are held partly in an investment account managed and controlled by the Minister for Finance and partly in a current account managed and controlled by the Commission. The balance on the latter account is treated as a creditor in these financial statements.

The bond accounts and the Fund are administered by the Commission whose expenses are reimbursed from the bonds or the Fund under the terms of the Act. Separate

financial statements are prepared for the bond accounts and the Travellers' Protection Fund and are audited separately by the Comptroller and Auditor General.

5. Superannuation

The Commission operates funded contributory defined benefit pension schemes under Sections 20 and 21 of the Aviation Regulation Act, 2001. The schemes are operated on an administrative basis pending Ministerial approval. The Commission has adopted the full provision of FRS 17 retirement benefits in 2006. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

The pension charge in the Income and Expenditure account comprises the current service cost plus the difference between the expected return on scheme assets and the interest cost of the scheme liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

6. Capital Account

The Capital account represents the unamortised value of income used for capital purposes.

7. Allocation of Costs

Revenues and expenses directly related to each undertaking are recorded in the accounts of that undertaking. Shared staff costs and shared overhead costs are allocated to each undertaking in proportion to the time spent by staff on each undertaking.

8. Foreign Currencies

Transactions denominated in foreign currencies relating to revenues and costs are translated into Euro at the rates of exchange ruling on the dates on which the transactions occurred.

Commission for Aviation Regulation Income & Expenditure Account for the year ended 31 December 2006
--

	Notes	2006 Total €	2005 Total €
Income			
Levy Receipts	2	2,675,170	868,333
Licence Fees	2	443,433	482,688
Other		8,570	22,697
Gross Income		<u>3,127,173</u>	<u>1,373,718</u>
Transfer (to)/from Capital Account	10	21,715	12,367
Net Income		<u>3,148,888</u>	<u>1,386,085</u>
Expenditure			
Salaries	4	1,458,033	1,160,336
Pension Costs	11	52,182	30,323
Consultancy		539,434	949,427
Legal Fees		646,145	626,772
Advertising & Public Relations		70,989	85,092
Travel & Subsistence		12,489	5,027
Training		38,918	16,660
Audit Fee		12,000	11,520
Web Maintenance		25,653	26,503
Rent		283,356	280,271
Electricity		7,393	6,776
Office Maintenance		4,935	8,342
Insurance		85,977	88,152
Office Stationery		23,635	17,017
Postage & Carriage		4,684	3,861
Telephone		10,204	14,759
Dublin Airport Schedules Facilitation		329,235	227,402
Depreciation		21,715	22,431
Service Charge		42,953	37,467
Rates		30,199	29,092
Other		156,055	96,012
		<u>3,856,184</u>	<u>3,743,242</u>
Operating Surplus / (Deficit)	15	<u>(707,296)</u>	<u>(2,357,157)</u>
Balance as at 1 January		(35,692)	2,321,465
Balance as at 31 December		<u>(742,988)</u>	<u>(35,692)</u>

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 19 form an integral part of these Financial Statements.



Cathal Guiomard
Commissioner

Date 27 June 2007

<p>Commission for Aviation Regulation Statement of Total Recognised Gains and Losses for the year ended 31 December 2006</p>
--

		Year-end 31/12/06	Year-end 31/12/05
		€	€
Operating Surplus / (Deficit)	Notes	(707,296)	(2,357,157)
Actuarial gain/(loss) on Pension Liabilities	11	(118,579)	60,287
Total Recognised Gains and (Losses)		<u>(825,875)</u>	<u>(2,296,870)</u>

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 19 form an integral part of these Financial Statements.



