

IDA Ireland Annual Report & Accounts 2019



Riailtas na hÉireann
Government of Ireland

www.idaireland.com

 **IDA** Ireland

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Chairman & CEO Overview



Chairman & CEO Overview

2020 – an unprecedented year

Our Annual report this year was prepared during a time of unprecedented instability and unpredictability as a result of the Covid-19 pandemic and the public health and economic crisis it has caused in Ireland and across the world. Stark figures have emerged, particularly in relation to the labour market, that illustrate the enormous scale of the COVID-19 shock both in Ireland and in our key overseas markets.

We continue to actively support our client companies through the crisis. The majority of IDA Ireland's existing portfolio remains functioning either remotely or on-site while adhering to public health guidelines. This reflects well on both the resilience of FDI companies and on the resilience, flexibility and adaptability of Ireland as a location for doing business.

While the stock of FDI is proving resilient, the crisis has had a serious impact on a proportion of the IDA portfolio, particularly in the Automotive and Consumer product sectors that were impacted by the understandable restrictions introduced to combat Covid-19, resulting in some cases in a loss of market share, posing an existential threat to their businesses.

The crisis has also impacted heavily on the inward flow of investment and while it is too early to say what the ultimate effect of that will be on the out-turn for this year and next, it will undoubtedly have a negative impact on first time investments and job creation.

IDA Ireland is firmly committed to playing its part in the recovery of the economy in Ireland. FDI played an important role in the recovery from the 2008/2009 economic recession and can do so again as the economic recovery gets underway post Covid-19.

The depth and length of the economic impact of Covid-19 will depend on our ability to contain and control the spread of the virus here but also what happens elsewhere in key source markets. The Life Sciences sector will be central to creating an environment where human health is protected, and economic life can begin to return to normal.

The Irish economy is in a strong position facing into this crisis. IDA Ireland performed strongly in 2019, the final year of IDA Ireland's five year strategy Winning – Foreign Direct Investment 2015-2019 as the following figures will demonstrate.

IDA Ireland entered 2020 with the development of a new 2020-2024 strategy underway, the process being led by IDA's Board and Executive leadership team with support from the Department of Business, Enterprise & Innovation (DBEI) together with appropriate engagement with relevant stakeholders.

In preparing our new strategy, our priority was to achieve further strong investment and sustainable growth with a continued key focus on winning investments for regional locations across Ireland. We were conscious however of the many external challenges that lay ahead; continued uncertainty in the global political and economic environment, including Brexit and increased protectionist sentiment among the trading blocs which could impact on future investment decisions along with the impact of disruptive technology on our current client base. That was before Covid-19. The pandemic resulted in a global public health crisis creating an unprecedented level of disruption to business and industry across the world. Covid-19 hit Ireland in early March and completely changed the business and industry landscape as it did in Europe and internationally. Supply chain disruption and a decrease in demand for products and services followed,

leading, ultimately, to substantial job losses in Ireland, in sectors like tourism, hospitality and retail sectors. As the number of these that are temporary losses is still to be determined, the final number is yet to be fully calculated. While creating serious challenges for business operations, the impact of the virus on IDA Ireland client companies was, fortunately, less impactful as most successfully implemented business continuity plans.

Brexit

Brexit remains a key risk for the Irish economy. Certain sectors are more exposed to Brexit than others, particularly those with deep linkages to the UK market such as the agri-food industry. The risk is more limited in the sectors that multinationals are strong in but areas of concern include future use of land bridge and EU-UK data flows. IDA Ireland will continue to identify and manage risks among our existing clients while at the same time identifying and leveraging any and all opportunities that may arise in terms of mobile investment.

The continuing uncertainty around Brexit adds to the challenges faced by business and industry as it recovers from Covid-19.

2019 – a year of continued strong growth

The trend of strong FDI growth continued in 2019, the final year of IDA Ireland's five year strategy Winning – Foreign Direct Investment 2015-2019 with 9,218 new jobs created and 250 new FDI projects won.

Half of investments were first time investors. The year was marked by continued significant growth in regional investments with 110 investments won and 5,368 additional jobs created. Employment growth in 2019 was 6% compared to 2.4% nationally with IDA Ireland clients accounting directly for 10.5% of national

Chairman & CEO Overview (continued)

employment. Employment growth was evidenced across all regions and sectors. In addition to direct employment, over 8 jobs were created for every 10 jobs in FDI companies.

This robust performance, combined with the success of the previous years of the strategy, put us in a strong position as we faced into what has become one of the most difficult and challenging years Ireland has ever experienced as a result of the Covid-19 pandemic.

Conclusion of our five-year strategy

2019, the year in which IDA Ireland celebrated its 70 year anniversary, was also the year when our five year Winning strategy came to an end, having achieved all targets, with 1,209 investments won and creating 112,327 jobs, making it IDA Ireland's most successful period of investment to date, with an unprecedented level of FDI performance. It brought the number of people directly employed in the multinational sector in Ireland to an all-time high of 245,096.

In the **Winning** strategy, IDA Ireland focused on achieving a substantial uplift in the number of investments won for regional locations across Ireland. In that regard, the strategy was an unqualified success, with investments won for regions increasing by 50% over the lifetime of the strategy.

54,868 jobs were created outside of Dublin over the five years, leading to 33,118 additional direct jobs (net) on the ground in regions at the end of the strategy. Every region hit the five-year strategy targets of a 30% uplift in investment that we set out to achieve and three regions, the Mid West, Mid East and South East, exceeded 40% of targets. Investments in the Border region increased threefold since the outset of the strategy.

The impact of Covid19 on the tourism and hospitality sector has been significant. Given the importance of this sector to Ireland's regions, IDA Ireland's next strategy will continue to drive investment into regional locations to support our people and our economy.



Frank Ryan
Chairman

Martin Shanahan
Chief Executive Officer

Chairman & CEO Overview (continued)

FDI benefit

The benefits of Foreign Direct Investment to Ireland are many, including the growth and development of a highly-skilled workforce across a variety of sectors with considerable acquired industry expertise and experience in their respective fields. So too is the growing, keen interest and investment in developing R&D projects that has positioned Ireland as one of the leading RD&I locations in the world with an exceptional level of collaboration between industry, academia, state agencies and regulatory authorities, and the Exchequer benefit of increasing tax receipts.

IDA client companies account for an estimated two thirds of Ireland's corporation tax¹. IDA Ireland's clients create high value jobs with average salaries consistently above the national average. As a result, IDA clients account for one third of total income tax, USC and employers PRSI paid by companies in the state.

The strong and growing economic benefits from the Multinational Company (MNC) investment directly into the Irish economy in 2018 include expenditure on Irish materials and services totalling €8.2bn, an annual payroll spend of €13.3bn and capital investment of €6.4bn in 2018, up 17% on 2017 the majority of that spend in Life Sciences and Technology, on new buildings, machinery and equipment².

Overseas companies continue to be significant exporters from Ireland, with IDA clients' exports increasing by 14% from €191.6bn in 2017 to €218.7bn in 2018 – the equivalent of 68% of national exports.

Direct employment of 245,096 along with indirect employment of 196,077 translates to 441,173 jobs supported by FDI in Ireland at the end of 2019.

IDA client companies are key contributors to business expenditure on R&D (BERD) spending €2.2bn on in-house R&D in 2018, up 10% with a further €1.4bn spent on outsourced R&D. 18 FDI companies engaged in R&D for the first time in Ireland in 2019, today almost half of IDA clients have an R&D mandate in Ireland. The R&D staff total now stands at 18,834, up 11% on 2017.

Many IDA supported companies fell within the Government's essential services list, drawn up as part of its comprehensive response to the pandemic because of the nature of their operations and this allowed global companies in Ireland to continue with key activities in onsite operations. Having said that, no sector is immune to the impact of the virus and the measures that have been taken by Government to combat it. There have been both temporary and permanent layoffs within the portfolio.

At the time of writing, sectors like Technology and Financial Services look likely to be the most resilient. Some Med Tech and Pharma companies were adversely affected but others whose products and services can help with the fight against Covid-19 saw a substantial upsurge in demand. The engineering sector and business services sector were also heavily impacted. Overall however, existing FDI has demonstrated remarkable resilience and agility relative to other sectors of the economy.

IDA expect the flow of new investment in 2020 and 2021 to be significantly impacted by the Global pandemic. UNCTAD are forecasting a 30-40% drop in Global FDI over the period 2020 to 2021. The extent that such a reduction will impact on Ireland will depend on many things: our success at containing the virus in Ireland; the behaviour of the virus in our key source markets; the duration of the pandemic; its impact on global business and Ireland's competitiveness coming out of this period.

