



Financial Statements for year ended 31 December, 2002

Commission for Aviation Regulation,
3rd Floor, Alexandra House,
Earlsfort Terrace
Dublin 2,
Ireland

Tel + 353 1 6611700
Fax + 353 1 6611269
E-mail info@aviationreg.ie

Table of Contents

	Page
1. Report of the Commission for the year ended 31 December 2002	3
2. Statement of Commission's Responsibilities	4
3. Report of the Comptroller and Auditor General	5
4. Statement of Internal Financial Control	6
5. Statement of Accounting Policies	7-8
6. Income & Expenditure Account for the year ended 31 December 2002	9
7. Balance Sheet as at 31 December 2002	10
8. Cashflow Statement for the period year 31 December 2002	11
9. Notes to the Financial Statements for the year ended 31 December 2002	12-17

Commission for Aviation Regulation

Report of the Commission for the year ended 31 December 2002

I have pleasure in presenting the audited financial statements of the Commission for Aviation Regulation for the year ended 31 December 2002.

Financial Year

The accounting period consists of twelve months to 31 December 2002.

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, Shannon and Cork Airports, 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.

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 of 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 Public Enterprise 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.

William Prasifka
Commissioner

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.

William Prasifka
Commissioner

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 on pages 6 to 14 under Section 26(b) of the Aviation Regulation Act, 2001.

Respective Responsibilities of the Commission and the Comptroller and Auditor General

The accounting responsibilities of the Commission are set out in the Statement of Commission's Responsibilities on page 3. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Commission and to report on them.

I review whether the statement on the system of internal financial control on page 5 reflects the Commission's compliance with applicable guidance on corporate governance 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.

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 auditing standards 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 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 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, proper books of account have been kept by the Commission and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Commission for Aviation Regulation at 31 December 2002 and of its income and expenditure and cash flow for the year then ended.

~

Gerard Smyth
For and on behalf of the
Comptroller and Auditor General
(7 March 2004)

Commission for Aviation Regulation

Statement of 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. These systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

In order to discharge this responsibility in a manner which 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 operational and 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 operational and financial controls.

While a formal review of the system of internal financial controls was not carried out in 2002, it is intended to do such a review in respect of 2003.

The Commission is currently developing an internal audit system.

William Prasifka
Commissioner

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. Depreciation is calculated in order to write off the cost of fixed assets on a straight-line basis over the estimated useful lives at the following rates:

Furniture and Fittings	20%	per annum
Office Equipment	10%	per annum
Computer Equipment	20%	per annum

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.

Bonds lodged 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 2002 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. Moneys 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 for Aviation Regulation operates a funded contributory defined benefit pension scheme under Sections 20 and 21 of the Aviation Regulation Act, 2001. Annual contributions are based on actuarial advice and are charged to the income and expenditure account in the year to which they relate.

6. Capital Account

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

Commission for Aviation Regulation
Income & Expenditure Account for the year ended 31 December 2002

	<i>Notes</i>	2002	2001
		€	€
Income			
Levy Receipts	2	3,266,404	2,245,818
Licence Fees	2	444,242	392,372
Other Income		241,229	-
Gross Income		3,951,875	2,638,190
Transfer (to) / from Capital Account	8	(36,387)	(11,113)
Net Income		3,915,488	2,627,077
Expenditure			
Salaries	3	778,542	850,469
Consultancy		129,470	766,819
Legal	15	2,059,381	478,376
Advertising & PR		62,580	183,379
Travel & Subsistence		11,490	71,990
Training		28,774	44,701
Audit		7,300	12,750
Web Maintenance		8,704	25,282
Rent		156,479	29,315
Electricity		4,358	4,083
Office Maintenance		130,223	-
Insurance		74,887	11,656
Interest due to Department of Public Enterprise on Advances		79,770	16,642
Office Stationery		22,889	30,501
Postage & Carriage		3,535	7,047
Telephone		18,439	14,092
Dublin Airport Slot Co-ordination		165,528	-
Other		146,793	97,239
		3,889,143	2,644,341
Operating Surplus / (Deficit)		26,345	(17,264)
Balance as at 1 January 2002		(17,264)	-
Operating Surplus for year		26,345	(17,264)
Balance as at 31 December 2002		9,081	(17,264)

There are no recognised gains or losses other than those dealt with in the Income & Expenditure Account. The Statement of Accounting Policies and the Notes 1 to 16 form part of these Financial Statements.