Cathal Guiomard
Commissioner

Date 27 June 2007

Commission for Aviation Regulation Balance Sheet as at 31 December 2006
--

	Notes	€	2006 €	€	2005 €
Fixed Assets					
Tangible Assets	5		43,063		64,778
Current Assets					
Bank Accounts	6	19,724,431		15,770,572	
Debtors and Prepayments	7	<u>398,521</u>		<u>454,380</u>	
		20,122,952		16,224,952	
Creditors:					
Amounts falling due within one year					
Creditors and Accruals	8	(1,138,836)		(1,155,161)	
Cash Bond Accounts	6	<u>(19,150,133)</u>		<u>(15,154,523)</u>	
		(20,288,969)		(16,309,684)	
Net Current Liabilities		(166,017)			(84,732)
Total Assets less Current Liabilities			(122,954)		(19,953)
Provisions for Liabilities and Charges	9		(625,000)		-
Net Liabilities Excluding Pension Liability			(747,954)		(19,953)
Net Pension Asset/(Liability)			(39,620)		79,970
Net Assets / (Liabilities) including Pension Asset/(Liability)			(787,574)		60,016
Financed By					
Income & Expenditure Account Surplus/(Deficit)			(742,988)		(35,692)
Capital Account	10		43,063		64,778
Pension Reserve			(87,649)		30,930
Reserves Including Pension Liability			(787,574)		60,016

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 19 form an integral part of these Financial Statements.

Cathal Guiomard
Commissioner

Date 27 June 2007

Commission for Aviation Regulation
Cashflow Statement for year ended 31 December 2006

	Notes	2006 €	2005 €
Reconciliation of operating surplus to net Cash inflow/(outflow) from operating activities			
Surplus/(Deficit) on Income and Expenditure		(707,296)	(2,357,157)
Difference between Pension Cost and Employer Contribution		1,011	(31,789)
Depreciation	5	21,715	22,431
Bank Interest		(6,823)	(20,122)
Transfer (from)/to Capital Account		(21,715)	(12,367)
Decrease/(Increase) in Debtors	7	3,591	(223,062)
Decrease/(Increase) in Prepayments	7	52,269	(6,490)
(Decrease)/Increase in Creditors	8	34,358	92,569
(Decrease)/Increase in Accruals	8	(50,683)	234,202
(Decrease)/Increase in Provisions	9	625,000	-
Net Cash Inflow/ (Outflow) From Operating Activities		(48,573)	(2,301,785)
Cash Flow Statement			
Net Cash Inflow/ (Outflow) From Operating Activities		(48,573)	(2,301,785)
Returns on Investments Bank Interest		6,823	20,122
Capital Expenditure Purchase of fixed assets	5	-	(10,064)
Financing Increase / (Decrease) in Cash Bond Accounts & TPF	6	3,995,610	1,044,513
Management of Liquid Resources (Increase) / Decrease in Funds on Deposit	6	111,439	2,477,377
Increase/(Decrease) in Cash Balances		4,065,299	1,230,163
Reconciliation of net cash flow to movements in net funds			
Increase/(Decrease) in cash in hand in the period		4,065,299	1,230,163
Cash used to increase liquid resources	6	(111,439)	(2,477,377)
Change in Net Funds		3,953,859	(1,247,214)
Opening Net Funds		15,770,572	17,017,786
Closing Net Funds		19,724,431	15,770,572

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 19 form an integral part of these Financial Statements.

Cathal Guiomard

Cathal Guiomard
Commissioner

Date 27 June 2007

Commission for Aviation Regulation
Notes forming part of the financial statements for year ended 31 December 2006

1. Establishment of the Commission

The Commission for Aviation Regulation was established on 27 February 2001 under the provisions of the Aviation Regulation Act, 2001 (No.1 of 2001). Under the Act, the Commission is responsible for the regulation of airport charges and aviation terminal service charges, the licensing of travel agents and tour operators in Ireland, licensing of Irish air carriers, approval of ground handlers at Irish airports and the implementation of EU slot allocation procedures. The Commission is also responsible for ensuring (under EU Regulation 261/2004) that the minimum rights of air passengers in the event of delays, cancellations and denied boarding are met. The Commission is funded from the proceeds of an annual Levy on the airport authority, the provider of aviation terminal services at the State airports, holders of an approval to supply ground handling services, air carriers which hold an operating licence, Irish-registered airlines and also from licence fees from tour operators and travel agents.