IDA Ireland focused on partnering with our 1500+ client companies, working to support them to the fullest extent possible throughout the pandemic and we will continue to engage closely with them to help retain, transform and position them for future growth. With travel severely restricted, IDA has been unable to physically bring investors to Ireland to show them our offering. We have developed an enhanced digital remote site visit offering instead to showcase Ireland to potential investors in the interim. Investor activity has slowed significantly however as companies continue to grapple with the effects of Covid-19 on their business and reassess their growth plans.

As the world recovers from the pandemic and business very slowly resumes, IDA will work with Government and other stakeholders on a recovery plan and we will reshape our successor strategy for 2021 and beyond to reflect the current position and begin the process of rebuilding our FDI base. As we do so, in a sustainable, inclusive and environmentally friendly manner, we will work to capitalise on global shifts in business models and emerging disruptive technologies such as automation, artificial intelligence and machine learning that will have a significant impact across a range of industry sectors. It is clear that an increase in remote or virtual working is likely to be one of these trends based on companies experiences during the pandemic. Ireland has an opportunity to capitalise on these global shifts in business models and emerging disruptive technologies by attracting the next wave of technology and business activity from new and existing clients. Ireland has a proven resiliency in recovering strongly from economic shocks. We believe that FDI is well placed to play a significant part in driving the recovery process in Ireland as it did in the previous recession. FDI has demonstrated longevity and commitment– half of our multinational companies have been in Ireland for 10 or more years while a third have been here for 20 or more years. FDI has deeply embedded Ireland in global value chains.

Chairman & CEO Overview (continued)

Looking ahead

It is as yet too early to say what the impact will be on investments and jobs in 2020/2021. It will require targeted support from Government including in the area of capital expenditure and support for IDA's international marketing activity.

In this forthcoming era of heightened competition for FDI, it is critical that investment in productive assets that enhance our competitiveness continues. It is in this context that IDA would endorse the recent analysis from the National Competitiveness Council that highlights the need for Ireland to focus on productivity digital enablement and skills and training. Targeted investment in skills and training will be a key priority for all sectors of the economy, including FDI, in the coming years given the probable legacy of high unemployment arising from the pandemic.

As the global recovery from the pandemic tentatively gets underway, much uncertainty remains. Countries remain cautious around the possibilities of second waves of the virus. The cost and effect on world economies is still being calculated. The economic shock will have a substantial negative impact on growth in Ireland and around the world in 2020 and while the forecast is for a robust degree of recovery in 2021 it remains subject to considerable uncertainty. Travel and some other restrictions remain, curtailing activity in some areas/sectors.

IDA Ireland is very fortunate, thanks to its success in winning unprecedented FDI levels in the previous five years to have entered 2020 in the strong position it is in. In the face of many uncertainties Ireland's value proposition remains intact; strong and able to offer the certainties of Ireland being a committed member of the EU, having a talented workforce, a culture of innovation and entrepreneurship, a competitive, business-friendly environment and strong regulatory system. We are

the seventh most competitive economy in the world and the second in the euro area. We are at the heart of Europe, the single market and the Eurozone.

IDA Ireland reaffirms its commitment to the economic growth and prosperity of all regions in Ireland and will showcase to potential investors the significant opportunities and benefits offered to companies that locate in regional locations.

Dublin is the country's leading city of international scale and remains an attractive place for investors to locate. Ireland's interests in winning FDI requires both a strong capital city and strong regions.

IDA's most powerful marketing tool is its clients and we pay tribute to the companies that have placed their confidence in Ireland and we also wish to acknowledge the many multinational and Irish companies who gave up their time to generously meet with other potential investors in Ireland during 2019. We especially want to wish them well at this difficult time, as they resume operations after Covid-19. We also pay tribute to the many companies that stepped up to support Ireland's effort to combat the virus over recent months.

Partnering

Equally important, we pay tribute to our team in IDA Ireland who strive to win these jobs on a daily basis – at home in Ireland and throughout the world; they have worked tirelessly to achieve these results. Their work and dedication are what drives our performance and their passion, expertise, determination and resilience is recognised here. Nowhere was this more evident than during the pandemic when it was business as usual for IDA Ireland – albeit remotely, and our team worked with great purpose and commitment to support client companies throughout and assist the Health Service Executive (HSE) in its efforts by helping to source vital

supplies of critical products for front line health workers and patients and putting our portfolio of properties at their disposal. Thank you all.

IDA Ireland is supported on an ongoing basis by the Department of Business, Enterprise and Innovation and many other Government Departments and Agencies. We also work in close partnership with many other public and private sector bodies as we pursue investment into Ireland. We would like to thank of those who support us on a daily basis and we look forward to continuing in our efforts to promote the growth and development of industry in Ireland.



Frank Ryan
Chairman



Martin Shanahan
Chief Executive

¹ IDA calculations based on Revenue analysis of foreign owned multinational employer returns for 2016 of income tax, USC and employer PRSI excluding wholesale and retail trade. See Report: <https://revenue.ie/en/corporate/documents/research/ct-analysis-2018.pdf> 3
IDA calculations based on Annual Business Survey of Economic Impact 2017 4 CSO Earnings and Labour Costs Annual 2017

² The Annual Business Survey of Economic Impact (2017) is carried out on an annual basis by the Department of Business, Enterprise and Innovation. As many company accounts are not compiled by calendar year, the survey is carried out a year in arrears.

Statistics



IDA Ireland Indicators

Indicator	2019 Value
Total of Investments Approved	250
No of Greenfield Projects	125
No of Expansion Projects	88
No of Research, Development & Innovation Projects	37
Investment in Research, Development & Innovation Projects	€1.3bn
% of Investments Located Outside Dublin	44%
% of Jobs Approved Outside Dublin	41%
% of Jobs Approved with Salaries in excess of €35,000	87%
Average Salary in Investments	€59,384
Total R&D in-house Expenditure*	€2.2bn

Note * R&D in-house expenditure data refers to 2018.

Origin of IDA Ireland Supported Companies 2019

Origin	Number of Companies	Total Employment
United States	847	174,474
Germany	95	14,690
United Kingdom	136	8,281
France	67	7,975
Rest of Europe	192	20,689
Rest of World	212	18,987
Total	1,549	245,096

Source: DBEI Annual Employment Survey 2019.
Note: Includes full-time and part-time employees.

Statistics (continued)

Employment in IDA Supported Companies

	2019
Job Gains	21,844

Source: IDA Ireland 2019

Employment in IDA Supported Companies

	2018	2019
Total Employment	231,229	245,096
Full Time	210,805	223,973
Other	20,424	21,123
Net change in total employment	15,723	13,867
% change in employment	7%	6%

Source: DBEI Annual Employment Survey 2019, Time series data.

Note: Other Employment includes part-time and short term contract employees.

Total Employment by Region in IDA Ireland Supported Companies

IDA Region	2015	2016	2017	2018	2019	% Change 2018/2019
Border	10,608	11,246	11,703	12,074	12,891	7%
Dublin &						
Mid-East	90,240	97,234	103,048	111,173	119,901	8%
Mid-West	15,413	16,925	17,975	18,978	20,111	6%
Midlands	4,682	4,788	5,044	5,714	6,209	9%
South-East	12,721	13,541	14,545	15,559	15,837	2%
South-West	35,033	37,478	39,037	41,494	42,847	3%
West	20,539	22,271	24,154	26,237	27,300	4%
Total	189,236	203,483	215,506	231,229	245,096	6%

Source: DBEI Annual Employment Survey 2019.

Note: Includes part-time, temporary and short-term contract employees.

Changes made under the 2014 Local Government Act has resulted in revisions to the Irish NUTS 2 and NUTS 3 Regions in national statistics. IDA Ireland's 2015 – 2019 Winning Strategy was developed prior to this revision, therefore in the table above, Louth remains in the Border region and South Tipperary in the South-East. <https://www.cso.ie/en/methods/revnuts23/>. From 2020 onwards, IDA will report its figures based on the revised NUTS 2 and 3 regional breakdown.

Statistics (continued)

Total Employment by Sector in IDA Ireland Supported Companies

Sector	2015	2016	2017	2018	2019	%change 2018/2019
Pharmaceuticals & Food	25,391	27,078	28,288	30,198	32,173	7%
Computers, Electronics & Optical Equipment	22,896	22,704	22,309	21,960	21,449	-2%
Medical & Dental Instruments & Supplies	27,398	29,474	31,470	33,840	36,076	7%
Financial Services	23,119	24,961	27,023	27,241	28,731	5%
International Services	73,870	82,242	88,649	98,684	107,248	9%
Other Manufacturing	16,562	17,024	17,767	19,306	19,419	1%
Total	189,236	203,483	215,506	231,229	245,096	6%

Source: DBEI Annual Employment Survey 2019.