William Prasifka
Commissioner

Date

Commission for Aviation Regulation
Balance Sheet as at 31 December 2002

	<i>Notes</i>	€	2002 €	€	2001 €
Fixed Assets					
Tangible Assets	4		47,500		11,113
Current Assets					
Bank Accounts	5	10,048,744		5,402,042	
Debtors and Prepayments	6	187,909		2,306,014	
		10,236,653		7,708,056	
Creditors : Amounts falling due within one year					
Cash Bond Accounts	5	(9,189,782)		5,248,080	
Creditors and Accruals	7	(1,037,790)		1,048,785	
Funding from the DPE				1,428,455	
Net Current Assets			9,081		(17,264)
Net Assets			56,581		(6,151)
Financed By					
Income & Expenditure Account Surplus / (Deficit)			9,081		(17,264)
Capital Account	8		47,500		11,113
Capital Employed			56,581		(6,151)

The Statement of Accounting Policies and the Notes 1 to 16 form part of these Financial Statements.

William Prasifka
Commissioner

Date

Commission for Aviation Regulation
Cashflow Statement for the year ended 31 December 2002

	2002 Euro	2001 Euro
Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities		
Surplus/(Deficit) on Income and Expenditure	26,345	(17,264)
Depreciation	16,144	1,368
Bank Interest	12	-
Transfer (from) / to Capital Account	36,387	11,113
Decrease in Debtors	2,231,255	(2,249,834)
Increase in Prepayments	(113,150)	(56,180)
Decrease in Creditors	(114,293)	129,636
Decrease in Accruals	103,298	919,148
Net Cash Inflow / (Outflow) From Operating Activities	2,185,998	(1,262,013)
Cash Flow Statement		
Net Cash Inflow / (Outflow From Operating Activities)	2,185,998	(1,262,013)
Returns on Investments		
Bank Interest	(12)	-
Capital Expenditure		
Purchase of fixed assets	(52,531)	(12,481)
Management of Liquid Resources		
Funding from DPE	-	1,428,455
Increase in Cash Bond Accounts & TPF	3,941,702	744,471
Increase / (Decrease) in Cash Balances	6,075,158	898,432
Reconciliation of net cash flow to movements in net funds		
Increase / (Decrease) in cash in hand in the period	6,075,158	898,432
Cash Inflow/(Outflow		
Opening Net Funds	3,973,587	4,503,610
Closing Net Funds	10,048,744	5,402,042

The Statement of Accounting Policies and the Notes 1 to 16 form part of these Financial Statements.

William Prasifka
Commissioner

Date

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, licensing of ground handlers at Irish airports and the implementation of EU slot allocation procedures.

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 license fees from tour operators and travel agents.

2 Income

The Commission for Aviation Regulation receives income from 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 2002, the Commission imposed a Levy as set out below.

	2002	2001
	€	€
Licence Fees:		
Travel Agent Licence Fees	142,791	94,732
Tour Operator Licence Fees	241,773	235,963
Late Fees received from Agents & Operators	49,435	59,043
Amendment to Licence Fees	1,419	95
Other Licence income	8,824	2,539
	<u>444,242</u>	<u>392,372</u>
Levy Receipts:		
Airport Charges	2,961,430	2,084,492
Aviation Terminal Services Charges	126,880	127,215
Slot Coordination	157,243	20,963
Groundhandling	10,524	6,992
Air Carrier	10,327	6,156
	<u>3,266,404</u>	<u>2,245,818</u>
	<u>3,710,646</u>	<u>2,638,190</u>