2. Income

The Commission for Aviation Regulation receives income from two sources, travel trade licence fee income and levy income. Under Section 23 of the Aviation Regulation Act, 2001 the Commission for Aviation Regulation is empowered to make regulations providing for the imposition of a Levy. The purpose of the Levy is to meet the costs and expenses of the Commission. For 2006, the Commission imposed a Levy as set out below.

	<i>Travel Agent Licence Fees</i>	<i>Tour Operator Licence Fees</i>	<i>Late Fees received from Agents and Operators</i>	<i>Amendment to Licence Fees</i>	<i>Other income</i>	<i>Total</i>	<i>2005</i>
	€	€	€	€	€	€	€
Licence Fees	120,666	242,500	79,667	600	0	443,433	482,688

	<i>Airport Charges</i>	<i>ATSC</i>	<i>Schedules Facilitation</i>	<i>Air Carrier</i>	<i>Ground handling</i>	<i>Total</i>	<i>2005</i>
	€	€	€	€	€	€	€
Levy	1,900,088	324,060	354,222	36,000	60,800	2,675,170	868,333

3. Expenditure

	<i>Airport Charges</i>	<i>ATSC</i>	<i>Schedules Facilitation</i>	<i>Air Carrier</i>	<i>Ground handling</i>	<i>Travel Trade</i>	<i>Denied Boarding</i>	<i>Total 2006</i>	<i>Total 2005</i>
	€	€	€	€	€	€	€	€	€
Salaries	549,756	105,568	161,942	71,203	86,366	362,229	120,971	1,458,033	1,160,336
Pension Cost	26,775	6,467	2,893	2,617	3,932	5,809	3,689	52,182	30,323
Consultancy	347,816	80,851	98,473	1,088	734	8,646	1,826	539,434	949,427
Legal Fees	(217,330)	1,682	843,684	1,606	1,071	12,766	2,666	646,145	626,772
Rent	127,574	15,438	13,922	8,911	7,003	97,364	13,144	283,356	280,271
Schedules Facilitation	-	-	329,235	-	-	-	-	329,235	227,402
Other	251,803	29,218	40,738	22,773	13,888	155,340	34,039	547,799	468,711
Total	1,086,394	239,224	1,490,887	108,198	112,994	642,154	176,335	3,856,184	3,743,242

4. Staff numbers and costs

	<i>Airport Charges</i>	<i>ATSC</i>	<i>Schedules Facilitation</i>	<i>Air Carrier</i>	<i>Ground handling</i>	<i>Travel Trade</i>	<i>Denied Boarding</i>	<i>Total 2006</i>	<i>2005</i>
	€	€	€	€	€	€	€		€
Salaries	486,670	93,869	139,384	62,248	76,748	289,699	82,336	1,230,954	965,652
PRSI - on staff paid by the CAR	40,678	8,866	3,719	4,499	6,175	7,258	5,438	76,633	73,943
PRSI & Pension due to Dept	10,044	429	15,348	2,186	1,911	49,200	3,433	82,551	77,807
Cost of Retaining Agency Staff	12,364	2,404	3,491	2,270	1,532	16,070	29,764	67,895	42,934
Total	549,756	105,568	161,942	71,203	86,366	362,228	120,971	1,458,033	1,160,336

The average number of persons employed by the Commission during the year (including eight on secondment from the Department of Transport), analysed by category, was as follows:

	2006	2005
Commissioner	1	1
Administration	4	4
Economic/Accounts	4	6
Legal & Licencing	5	3
Travel Trade	6	6
Total Average Full Time Equivalent Employees	20	20