Statistics (continued)

Economic Impact of Foreign Direct Investment

The Department of Business, Enterprise and Innovation estimates that for every 10 jobs generated by Foreign Direct Investment (FDI) directly, another 8 are generated in the wider economy. This translates into

441,173 jobs that were supported by FDI at the end of 2019.

Secondary economic benefits impact positively on the construction industry, the retail sector and the hospitality industry.

The ABSEI (Annual Business Survey of Economic Impact) survey results for 2018 (latest data available) include data for Exports, Irish Economy Expenditure, in-house R&D and capital expenditure as follows:

- IDA client exports increased by **14.1% to €218.6bn** in 2018.
- Expenditure in the Irish economy grew **11.5% to €21.5bn** in 2018. This is made up of expenditure on payroll (**€13.3bn**), Irish services (**€5.6bn**), and Irish materials (**€2.6 bn**).
- In-house R&D Investment grew **9.8% to €2.2bn** in 2018.
- IDA clients invested **€6.3bn** in capital projects in 2018.

IDA Ireland Cost per Job Sustained Constant 2019 Prices

	2006-2012	2007-2013	2008-2014	2009-2015	2010-2016	2011-2017	2012-2018	2013-2019
Sustained FTJ*	42,658	44,752	49,452	56,973	69,611	77,099	94,880	104,690
CPJS**	13,092	12,830	12,771	10,616	9,181	8,057	6,583	6,049

Source: DBEI Annual Employment Survey 2019

Note: The cost per job sustained is calculated by taking into account IDA Ireland grant expenditure to all firms in the period of calculation.

Only jobs created during and sustained to the end of each seven year period are credited in the calculations.

*FTJ = Full Time Job.

**CPJS = Cost per Job Sustained

Corporate Social Responsibility



Corporate Social Responsibility

FDI's social impact goes beyond its more directly measurable economic contribution. Almost 9 in 10 IDA client companies engage in corporate social responsibility (CSR) activities with fundraising, workplace development, volunteering, diversity & inclusion and environmental sustainability key areas of focus. Throughout the COVID-19 pandemic, a number of IDA client companies have offered their products and services to support Ireland's response to the crisis.

As global leaders in CSR, many IDA clients are aligning their activities with the UN Sustainable Development Goals (SDGs), which aim to address the most significant economic, social and environmental challenges facing the world. Research published by the OECD in 2019 illustrated how the impacts of FDI across all elements of sustainability can advance progress towards achieving the SDGs by 2030.

IDA's internal CSR initiatives are aligned at an international level with the SDGs and at national level with the Government's National Plan on CSR 2017-2020. These initiatives across the workplace, community and environment pillars of CSR contribute to, uphold and deepen IDA's core values of passion for performance and achievement, public service, professionalism and people. They also play their part in Ireland's continued success in winning FDI by helping IDA to attract and retain the best people and by ensuring IDA is a modern organisation that reflects the best practice exemplified by many of our client companies.

IDA is a member and active participant in the Department of Business, Enterprise and Innovation's CSR Stakeholder Forum, which brings together colleagues from across the Government system, academia, civil society and the private sector, including a number of IDA clients, to help support the implementation of the National Plan on CSR.

Workplace

IDA's most important asset is our people and, in a constantly evolving global economy, we continue to do our utmost to support the IDA team in their career development through Performance Management and Development Reviews, Tuition Aid Programmes and Group Training Programmes.

The global facing nature of IDA's activities requires us to reflect the diversity of both Irish society and the wider world in which our team works, and to foster an environment of inclusion where all colleagues can develop and succeed. Under our Diversity and Inclusion (D&I) Action Plan, IDA has taken a number of steps including joining the 30% Club, the OUTstanding professional network, the IBEC Diversity Forum, and the Open Doors Initiative. IDA's HR Team has included D&I in the induction programme for all new joiners, and there are D&I focused questions in the annual employee survey. New policies include those in the areas of home working, open location roles and increased levels of flexitime working – all designed to provide greater flexibility and a better work life balance for IDA team members.

IDA held a number of D&I focused events in 2019 including events to mark International Women's Day in March, the anniversary of the marriage equality referendum in May, International Men's Day in November and International Day of Persons with Disabilities in December. The events were recorded and live streamed for colleagues overseas. Under the Employee Assistance Programme (EAP), IDA also held information events and developed podcasts in 2019 on work-life balance, personal finance and savings, mindfulness to support resilience and wellbeing, positive parenting, and caring for the carer.

Corporate Social Responsibility (continued)

Community

Beyond the workplace, IDA colleagues continue to take the lead in the organisation's engagement with the community through funding and awareness raising activities of the CSR Committee for charities chosen by the IDA team. IDA's Charity Partner in 2018/19 was Pieta House, who provide free counselling to those with suicide ideation, those engaging in self-harm and those bereaved by suicide. In June 2019, Laura Lynn was selected as IDA's Charity Partner for 2019/20. Laura Lynn is Ireland's Children's Hospice and provides services to children with palliative care needs, complex care needs, and complex disabilities, and their families.

Environment

IDA is conscious of the need to carry out our activities in a sustainable manner. Under the National Energy Efficiency Action Plan (NEEAP), the public sector has been set a target to improve its energy efficiency by 33% by 2020. IDA is on track to deliver on this target and, as of 2018, had recorded energy savings of 53.6% across the Agency's offices and business parks since the baseline level was set*.

In line with our sustainability agenda, IDA has delivered advanced technology and office buildings with Leadership in Energy and Environmental Design (LEED) accreditation and has rolled out energy efficient lighting solutions across our property solutions. In September 2019, IDA successfully completed its move to a new Global HQ in Dublin. Three Park Place is a state of the art, energy efficient and environmentally friendly building, with LEED Platinum accreditation and an A3 BER rating.

*The data submitted by IDA on an annual basis is subject to verification on an ongoing basis up to the 2020 deadline.



Governance Statement & Board Members' Report



Governance Statement and Board Members' Report

Governance

IDA Ireland is an autonomous Statutory Agency set up under the Industrial Development Acts 1986 - 2019. The Agency operates in accordance with the provisions of the Acts and under the aegis of the Minister for Business, Enterprise and Innovation, who is empowered to provide funds to discharge its obligations and issue general policy directives/seek information on the Agency's activities.

While the primary source of corporate governance for IDA Ireland are the Industrial Development Acts, the Agency is also required to comply with a range of other statutory (National and EU) and administrative requirements. IDA Ireland affirms that it met its obligations in regard to all of these requirements. In particular, it has the following procedures in place to ensure compliance with specific requirements:

1. General Administrative and Policy Requirements

At national level, IDA Ireland works closely with officials of the Department of Business, Enterprise and Innovation and officials of other Government Departments and State Agencies in advancing its objectives and ensuring compliance with statutory, administrative and Ministerial/Government requirements. At local level, the Agency works closely with Local Authorities, Educational Establishments, other State Agencies and a wide range of Local Organisations/Public Representatives to develop the local environment necessary for attracting new investment.

The European Commission adopted both Regional Aid Guidelines and a General Block Exemption Regulation for the period 2014-2020 which enables regional aid schemes to be operated without prior approval of the European Commission. In order to comply with the requirements arising from the Regional Aid Guidelines and the Block Exemption Regulation new Administrative Rules relating to Industrial Development regional aid scheme for the period were also drawn up. IDA also provides research and development and training grants in accordance with the General Block Exemption Regulation 2014.

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

Statement of Compliance

The Board has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. IDA Ireland was in full compliance with the Code of Practice for the Governance of State Bodies for 2019, subject to a waiver from the Department of Business, Enterprise and Innovation in respect of a requirement in a 2014 Circular, as noted in the Statement of Internal Control.

Section 2.6: Complied with by the Chairman of the Board in a separate letter furnished to the Minister for Business, Enterprise and Innovation.

Sections 1.8 & 7.5 (iii): An effective system of internal control is maintained and operated by the Agency (Statement on Internal Control, page 25).

Section 9: Government policy on the pay of Chief Executives and State Body employees is being complied with (Governance Statement and Board Members Report 2019 pages 14-21 and Notes to the Financial Statements pages 30-41).

Sections 1.15 & 1.17: The Board has approved the five year IDA strategy "Winning Foreign Direct Investment 2015-2019". In addition, the Board has established processes to ensure sound corporate planning, etc., as required by this Section (Governance Statement and Board Members Report 2019 pages 14-21, and Statement on Internal Control page 25).

Section 9: The IDA travel procedures reflect the Government's travel policy requirements and are being complied with.

Section 8.47: The Chairman of the Board, in the separate letter furnished to the Minister for Business, Enterprise and Innovation, confirms that the IDA has complied with its obligations under tax law.

The schemes and programmes administered by the IDA are in accordance with the legislation governing the operation of the Agency and appropriate risk management systems are in place.