3 Staff numbers and costs

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

	2002	2001
Commissioner	1	1
Administration	3	3
Economic/Legal/Accounts	6	4
Travel Trade	6	6
Total Average Full Time Equivalent Employees	16	14

The aggregate payroll costs of these persons were as follows:	2002	2001
	€	€
Salaries	598,534	746,639
PRSI - on staff paid by the CAR	37,532	11,028
PRSI - on staff paid by the DPE		77,840
PRSI & Pension due to DPE	87,406	
Pension Costs	55,070	14,962
	778,542	850,469

4 Tangible fixed assets

<i>Cost</i>	Office Equipment	Furniture & Fittings	IT Hardware	Total
at the beginning of the year	6,828	-	5,653	12,481
Additions in the year	-	7,406	45,125	52,531
Disposals in the year	-	-	-	-
At the end of the year	6,828	7,406	50,778	65,012
 <i>Accumulated depreciation</i>				
at the beginning of the year	455	-	913	1,368
Charge for the year	626	548	14,969	16,144
Disposals in the year	-	-	-	-
At the end of the year	1,081	548	15,882	17,511
Net Book Value as at 31 December 2002	5,747	6,858	34,896	47,500
Net Book Value as at 31 December 2001	6,373	-	4,740	11,113

	2002	2001
	€	€
5 Bank		
Bank Accounts - Travel Trade Bond Accounts	9,188,866	5,188,596
Bank Account - Travellers Protection Fund	916	59,484
Bank Account - CAR Current A/C	858,962	153,962
	10,048,744	5,402,042

	2002	2001
	€	€
6 Debtors & Prepayments		
Debtors	15,877	2,245,818
Other Debtors	2,703	4,016
Prepayments	169,330	56,180
Balance at the 31st December 2002	187,910	2,306,014

	2002	2001
	€	€
7 Creditors & Accruals		
Accrual for Audit Fees 2001	12,750	12,750
Accrual for Audit Fees 2002	7,300	-
Accrual for IFAT Quarterly Fee due to Dec 02	2,102	-
Accrual for IMG Invoice for Nov & Dec 02	24,344	-
Electricity Accrual for December 2002	933	-
PR Accrual-Whelan Communications December 02	1,609	-
Amounts owed to DPE for general maintenance	3,102	-
Landwell amounts due in respect of Judicial Review	302,000	163,261
Landwell amounts due in respect Other Matters	5,380	-
Salaries due to DPE	436,536	648,656
PRSI & Pension due to DPE	129,978	77,840
Amount Due to the Dept of Public Enterprise	-	1,428,455
Interest due to the Department on Cash advances	-	16,642
Trade Creditors	15,344	129,636
Interest due to the Department on Cash advances	96,413	-
Balance at the 31st December 2002	1,037,790	2,477,240

	2002	2002	2001	2001
	€	€	€	€
8 Capital Account				
Balance at 31 December 2001		11,113		-
Transfer (to) / from Income and Expenditure Account				
Funds allocated to acquire fixed assets	52,531		12,481	
Amount amortised in line with asset depreciation	(16,144)	36,387	(1,368)	11,113
Balance at the 31st December 2002		47,500		11,113

9 Pensions

The Commission for Aviation Regulation operates a fully funded contributory defined benefit scheme in Ireland, which is funded by contributions from employees and the Commission. An actuarial valuation was carried out as at 31 December 2002 by a qualified independent actuary to take account of the requirements of FRS17. In accordance with the transitional arrangements for the introduction of FRS17 the following information is given by way of note only.

The major financial assumptions used by the actuary to calculate the liabilities under FRS17 were:

	<i>At Year-end 31/12/2002</i>	<i>At Year End 31/12/2001</i>
<i>Rate of increase in salaries</i>	3.05% p.a.	3.8% p.a.
<i>Rate of increases to pensions in payment</i>	2.05% p.a.	2.8% p.a.
<i>Discount rate</i>	5.05% p.a.	5.8% p.a.
<i>Rate of Inflation</i>	1.05% p.a.	1.8% p.a.