5. Tangible fixed assets

	Office Equipment	Furniture & Fittings	Computer Equipment	Total
	€	€	€	€
Cost at the beginning of the year	11,295	31,307	88,574	131,176
Additions in the year	-	-	-	-
Disposals in the year	-	-	-	-
At the end of the year	11,295	31,307	88,574	131,176
<i>Accumulated depreciation</i>				
at the beginning of the year	3,976	13,476	48,946	66,398
Charge for the year	1,129	6,262	14,324	21,715
Disposals in the year	-	-	-	-
At the end of the year	5,105	19,738	63,270	88,113
Net Book Value as at 31 December 2006	6,190	11,569	25,304	43,063
Net Book Value as at 31 December 2005	7,319	17,831	39,628	64,778

6. Bank	2006	2005
	€	€
Bank Accounts - Travel Trade Bond Accounts	18,921,296	15,263,268
Bank Account - Travellers Protection Fund	228,837	(108,745)
	19,150,133	15,154,523
Bank Account - CAR Current A/C	306,246	236,397
Bank Account - CAR Deposit A/C	267,917	379,355
Petty Cash	135	297
	19,724,431	15,770,572

Commission for Aviation Regulation
Notes forming part of the financial statements for year ended 31 December 2006

7. Debtors & Prepayments falling due within one year	2006 €	2005 €
Debtors	-	-
Other Debtors	240,114	243,704
Prepayments	158,407	210,676
	<u>398,521</u>	<u>454,380</u>

8. Creditors & Accruals falling due within one year	2006 €	2005 €
Accruals - Judicial Review	284,000	284,000
- Other	490,718	541,401
Creditors - Consultancy Fees	131,933	3,134
- Revenue Commissioners PAYE/PRSI	46,500	33,778
- Revenue Commissioners VAT	70,085	17,848
- Revenue Commissioners PSWT	56,023	31,491
- Other	59,577	243,509
	<u>1,138,836</u>	<u>1,155,161</u>

9. Provisions for Liabilities and Charges	2006 €	2005 €
Balance as at 1 st January	-	-
Provisions during the year-Judicial Review	625,000	-
Balance as at 31 st December	<u>625,000</u>	<u>-</u>

Ryanair commenced Judicial Review proceedings against the Commission in June 2005 in respect of the Commission's decision of 26 April 2005 to designate Dublin Airport as a coordinated airport for the purposes of EC Regulation 95/93 as amended. This case commenced hearing on 31 May 2006 and the Court's Decision, which was handed down in July 2006, found for Ryanair and the subsequent Court Order awarded Ryanair its costs. The Commission subsequently obtained permission in the Supreme Court to appeal the Judgment and that Appeal remains pending. To date Ryanair has not sought its costs but may do so at any time. Consequently, this and the cost of running the appeal have been provided for in the 2006 Accounts.

10. Capital Account	2006 €	2006 €	2005 €	2005 €
Balance at 1 st January		64,778		77,145
Transfer (to)/from Income and Expenditure A/c's	-			
Funds allocated to acquire fixed assets	-		10,064	
Amount amortised in line with asset depreciation	(21,715)		(22,431)	
Net amount to transfer		(21,715)		(12,367)
Balance at the 31 st December		<u>43,063</u>		<u>64,778</u>

11. Pensions

The Commission for Aviation Regulation operates funded contributory defined benefit schemes for directly employed staff, which are funded by contributions from employees and the Commission. An actuarial valuation was carried out as at 31 December 2006 - by a qualified independent actuary - to take account of the requirements of FRS17. The major financial assumptions used by the actuary to calculate the liabilities under FRS17 were:

	At year-end 31/12/2006	At year-end 31/12/2005
<i>Rate of increase in salaries</i>	4.25% p.a.	2.60% p.a.
<i>Rate of increases to pensions in payment</i>	4.25% p.a.	1.60% p.a.
<i>Discount rate</i>	5.00% p.a.	4.10% p.a.
<i>Rate of inflation</i>	2.75% p.a.	1.60% p.a.