3. Revenue Commissioners' Statement of Practice Sp-It/1/04 on Tax Treatment of Remuneration of Members of State and State Sponsored Committees and Boards
IDA Ireland fully complies with this Statement of Practice.

4. Guidelines for the Appraisal and Management of Capital Expenditure Proposals

IDA Ireland has well-established robust procedures in place for the Appraisal and Management of Capital Expenditure projects arising under the Capital Grants or Property programmes. These procedures comply with the principles set out in the Guidelines for the Appraisal and Management of Capital Expenditure Proposals.

5. Employment Equality Acts 1998 to 2015

Equality is an established priority for IDA. The organisation has a progressive equality and diversity agenda and new initiatives are developed on an ongoing basis. IDA Ireland values diversity and strives to be an equality employer where individual contribution is encouraged and differences are valued. To this end, it is committed to ensuring that no staff member of IDA, or applicant for employment with IDA, receives less favourable treatment than any other on grounds of gender, marital status, family status, sexual orientation, religion, age, disability, race, membership of the traveller community or on any other grounds not relevant to good employment practice. This applies to recruitment, working conditions and development opportunities.

IDA is committed to maintaining and developing a balanced work/life environment for all staff.

Governance Statement and Board Members' Report (continued)

6. The Health, Safety and Welfare at Work Act, 2005

IDA Ireland continues to take appropriate measures to protect the safety, health and welfare of all employees and visitors within its offices to meet the provisions of this Act. This extends to the Public Health (Tobacco) Acts 2002 and 2004.

7. Worker Participation (State Enterprise) Act, 1988

Consultative structures are operating effectively in IDA Ireland and are a recognised feature of the organisation's communications and consultative structure. The Joint Consultative Committee is welcomed as a positive process by both management and staff, in addition to our consultative process with the Trade Unions.

8. Ethics in Public Office Act, 1995 and Standards in Public Office Act, 2001

In accordance with the above Acts, all IDA Ireland Board Members and staff holding designated positions have completed statements of interest in compliance with the provisions of the Acts.

9. Freedom of Information Act 2014

IDA Ireland complies with this Act. Requests for information under this Act should be addressed to the Freedom of Information Executive, IDA Ireland, 3 Park Place, Hatch Street, Dublin 2.

10. Energy Efficiency

In compliance with the Government memorandum of June 2001, IDA Ireland, in the design, planning and construction of office and manufacturing buildings on its Business and Technology Parks, applies 'best practice' principles in all cases. The IDA's offices in the regions also conform to 'best practice' principles. IDA secured a new Global HQ at Three Park Place that is A3 BER rated and is certified WiredScore Platinum – features include high quality building envelope insulation, thermal storage, rain water harvesting, photovoltaic panels, combined heat & power (CHP) for renewable energy generation and LED lighting.

11. (I) Prompt Payment of Accounts

The Prompt Payment of Accounts Act 1997 (the Act), was amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2012, the European Communities (Late Payment in Commercial Transactions) Regulations 2013 and the European Communities (Late Payment in Commercial Transactions) Regulations 2014. Management is satisfied that IDA complied with the provisions of the Act (as amended) in all material respects.

11. (II) Prompt Payment to Supplier

IDA Ireland is committed to meeting its obligations under the 15 day Prompt Payment Rule, which came into effect on 1 July 2011.

The provision ensures that payments to suppliers in respect of all valid invoices received will be made within 15 calendar days.

IDA Ireland reports quarterly in the "Corporate Governance" section of the website on the implementation of the 15 day Prompt Payment rule.

12. Protected Disclosure

In line with the legal requirement under section 21 of the Protected Disclosures Act 2014, IDA Ireland has established and maintains procedures for the making of protected disclosures by workers who are or were employed by IDA Ireland and for dealing with any disclosures made. IDA Ireland has provided staff with written information relating to the protected disclosures procedures.

There were no protected disclosures made to IDA Ireland in 2019.

Board Responsibilities

The Board of IDA Ireland was established under the Industrial Development Act 1993. The functions of the Board are set out in section 8 of that Act. The Board is accountable to the Minister for Business, Enterprise and Innovation and is responsible for ensuring good governance. It performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of IDA Ireland are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Board and management of IDA Ireland.

The work and responsibilities of the Board are set out in The Corporate Governance Manual which also contains the matters specifically reserved for Board decision. Standing items considered by the Board include:

- declaration of interests,
- reports from committees,
- financial reports/management accounts,
- performance reports, and
- reserved matters.

Paragraph 7 (2) of the First Schedule of the Industrial Development Act 1986 requires the Board of IDA Ireland to keep, in such form as may be approved by the Minister for Business, Enterprise and Innovation, with the consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

Governance Statement and Board Members' Report (continued)

In preparing these financial statements, the Board of IDA Ireland 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 it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Paragraph 7 (2) of the First Schedule of the Industrial Development Act 1986. The maintenance and integrity of the corporate and financial information on the IDA Ireland's website is the responsibility of the Board. The Board is responsible for approving the annual plan and budget. An evaluation of the performance of IDA Ireland by reference to the annual plan and budget was carried out on 13 February 2020.

The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of IDA Ireland give a true and fair view of the financial performance and the financial position of IDA Ireland at 31 December 2019.

Board Structure

The Board consists of a Chairperson, CEO and seven ordinary members, all of whom are appointed by the Minister for Business, Enterprise and Innovation. The members of the Board were appointed for a period of five years and meet 10 times a year or more often if required. The table below details the appointment period for current members:

Board Member	Role	Date Appointed	
Frank Ryan	Chairman	1st January 2019	(retired 31 December 2018. Re-appointed 1st January 2019)
Martin Shanahan	CEO	31st August 2014	
Dermot Mulligan	Ordinary member	19th October 2016	
Denis Collins	Ordinary member	4th September 2015	(retired 31 December 2019)
Barry O'Sullivan	Ordinary member	1st January 2019	(retired 31 December 2018. Re-appointed 1 January 2019.)
Geraldine McGinty	Ordinary member	29th January 2018	(retired 31 December 2017. Re-appointed 29 January 2018.)
Anne Fitzsimons	Ordinary member	26th August 2016	(retired 31 December 2019)
Marian Corcoran	Ordinary member	26th August 2016	
Mary Mosse	Ordinary member	17th September 2017	
Kevin Cooney	Ordinary member	8th June 2018	
Thomas (Tony) Kennedy	Ordinary member	8th June 2018	

An external Board Effectiveness and Evaluation Review, undertaken by Deloitte Ireland LLP, was completed in December 2019.

Key Personnel changes – Board members as above. There were no changes at Senior Management level (Divisional Manager or higher) during 2019.

Governance Statement and Board Members' Report (continued)

Board 2019

The Board operates to best practice corporate governance principles and in line with the guidelines set out in the 'Code of Practice for the Governance of State Bodies' as issued by the Department of Public Expenditure & Reform, both in its own activities and in its use of committees.

It is responsible for setting the broad policies of the organisation and for overseeing its operation. It performs these functions directly and through the operation of focused Board Committees. Responsibility for the implementation of policy rests with executive management.

The Board has statutory authority to approve grant aid up to the levels set out in the Industrial Development Acts and to recommend grant aid above these specified levels to Government. In accordance with the Ethics in Public Office Acts, 1995 and 2001, IDA Ireland Board Members furnish a Statement of Interests to the Secretary and to the Standards in Public Office Commission.

In accordance with the 'Code of Practice for the Governance of State Bodies' 2016, IDA Ireland fully complies with Government policy on the pay of Chief Executives and State Body employees and with Government guidelines on the payment of fees to Board Members.

Frank Ryan

Chairman, IDA Ireland

Martin Shanahan

Chief Executive Officer, IDA Ireland
Adjunct Professor Smurfit Graduate Business School
University College Dublin

Geraldine McGinty

Associate Professor of Clinical Radiology and
Population Science, Weill Cornell Medical College,
New York
Assistant Attending Radiologist,
New York Presbyterian Hospital

Denis J Collins

CEO, Smarter Dynamics
Chairman, Learn Lode Ltd

Anne Fitzsimons

COO - Services Integration Hub IBM Global Business Services
Director IBM Ireland

Marian Corcoran

Founder MC 2 Change Limited

Dermot Mulligan

Asst. Secretary General Innovation & Investment Division,
Department of Business, Enterprise & Innovation

Barry O'Sullivan

Vice President of Manufacturing, Johnson and Johnson
Vision Care

Mary Mosse

Director Port of Waterford Company
Member of the Low Pay Commission
External Examiner Cardiff Metropolitan University

Thomas (Tony) Kennedy

CEO, Tawin Consulting

Kevin Cooney

Senior Vice President, Managing
Director EMEA, CIO, Xilinx Inc

John Nolan

Secretary, IDA Ireland

Governance Statement and Board Members' Report (continued)

The Board committee structure is outlined below.