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

	<i>Long-term rate of return at Year- end 31/12/02</i>	<i>Value at Year-end 31/12/02</i>	<i>Long-term rate of return at Year- end 31/12/01</i>	<i>Value at Year- end 31/12/02</i>
		€		€
Gilts	4.55% p.a.	78,492	5.30%	0
Cash	3.05% p.a.	3,716	3.55%	0
<i>Total market value of assets</i>		<u>82,208</u>		<u>0</u>
<i>Actuarial value of scheme liabilities</i>		<u>(83,191)</u>		<u>(39,349)</u>
<i>Recoverable Surplus/(Deficit) in Scheme</i>		(983)		(39,349)
<i>Related Deferred Tax Liability</i>		0		0

If FRS 17 had been adopted in full, the following shows the effect on the Financial Statements:

Analysis of the amount which would be charged to operating surplus

	<i>Year to 31/12/02</i>
	€
<i>Current service cost</i>	38,502
<i>Employees' contributions</i>	(20,799)
<i>Risk benefits insurance costs</i>	971
<i>Net current service cost</i>	<u>18,674</u>

Analysis of net return on pension scheme

	<i>Year to 31/12/02</i>
	€
<i>Expected return on pension scheme assets</i>	553
<i>Interest on pension scheme liabilities</i>	(2,282)
<i>Net return</i>	<u>(1,729)</u>

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

	<i>Year to</i> 31/12/02
	€
<i>Actual return less expected return on pension scheme assets</i>	935
<i>Experience gains and losses arising on the scheme's liabilities</i>	(5,902)
<i>Changes in assumptions underlying the actuarial value of the scheme's liabilities</i>	<u>261</u>
<i>Actuarial gain/(loss) recognised in STRGL</i>	(4,706)

Movement in surplus during the year

	<i>Year to</i> 31/12/02
	€
<i>Surplus in the scheme at the beginning of the year</i>	(39,349)
<i>Movement in the year:</i>	
<i>Net current service cost</i>	(18,674)
<i>Employer contributions</i>	63,475
<i>Other finance income</i>	(1,729)
<i>Actuarial gain/(loss)</i>	<u>(4,706)</u>
Surplus/(Deficit) in the scheme at the end of the year	(983)

Experience gains and losses – Financial Year to 31/12/02

Difference between the expected and actual return on scheme assets:

	2002
	€
<i>Amount</i>	935
<i>Percentage of scheme assets</i>	1.1%

Experience gains and losses on scheme liabilities:

<i>Amount</i>	(5,902)
<i>Percentage of actuarial value of scheme liabilities</i>	-7.1%

Actuarial Loss recognised in statement of total recognised gains and losses:

<i>Amount</i>	(4,706)
<i>Percentage of actuarial value of scheme liabilities</i>	-5.7%

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

10 Interests of the Commissioner

The Commission adopted procedures in accordance with guidelines issued by the Department of Finance in relation to the disclosure of interests by the Commissioner and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Commission's activities in which the Commissioner had any beneficial interest.

11 Advances by the Department of Transport

These advances were temporary funding in respect of the initial expenses of the Commission and were repaid to the Department of Transport in October 2002.

12 Commitments-Capital and Others

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

13 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.

14 Comparatives

These accounts are for the twelve months to 31 December 2002. The comparatives are for the period from 27 February 2001 to 31 December 2001.

15 Judicial Review

€1,898,094.89 in legal fees was incurred in defending the ongoing judicial review proceedings during the year. Aer Rianta have now (January 2004) lodged a Notice of Appeal to the Supreme Court and are seeking to have set aside all three decisions of the High Court in 2003 (16/01/03, 03/04/03 and 04/06/03) including the Court's decision awarding costs to the Commission and the Notice Parties and they are further seeking an Order providing for the payment by the Commission of Aer Rianta's costs in the action. The recovery of the Commission's costs to date is, therefore, subject to the decision of the Supreme Court.

16 Approval of Financial Statements

These financial statements were approved by the Commissioner on 05 March 2004.