The assets of the Scheme and the expected rate of return were:

	<i>Long-term rate of return at year-end 31/12/2006</i>	<i>Value at year-end 31/12/06</i> €	<i>Long-term rate of return 31/12/05</i>	<i>Value at year-end 31/12/05</i> €
Equities	7.75% p.a.	488,753	7.75%	347,247
Fixed Interest	4.75% p.a.	67,096	4.75%	105,006
Property	7.75% p.a.	11,080	7.75%	1,966
Cash	3.75% p.a.	48,629	3.75%	2,926
<i>Total market value of assets</i>		<u>615,558</u>		<u>457,145</u>
<i>Actuarial value of scheme liabilities</i>		<u>(655,178)</u>		<u>(377,175)</u>
<i>Recoverable surplus/(deficit) in scheme</i>		<u>(39,620)</u>		<u>79,970</u>

The following shows the effect on the Financial Statements

Analysis of the Amount charged to operating surplus / (deficit)

	Year to 31/12/06 €	Year to 31/12/05 €
<i>Current service cost</i>	118,057	83,021
<i>Employees' contributions</i>	(39,043)	(43,906)
<i>Risk benefits insurance costs</i>	2,548	2,700
<i>Net return on pension scheme</i>	<u>(29,380)</u>	<u>(11,492)</u>
<i>Net current service cost</i>	<u>52,182</u>	<u>30,323</u>

Analysis of net return on pension scheme

	Year to 31/12/06 €	Year to 31/12/05 €
<i>Expected return on pension scheme assets</i>	44,844	22,575
<i>Interest on pension scheme liabilities</i>	<u>(15,464)</u>	<u>(11,083)</u>
<i>Net return</i>	<u>29,380</u>	<u>11,492</u>

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)

	Year to 31/12/06 €	Year to 31/12/05 €
<i>Actual return less expected return on pension scheme assets</i>	11,670	53,055
<i>Experience gains and losses arising on the scheme's liabilities</i>	16,923	18,660
<i>Changes in assumptions underlying the actuarial value of the scheme's liabilities</i>	(147,172)	(11,428)
<i>Actuarial gain/(loss) recognised in STRGL</i>	(118,579)	60,287

Movement in surplus/(deficit) during the year

	Year to 31/12/06 €	Year to 31/12/05 €
<i>Surplus/(Deficit) in the scheme at the beginning of the year</i>	79,970	(12,106)
<i>Movement in the year</i>		
<i>Net current service cost</i>	(81,562)	(41,815)
<i>Employer contributions</i>	51,171	62,112
<i>Other finance income</i>	29,380	11,492
<i>Actuarial gain/(loss)</i>	(118,579)	60,287
<i>Surplus/(deficit) in the scheme at the end of the year</i>	(39,620)	79,970

Experience gains and losses – Financial Year to 31/12/06

	2006 €	2005 €	2004 €
<i>Difference between the expected and actual return on scheme assets:</i>			
<i>Amount</i>	11,670	53,055	4,104
<i>Percentage of scheme assets</i>	1.9%	11.6%	1.5%
<i>Experience gains and losses on scheme liabilities:</i>			
<i>Amount</i>	16,923	(11,428)	(9,961)
<i>Percentage of actuarial value of scheme liabilities</i>	2.6%	(3.0%)	(3.6%)
<i>Actuarial gain / (loss) recognised in statement of total recognised gains and losses:</i>			
<i>Amount</i>	(118,579)	60,287	(13,230)
<i>Percentage of actuarial value of scheme liabilities</i>	(18.1%)	(16%)	(4.8%)

All contributions for the year were paid in accordance with the rules of the scheme within thirty days of the year-end.