Audit, Finance and Risk Committee

Assists and supports the Board in discharging its legal and accounting responsibilities; communicates with external auditors and evaluates and controls the internal audit function; reviews financial planning and the system of internal financial control. It also oversees the implementation of the organisation's risk policy including the development of its risk register and monitors budgeting and banking arrangements.

Members 2019:

Anne Fitzsimons (Chair)
Dermot Mulligan
Denis Collins
Geraldine McGinty
Liam Rattigan
(External Committee Member)

Members 2020:

Geraldine McGinty (Chair)
Dermot Mulligan
Mary Mosse
Tony Kennedy
Liam Rattigan
(External Committee Member)

Property Committee

Reviews policy with regard to the financing, provision, maintenance and disposal of property, approves procedures with regard to tendering and awarding of contracts and approves expenditure/sales of up to €12million.

Members 2019:

Marian Corcoran (Chair)
Anne Fitzsimons
Mary Mosse
Martin Shanahan
Dermot Mulligan

Members 2020:

Marian Corcoran (Chair)
Mary Mosse
Martin Shanahan
Dermot Mulligan
Kevin Cooney

Regional Development Committee

Regional Development Committee provides guidance on the implementation of the regional development aspects of IDA's Strategy. Reviews and monitors IDA's annual and cumulative regional targets and its involvement in national and regional strategy development.

Members 2019:

Denis Collins (Chair)
Barry O'Sullivan
Dermot Mulligan
Mary Mosse
Tony Kennedy
Mary Buckley

Members 2020:

Barry O'Sullivan (Chair)
Dermot Mulligan
Mary Mosse
Tony Kennedy
Mary Buckley

Sectoral Development Committee

The Sectoral Development Committee reviews and recommends sectoral initiatives/investments to the Board. Monitors progress on sectoral initiatives and ensures the infrastructure exists to support the initiatives.

Reviews progress on the National Institute for Bioprocessing Research and Training (NIBRT) investment project to ensure that it is delivering in accordance with the objectives and conditions approved by the IDA Board.

Members 2019 and 2020:

Geraldine McGinty (Chair)
Barry O'Sullivan
Marian Corcoran
Tony Kennedy
Kevin Cooney

Management Development and Remuneration Committee

Reviews the performance of the senior management team and plans for management development and succession. The Committee also reviews remuneration of senior management in the context of Government guidelines.

Members 2019 and 2020:

Frank Ryan (Chair)
Marian Corcoran
Martin Shanahan
Kevin Cooney

Investment Committee

Reviews all proposals for grant assistance and recommends them to the Board. Under powers delegated by the Board the Committee approves grants up to a maximum of €900,000.

Members 2019 and 2020:

Martin Shanahan (Chair)
Mary Buckley
Eileen Sharpe
Regina Gannon
Leo Clancy

Governance Statement and Board Members' Report (continued)

Board Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2019 is set out below including the fees and expenses received by each member.

	Board	Audit Finance & Risk Committee	Property Committee of the Board	Regional Development Committee	Management Development & Remuneration Committee	Sectoral Development Initiative Committee	Fees 2019 €	Expenses 2019 €
Number of Meetings	11	4	11	4	5	3		
Frank Ryan (Chairman)	11	-	-	-	5	-	20,520	316
Martin Shanahan (Chief Executive)	11	-	8	-	4	-	-	316
Denis Collins	11	4	-	4	-	-	11,970	2,397
Kevin Cooney	9	-	-	-	5	2	11,970	-
Marian Corcoran	11	-	10	-	3	2	11,970	1,157
Anne Fitzsimons	9	4	9	-	-	-	11,970	691
Tony Kennedy	11	-	-	4	-	3	11,970	2,436
Geraldine McGinty	11	4	-	-	-	3	11,970	6,873
Mary Mosse	11	-	11	4	-	-	11,970	4,502
Dermot Mulligan	11	3	11	3	-	-	-	316
Barry O'Sullivan	11	-	-	4	-	3	11,970	2,300
							116,280	21,304

Board Members expenses in 2019 amounted to €21,304 broken down €9,439 accommodation and €11,865 other travel, subsistence and vouched food expenses. The cost of Regional Board meetings in 2019 was €2,212.

Governance Statement and Board Members' Report (continued)

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that IDA has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code.

Permanent Salary Breakdown

Employee Benefits	Number of Employees (WTE)	
	2019	2018
€60,000 to €70,000	43	40
€70,001 to €80,000	32	31
€80,001 to €90,000	31	32
€90,001 to €100,000	20	18
€100,001 to €110,000	9	7
€110,001 to €120,000	1	3
€120,001 to €130,000	2	6
€130,001 to €140,000	1	6
€140,001 to €150,000	5	4
€150,001 to €160,000	10	2
€160,001 to €170,000	1	1
€170,001 to €180,000	-	1
€180,001 to €190,000	1	-

Consultancy Costs

Consultancy Costs include the cost of external advice to management and exclude outsourced 'business as usual' functions.

	2019 €'000	2018 €'000
Legal Advice	583	191
Commercial & Technical Evaluation and Studies	217	290
Financial / Actuarial Advice	-	12
Human Resources	52	175
Business Improvement	9	45
Other	17	28
	878	741
Consultancy costs capitalised	-	-
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	878	741
	878	741

Legal Costs and Settlements

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs, settlements and conciliation and arbitration proceedings relating to contracts with third parties. This does not include expenditure incurred in relation to general legal advice received by IDA which is disclosed in Consultancy costs above.

	2019 €'000	2018 €'000
Legal Fees - Legal Proceedings	435	74
Conciliation and arbitration payments	-	-
Settlements	-	-
	435	74

Legal Costs relate to an ongoing matter involving IDA.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2019 €'000	2018 €'000
Domestic		
- Board	14	11
- Employees	1,635	1,622
International		
- Board	7	9
- Employees	1,668	1,452
	3,324	3,094

Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2019 €'000	2018 €'000
Domestic		
- Board	-	-
- Employees	9	15
International		
- Board	-	-
- Employees	-	-
	9	15

Financial Statements



Comptroller & Auditor General

Report for presentation to the Houses of the Oireachtas

Industrial Development Agency Ireland

Opinion on financial statements

I have audited the financial statements of Industrial Development Agency Ireland (IDA Ireland) for the year ended 31 December 2019 as required under the provisions of paragraph 7 of the first schedule of the Industrial Development Act 1993. The financial statements comprise

- the statement of income and expenditure and retained revenue reserves,
- the statement of comprehensive income,
- the statement of financial position,
- the statement of cash flows and,
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of IDA Ireland at 31 December 2019 and of its income and expenditure for 2019 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of IDA Ireland and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

IDA Ireland has presented certain other information together with the financial statements. This comprises the annual report, including the governance statement and Board members' report, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report. I have nothing to report in that regard.



Seamus McCarthy

Comptroller and Auditor General
9th June 2020

Appendix to the report

Responsibilities of Board members

As detailed in the governance statement and Board members' report, the Board members are responsible for

- the preparation of financial statements in the form prescribed under paragraph 7 of the first schedule of the Industrial Development Act 1993,
- ensuring that the financial statements give a true and fair view in accordance with FRS102,
- ensuring the regularity of transactions,
- assessing whether the use of the going concern basis of accounting is appropriate, and,
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under paragraph 7 of the first schedule of the Industrial Development Act 1993 to audit the financial statements of IDA Ireland and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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 the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I 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 my 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.

- I 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 internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on IDA Ireland's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause IDA Ireland to cease to continue as a going concern.
- I 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.

I 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 I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

Statement on Internal Control

Scope of Responsibility

On behalf of the Board of IDA I acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated by the Agency. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in IDA for the year ended 31 December 2019 and up to the date of approval of the financial statements.

Waiver from Department of Expenditure and Public Reform Circular

In 2014, the Department of Public Expenditure and Reform issued a circular in relation to management of and accountability for grants from exchequer funds. This requires that grantors stipulate that grant recipients disclose specific information in their financial statements. This includes details of the grant amount, the purpose for which funds were applied and information on salary rates in operation in the entity. IDA sought a waiver from these requirements from the Department of Jobs Enterprise and Innovation, on the basis that IDA's strong transactional controls satisfy the aims of the Circular. This waiver was granted.

Capacity to Handle Risk

IDA has an Audit, Finance and Risk Committee (AFRC) comprising four Board members and one external member, with financial and audit expertise, one of whom is the Chair. The AFRC met four times in 2019.

IDA has an outsourced internal audit function, which reports directly to the AFRC, is adequately resourced and conducts a programme of work agreed with the AFRC.