12. Analysis of Changes in Net Funds

	At 1 Jan 2006	Cashflows	At 31 Dec 2006
	€	€	€
Cash in Hand/Bank	15,391,217	4,065,297	19,456,514
Deposit Account	379,355	(111,439)	267,917
	<u>15,770,572</u>	<u>3,953,859</u>	<u>19,724,431</u>

13. Capital and Other Commitments

The Commission had no commitments, capital or otherwise, at the balance sheet date.

14. Operating Lease Commitments

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Obligations under operating leases comprise

Land and buildings	
	€
Expiry within 1 year	-
Expiry after 1 year but not more than 5 years	271,800
Expiry thereafter	-

15. Surplus/(Deficit)

Under Section 23 of the Aviation Regulation Act, 2001, the Commission for Aviation Regulation is empowered to make regulations providing for the imposition of a Levy. The purpose of the Levy is to meet the costs and expenses of the Commission. Any surplus/(deficit) in any one-year is carried forward and offset against the Levy of the following year.

16. Judicial Review

1. Airport Charges (DAA)

Judicial Review proceedings were initiated in 2001 by Aer Rianta (now the Dublin Airport Authority (DAA)) against the Commission's decision of 26 August 2001 in respect of the maximum level of airport charges. The substantive decision was handed down by the High Court on 3/4/03. The Court found for the Commission on all matters and awarded the Commission its full costs. A subsequent appeal by Aer Rianta to the Supreme Court was abandoned and the matter was settled in October 2004 at the request of Aer Rianta. As the Commission's legal costs (which were in excess of €3m) have already been paid by the DAA by way of the Commission's Levy mechanism, no further provision for recovery of costs requires to be made in these financial statements. The Commission will, at the appropriate time, proceed to adjust the applicable price cap to provide that the litigation costs are borne by the DAA and not recovered from the airlines. The Bill of Costs was finalised by the Commission's Legal Cost Accountants in late 2006 and submitted to the DAA's Cost Accountants. A reply is awaited.

2. Airport Charges (Ryanair)

Ryanair sought Leave to Apply in late 2005 for a Judicial Review against the Commission's decision of 29 September 2005 in respect of the maximum level of airport charges at Dublin Airport. Subsequently, Ryanair decided not to proceed with the case and agreed to pay the costs incurred by the Commission in responding to the legal challenge of €69,145.57. It now remains for the Commission to recover these costs from Ryanair.

This has been reflected in the Commission's Financial Statements.

3. Groundhandling

Ryanair commenced Judicial Review proceedings against the Commission in January 2005 in respect of the Commission's decision of 6 October 2004 to grant approval to the Dublin Airport Authority to charge rental fees to the airlines for the use of check-in desks at the airports. This case was heard by the High Court on 2 May 2006 and the Court's decision was handed down in late 2006. The Court dismissed the Ryanair challenge and awarded the Commission its costs of €131,482.11. The Commission will now seek to recover these costs from Ryanair. This has been reflected in the Commission's Financial Statements.

4. Slot Allocation.

Ryanair commenced Judicial Review proceedings against the Commission in June 2005 in respect of the Commission's decision of 26 April 2005 to designate Dublin Airport as a coordinated airport for the purposes of EC Regulation 95/93 as amended. This case commenced hearing on 31 May 2006 and the Court's Decision, which was handed down in July 2006, found for Ryanair and the subsequent Court Order awarded Ryanair its costs. The Commission subsequently obtained permission in the Supreme Court to appeal the Judgment and that Appeal remains pending. To date Ryanair has not sought its costs but may do so at any time, consequently, this has been provided for in the 2006 Accounts.

17. Comparatives

Certain comparative figures have been regrouped or restated on the same basis as those for the current year.

18. Declaration of Interests-Commissioner and Staff

The Commissioner and staff complied with the requirements of Section 17 (Declaration of Interests) of the Commission for Aviation Regulation Act, 2001. There were no transactions in the year in relation to the Commission's activities in which the Commissioner had any interest.

19. Approval of Financial Statements

These financial statements were approved by the Commissioner on 27th June 2007.