The AFRC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within IDA's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

Risk and Control Framework

IDA has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing IDA and these have been identified, evaluated and graded according to their significance. The register is reviewed and approved by the AFRC and the Board on an annual basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are systems aimed at ensuring the security of the information and communication technology systems,
- there are systems in place to safeguard the assets, and
- control procedures over grant funding comprise the appraisal; technical and financial assessment; approval and payment of grant related projects, including cost benefit analysis, technical assessments, establishment of project milestones, payments in accordance with terms and conditions of legal agreements between IDA and the grantee and provisions for the repayment of the grant if the project does not fulfil commitments made by the promotor.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that IDA has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2019 IDA complied with those procedures.

Review of Effectiveness

I confirm that IDA has procedures to monitor the effectiveness of its risk management and control procedures. IDA's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit, Finance and Risk Committee which oversees their work, and the senior management within IDA responsible for the development and maintenance of the internal control framework.

I confirm that the Board conducted an annual review of the effectiveness of the internal controls for 2019.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2019 that require disclosure in the financial statements.

Signed on behalf of the Board



Frank Ryan

Chairman

9th June 2020

Statement of Income & Expenditure & Retained Revenue Reserves

For Year Ended 31 December 2020

	Notes	2019 €'000	2018 €'000
Income			
Oireachtas Grants	2	198,518	160,808
National Training Fund	3	3,000	3,000
Grant Refunds	4	1,682	5,734
Rental Income		2,565	1,858
Other Income	5	2,246	2,099
(Loss)/ Profit on Disposal of Assets	6	(56)	2,303
Net Deferred Pension Funding	19 (f)	7,124	7,935
		215,079	183,737
Expenditure			
Grants Payable	7	100,648	96,217
Promotion, Administration and General Expenses	8	56,961	50,912
Industrial Building Charges	9	10,902	6,634
Depreciation Charges	10	14,364	8,194
Impairment Charge (Reversals)	10	846	(10,413)
Pension Costs	19 (c)	8,165	8,958
		191,886	160,502
Surplus for the Year before Appropriations			
Contribution to the Exchequer	11	-	-
Transfer (to) Capital	12	(23,768)	(37,451)
(Deficit) for the year after Appropriations		(575)	(14,216)
Balance Brought Forward at 1 January		20,568	34,784
Balance Carried Forward at 31st December 2019		19,993	20,568

Amounts shown under Income and Expenditure are in respect of continuing activities. The Statement of Income and Expenditure and Retained Revenue Reserves includes all gains and losses recognised in the year.

The Statement of Cashflows and notes 1 to 26 form part of these Financial Statements.

On behalf of the Board of IDA:

Date: 9th June 2020



Frank Ryan
Chairman



Martin Shanahan
Chief Executive



Geraldine McGinty
Chairperson
Audit, Finance & Risk Committee

Statement of Comprehensive Income

For Year Ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Surplus before Appropriations		23,193	23,235
Experience gain on retirement benefit obligations	19 (d)	344	3,954
Change in assumptions underlying the present value of retirement benefit obligations	19 (d)	(16,060)	1,706
Total actuarial (loss) / gain in the year		(15,716)	5,660
Adjustment to deferred retirement benefits funding		15,716	(5,660)
Other Comprehensive Income for the year		23,193	23,235

The Statement of Cashflows and notes 1 to 26 form part of these Financial Statements.

On behalf of the Board of IDA:

Date: 9th June 2020



Frank Ryan
Chairman



Martin Shanahan
Chief Executive



Geraldine McGinty
Chairperson
Audit, Finance & Risk Committee

Statement of Financial Position

As at 31 December 2019

	Notes	2019 €'000	2018 €'000
Tangible Fixed Assets			
Industrial Property	13	221,570	208,566
Other Fixed Assets	14	13,936	3,172
		235,506	211,738
Intangible Assets			
Telecommunication Assets	15	-	-
Total Tangible and Intangible Assets		235,506	211,738
Current Assets			
Receivables	16	22,603	22,956
Cash and Cash Equivalents		5,281	6,429
		27,884	29,385
Current Liabilities			
Payables	17	6,168	(6,194)
Net Current Assets		21,716	23,191
Long Term Receivables			
Receivables: amounts falling due after more than one year	16	603	-
Provisions			
Provisions for Liabilities and Charges	18	(2,326)	(2,623)
Pensions			
Deferred Pension Funding Asset	19 (f)	176,782	153,942
Pension Liability	19 (e)	(176,782)	(153,942)
Total Net Assets		255,499	232,306
Representing:			
Capital Account	12	235,506	211,738
Retained Revenue Reserves		19,993	20,568
		255,499	232,306

The Statement of Cashflows and notes 1 to 26 form part of these Financial Statements.

On behalf of the Board of IDA:

Date: 9th June 2020



Frank Ryan
Chairman



Martin Shanahan
Chief Executive



Geraldine McGinty
Chairperson
Audit, Finance & Risk Committee

Statement of Cash Flow

For Year Ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Net Cash Flows From Operating Activities			
Excess Income over Expenditure		23,193	23,235
(Increase) / Reduction in Value of Fixed Assets			
- Industrial Property	10	10,782	(2,708)
- Other Fixed Assets & Telecommunication Assets	10	4,428	489
Expenditure Capitalised	8 (a)	(772)	(512)
Profit on Disposal of Assets	6	56	(2,303)
Bank Interest	5	(1)	(2)
Contribution to the Exchequer	11	-	-
Decrease in Receivables amounts falling due within one year	16	353	3,469
(Decrease) / Increase in Payables amounts falling due within 1 year	17	(26)	2,219
(Decrease) in Provisions and Charges	18	(297)	(1,445)
(Increase) / Decrease in Receivables amounts falling due after more than one year	16	(603)	129
Net Cash Inflow from Operating Activities		37,113	22,571
Cash Flows from Investing Activities			
Acquisitions		(63,558)	(37,813)
Disposals		25,296	5,396
Net Cash Flows from Investing Activities		(38,262)	(32,417)
Cash Flows From Financing Activities			
Bank Interest Received		1	2
Net Cash Flows from Financing Activities		1	2
Net (Decrease) in Cash and Cash Equivalents			
		(1,148)	(9,844)
Cash and cash equivalents at 1 January		6,429	16,273
Cash and Cash Equivalents at 31 December		5,281	6,429

1 Accounting Policies

The basis of accounting and significant accounting policies adopted by IDA are set out below. They have all been applied consistently throughout the year and the preceding year:

(a) General Information

IDA Ireland's head office is located at Three Park Place, Hatch Street Upper, Dublin 2, D02 FX65. IDA Ireland is a Public Benefit Entity (PBE). A Public benefit entity provides goods or services for the general public, community or social benefit and where any equity is provided, it is to support the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

IDA Ireland's primary objective as set out in Part II S8 of the Industrial Development (IDA Ireland) Act 1993 is:

- to promote the establishment and development, in the State, of industrial undertakings from outside the State
- to make investments in and provide supports to industrial undertakings which comply with the requirements of the enactments for the time being in force.
- to administer such schemes, grants and other financial facilities requiring the disbursement of European Union Funds and such other funds as may from time to time be authorised by the Minister for Public Expenditure and Reform, and to carry out such other functions as may from time to time be assigned to it by the Minister.

(b) Statement of Compliance and Basis of Preparation

The Financial Statements have been prepared in accordance with the historical cost convention, modified in compliance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council in the form approved by the Minister for Business, Enterprise and Innovation with the consent of the Minister for Public Expenditure and Reform.

The presentation currency of the Financial Statements of IDA Ireland is in Euro. The functional currency of IDA Ireland is considered to be Euro as it is the primary economic environment in which the agency operates.

(c) Revenue Oireachtas Grants

Revenue is generally recognised on an accruals basis: the one exception being Oireachtas Grants which are recognised on a cash receipts basis.

Refunds of Grants Paid

Grants paid become refundable in certain circumstances, such as liquidation / dissolution of the recipient company, or if the conditions of the grant are not met. Grant refunds are recognised when it is probable that the money will be received by IDA and the amount can be estimated reliably; therefore they are accounted for on an accruals basis.

Interest Income

Interest income is recognised on an accruals basis using the effective interest rate method.

Rental Income

Rents comprise amounts due under the terms of lease agreements for periods of up to 35 years entered into between the Agency and tenants, charges for the use of undeveloped lands and estate maintenance charges billed to tenants and are accounted for on an accruals basis.

Other Revenue

Other revenue is recognised on an accruals basis.

(d) Grants Payable

Grants are accrued in the Financial Statements when the grantee complies with stipulated conditions.

(e) Tangible Fixed Assets

Tangible Fixed Assets comprise:

- (i) Land which is held for the purposes of industrial development.
- (ii) Site development works.
- (iii) Industrial buildings leased to tenants including buildings in the course of sale where title had not passed at the year end.
- (iv) Vacant property available for industrial promotion or in the course of sale where title had not passed at the year end.
- (v) Other Fixed Assets including computer and office equipment and fixtures and fittings.

Tangible Fixed Assets are stated at cost less accumulated depreciation and provision for impairment. Depreciation is provided on all tangible assets, other than land at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over the estimated useful lives as follows:

(i) Buildings	3 % per annum
(ii) Site Development	10% per annum
(iii) Office Equipment / Fixtures & Fittings	20 % per annum
(iv) Computers	33 % per annum
(v) Land	0 % per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

Impairment of Property, Plant and Equipment

Provisions for impairments may be made following reviews of fixed assets and telecommunication assets carried out by officers of IDA or independent valuers, as appropriate, if events or changes in circumstances or economic conditions indicate that the carrying amount of the assets may not be fully recoverable. Any such provisions will be recognised in the Statement of Income and Expenditure and Retained Revenue Reserves in the year in which they are made. Where a subsequent review indicates that the circumstances which gave rise to a provision for impairment no longer exists or have changed materially the accumulated provision for impairment will be reduced accordingly.

If there is objective evidence of impairment of the value of an asset, an impairment loss is recognised in the Statement of Income and Expenditure and Retained Revenue Reserves in the year.

Reversals of impairments in previous years are accounted for through the Statement of Income and Expenditure and Retained Revenue Reserves.

(f) Industrial Property

Industrial Property included in tangible fixed assets has been

acquired, developed or constructed for the purposes of assisting in the promotion and development of industry and is not considered to be investment property but normal fixed assets.

The cost of land, site development and industrial property includes an apportionment of administration costs associated with the acquisition or development of the assets.

By way of memorandum Income and Expenditure in respect of Industrial Property transactions are set out in note 22 to the Financial Statements.

(g) Intangible Fixed Assets:

Intangible Fixed Assets comprise telecommunication assets which constitute an indefeasible right of use of a designated portion of a global telecommunications network for a period of 25 years from 2000.

(h) Receivables

Receivables are recognised at fair value, less a provision for doubtful debts. The provision for doubtful debts is a specific provision, and is established when there is objective evidence that IDA will not be able to collect all amounts owed to it. All movements in the provision for doubtful debts are recognised in the Statement of Income and Expenditure and Retained Revenue Reserves. Receivables include:

- (i) Properties sold on a deferred basis. Interest is charged on these amounts at the Exchequer Lending Rates advised by the Department of Finance or the EU Discount Reference Rate as applicable.
- (ii) Rents due under the terms of lease agreements, for periods of up to 35 years, entered into between the Agency and tenants, charges for the use of undeveloped lands and estate maintenance charges billed to tenants.
- (iii) Fees from purchase options given on IDA property, deposits paid by IDA for the purchase of property where title had not passed to the Agency at 31 December, and the provision of other services.
- (iv) Amounts due in respect of the disposal or leasing of telecommunication assets.
- (v) Amounts due in respect of joint arrangements.
- (vi) Amounts due in respect of loans advanced and interest thereon.

(i) Payables comprise amounts payable in respect of:

- (i) Creditors and Accruals.
- (ii) Grants are payable in line with note (d)
- (iii) Deposits for uncompleted sales.

(j) Provisions for liabilities and charges comprise:

- (i) Amounts provided in respect of potential costs associated with the dilapidations provision of operating leases.
- (ii) Amounts provided where the future costs arising under operating leases are estimated to exceed the amounts recoverable from sub lessees.

(k) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the Statement of Financial Position date. Revenues and costs are translated at the exchange rates ruling at the dates of the underlying transactions.

Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are dealt with in the Statement of Income and Expenditure and Retained Revenue Reserves.

(l) Leases

The rentals under operating leases are dealt with in the Financial Statements as they fall due. In the case of industrial property available for promotion a provision is made, where applicable, for future rental payments by the Agency.

(m) Employee Benefits Short-term Benefits

Short term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position.

Retirement Benefits

The Industrial Development (Forfás Dissolution) Act 2014 (No 13 of 2014) which was passed into law on 16th July 2014 made provision for the dissolution of Forfás and provided for: the establishment of IDA Ireland, Enterprise Ireland and

Science Foundation Ireland as separate legal employers; each agency developing its own pension scheme noting that staff who are/were members of the Forfás Pension Scheme join the new Agency Schemes on superannuation terms no less favourable than those they enjoyed under the Forfás Scheme immediately before the date of transfer, agencies' own staff becoming members of these schemes; and these agencies accounting for the associated Pension Liabilities under FRS102. The Department of Business Enterprise and Innovation assumes legal responsibility for the existing Forfás pension schemes, pensioners and former staff with preserved benefits.

Under the Public Service Pensions (Single Scheme and other provisions) Act 2012 new entrants to the Public Service on or after 1 January 2013 become members of the Single Public Service Pension Scheme.

IDA has the full legal responsibility for its employees as their legal employer. This includes responsibility for the pensions of current employees who retire after 16th July 2014. The Financial Statements also reflect the pension costs of IDA staff covered by the Single Public Service Pension Scheme.

IDA's pension costs reflect unfunded defined benefit pension schemes, which are funded annually on a pay as you go basis from monies available to it, including monies provided by the Department of Business, Enterprise and Innovation and from certain contributions deducted from staff salaries.

Pension costs reflect pension benefits earned by employees in the period and are shown net of retained staff pension contributions. An amount corresponding to the pension charge is recognised as income to the extent that it is recoverable, and offset by grants received in the year to discharge pension payments.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Comprehensive Income and a corresponding adjustment is recognised in the amount recoverable from the Department of Business, Enterprise and Innovation.

Pension liabilities represent the present value of future pension payments earned by staff to-date. Deferred pension funding represents the corresponding asset to be recovered in future periods from the Department of Business, Enterprise and Innovation.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method.

(n) Critical Judgements, Estimates and Assumptions

In the application of IDA Ireland's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Residual values and depreciation of assets

Management have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

Impairment reviews of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Retirement benefit obligation

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels and mortality rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the pension and post-retirement plans.

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds
- (ii) future compensation levels, future labour market conditions
- (iii) changes in demographics

Provisions

The Agency makes provisions for legal and constructive obligations, which it knows to be outstanding at the period end date. These provisions are generally made based on historical or other pertinent information and adjusted for recent trends where relevant. However, they are estimates of the financial costs of events that may not occur for some years. As a result of this and the level of uncertainty attaching to the final outcomes, the actual out-turn may differ significantly from that estimated.

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

2 Oireachtas Grants

The Oireachtas Grants are provided under section 35 of the Industrial Development (Science Foundation Ireland) Act 2003.

The Oireachtas Grants as shown in the Financial Statements consist of the following sums paid from Vote 32 - Business, Enterprise and Innovation:

	2019	2018
	€'000	€'000
Grant for Promotion and Administration Expenditure		
Vote 32 - Subhead A5 (i)	52,718	47,808
Grant for Industry		
Vote 32 - Subhead A5 (ii)	96,745	90,000
Grant for Industrial Property		
Vote 32 - Subhead A5 (iii)	49,055	23,000
	198,518	160,808

The Grant for Promotion and Administration Expenditure of €52.718m is stated net of employee pension contributions of €951,808 (€945,172 - 2018) remitted to the Exchequer.

3 National Training Fund

Included in the training grant payments of €10.848m (see note 7) are training grant payments of €3m (€3m in 2018) which were met with funds received through the Department of Business, Enterprise and Innovation from the National Training Fund, which is administered through the Department of Education & Skills. Payments made are in compliance with the statutory requirements of the Fund as provided for in section 7 of the National Training Fund Act, 2000.

4 Grant Refunds

When the conditions of a grant agreement are breached by a client company, the grant is recoverable. During the year the Agency recovered €1.682m (€5.734m in 2018) relating to grant refunds.

5 Other Income

	2019	2018
	€'000	€'000
Private sector sublets of Leased Office Accommodation	1,469	1,637
Bank Interest	1	2
Fee Income in respect of Undeveloped Lands	698	404
Interest on Industrial Property Transactions	3	13
Sundry Income	75	43
	2,246	2,099

6 Profit on Disposal of Assets

	2019	2018
	€'000	€'000
Consideration (net of fees and direct expenses)	25,296	5,396
Historical Costs	(63,517)	(8,966)
Write back of provision for impairment	10,626	185
Write back of provision for depreciation	27,539	5,688
	(56)	2,303

The profit on disposal comprises of profits of €3.629m, losses of €3.685m resulting in net loss on disposal of €0.056m.

7 Grants Payable

	2019	2018
	€'000	€'000
Capital	23,030	17,188
Employment	6,887	11,675
R&D	59,583	51,535
Training	10,848	10,690
Other Grants	300	5,129
	100,648	96,217

8 Promotion, Administration and General Expenses (a)

	2019	2018
	€'000	€'000
Board members' fees, expenses and CEO remuneration	322	300
Other remuneration costs - see 8 (b)	28,389	26,372
Marketing, consultancy, promotions and advertising	12,520	11,889
General administration	16,462	12,794
Audit fee	58	58
Provision for doubtful debts	(18)	11
Less: Capitalisation of expenditure associated with industrial property development	(772)	(512)
	56,961	50,912

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

8 (b)	2019	2018
	€'000	€'000
Other remuneration costs comprise:		
Staff short-term benefits	26,615	24,804
Employers contribution to social welfare	1,771	1,564
Termination Benefits	-	-
Retirement benefit costs	3	4
	28,389	26,372

The total number of staff employed (WTE) at year end was 322 (2018 : 301)

8 (c)	2019	2018
	€'000	€'000
Staff Short Term Benefits		
Basic Pay	26,583	24,797
Overtime	32	7
Allowances	-	-
	26,615	24,804

In 2019 €796k of Additional Superannuation Contribution has been deducted and paid over to the Department of Business, Enterprise and Innovation.

8 (d) Permanent Salary Breakdown

Employee Benefits	Number of Employees (WTE)	
	2019	2018
€60,000 to €70,000	43	40
€70,001 to €80,000	32	31
€80,001 to €90,000	31	32
€90,001 to €100,000	20	18
€100,001 to €110,000	9	7
€110,001 to €120,000	1	3
€120,001 to €130,000	2	6
€130,001 to €140,000	1	6
€140,001 to €150,000	5	4
€150,001 to €160,000	10	2
€160,001 to €170,000	1	1
€170,001 to €180,000	-	1
€180,001 to €190,000	1	-

8 (e) **Key Management Personnel**
Key Management personnel in IDA consists of the members of the Board, the Chief Executive Officer, the Executive Director and the Divisional Managers. The total value of employee benefits for key management personnel is set out below:

	2019	2018
	€'000	€'000
Basic Pay	1,371	1,330
Allowances	-	-
Termination benefits	-	-
Health Insurance	-	-
	1,371	1,330

8 (f)	2019	2018
	€	€
Chief Executive Remuneration		
Mr Martin Shanahan	184,536	177,937
Total	184,536	177,937

The Chief Executive Officer (CEO) receives an annual salary of €187,594 effective from 1st September 2019. The CEO's pension entitlement does not extend beyond the standard public sector pension arrangements.

8 (g) Annual Rent Payable in respect of Leased Office Accommodation

	Number of Offices	Lease Expiry Date	Gross Rent Payable	Net Rent Payable
			€'000	€'000
Head Office	1	2043	7,769	3,924
Regional Offices	4	2020-2028	330	330
Overseas Offices	19	2020-2029	2,332	2,332
			10,431	6,586

- (i) In the case of Head Office and ten overseas offices, accommodation is co-located with other State Agencies and / or the Irish Government Missions. Net Rent Payable takes account of amounts received from other State bodies and private tenants that occupy part of the office buildings concerned.
- (ii) The IDA entered into a new Global HQ lease for a new building at 3 Park Place with effect from 1 May 2018 at an initial annual rent of €7.77m (payable from 14th May 2019) per annum (gross), €3.924m per annum (net). The lease on its previous premises at Wilton Park expired in October 2019. The IDA also renewed 5 overseas leases in 2019.
- (iii) From 15th May 2019 to 31st October 2019, the amount of rent paid concurrently on Wilton Park House (lease terminated on 31st October 2019) and 3 Park Place was €940k and €1.799m respectively, in order to complete the necessary essential fit out works at 3 Park Place to ensure business continuity and an orderly transition to IDA's new Global HQ.
- (iv) One overseas office lease contains a break clause in 2024
- (v) The Agency does not own any property which is used or available for the accommodation of its staff.

8 (h)

Commitments under Operating Leases

At 31 December the commitment under operating leases is €195.706m.

These leases will expire as follows:

	2019 €'000	Industrial Property Occupied under leases	Industrial Property Available for Promotion	2018 €'000	Non-Industrial Property	Industrial Property Occupied under leases	Industrial Property Available for Promotion
within one year	10,431	6	-	11,143		20	-
in the second to fifth years inclusive	38,116	-	-	33,220		5	-
more than 5 years	147,153	-	-	155,006		-	-
	195,700	6	-	199,369		25	-

9 Industrial Building Charges

These charges include the net costs associated with industrial buildings provided by the private sector and maintenance costs in respect of all promotable industrial buildings held by IDA. Costs comprise: professional, legal and consultancy costs €2.607m [2018 €2.739m], net operating lease costs €0.223m [2018 €0.617m] and business park maintenance costs €8.369m [2018 €4.724m], reduced by the net movement on provisions in respect of operating leases (as set out in note 18) €0.297m [2018 €1.446m].

10 Reduction in Value of Fixed Assets

	Notes	2019 €'000	2018 €'000
Depreciation Charges			
- Industrial Property	13	9,936	7,705
- Other Fixed Assets	14	4,428	489
Impairment Charges / (Reversals)			
- Industrial Property	13	846	(10,413)
		15,210	(2,219)

Depreciation is calculated in order to write off the cost of assets less, where applicable, any impairment provision over their estimated remaining useful lives. No provision for depreciation is made in respect of land or investments.

Impairment charges arise where the book value of Industrial Property or Telecommunications Assets exceed their estimated recoverable value. Impairment reversals arise where there is clear evidence that the recoverable value of Industrial Property or Telecommunications Assets exceed their book value, upto the amount of the original impairment.

11 Contribution to the Exchequer

During 2019 and 2018 IDA Ireland received sanction from DBEI to retain Own Resource Income generated. Excess own resource Income above this level and any unused Own Resource Income was refundable to DBEI, as a contribution to the Exchequer. In 2019, IDA Ireland received sanction from DBEI to retain the €1.284m unused Own Resource Income in 2018. In 2020, IDA Ireland received sanction from DBEI to retain the €0.725m unused Own Resource Income in 2019, resulting in nil contribution paid to the Exchequer in 2019 and 2018.

12 Capital

	Notes	2019 €'000	2018 €'000
At 1 January		211,738	174,287
Net Movements on:			
- Industrial Property	13	13,004	34,767
- Other Fixed Assets	14	10,764	2,684
Transfer from Statement of Income and Expenditure and Retained Revenue Reserves		23,768	37,451
At 31 December		235,506	211,738

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

13 Tangible Fixed Assets - Industrial Property

	2019					2018				
	Land	Site Development	Industrial Property Occupied under Leases	Industrial Property Available for Promotion	Total	Land	Site Development	Industrial Property Occupied under Leases	Industrial Property Available for Promotion	Total
Cost	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January	272,060	159,003	23,204	35,188	489,455	262,985	152,751	23,159	24,225	463,120
Additions	12,874	10,776	-	25,348	48,998	12,105	11,955	(1,924)	13,016	35,152
Transfers	-	-	10,839	(10,839)	-	-	-	1,969	(1,969)	-
Disposals	(27,150)	(19,907)	-	(9,449)	(56,506)	(3,030)	(5,703)	-	(84)	(8,817)
At 31 December	257,784	149,872	34,043	40,248	481,947	272,060	159,003	23,204	35,188	489,455
Provision for Impairment										
At 1 January	113,824	198	977	4,045	119,044	124,101	510	3,489	1,542	129,642
Charge / (Reversal) for Year	846	-	-	-	846	(10,101)	(312)	-	-	(10,413)
Transfers	-	-	-	-	-	-	-	(2,512)	2,512	-
Disposals	(8,867)	(3)	-	(1,756)	(10,626)	(176)	-	-	(9)	(185)
At 31 December	105,803	195	977	2,289	109,264	113,824	198	977	4,045	119,044
Provision for Depreciation										
At 1 January	-	147,270	9,431	5,144	161,845	-	146,442	12,206	1,031	159,679
Charge for Year	-	7,818	606	1,512	9,936	-	6,296	552	857	7,705
Transfers	-	-	538	(538)	-	-	-	(3,327)	3,327	-
Disposals	-	(17,654)	-	(3,014)	(20,668)	-	(5,468)	-	(71)	(5,539)
At 31 December	-	137,434	10,575	3,104	151,113	-	147,270	9,431	5,144	161,845
Net Book Amount										
At 31 December	151,981	12,243	22,491	34,855	221,570	158,236	11,535	12,796	25,999	208,566
At 1 January	158,236	11,535	12,796	25,999	208,566	138,884	5,799	7,464	21,652	173,799
Net Movement for Year					13,004					34,767

- (a) Included in the table above is an amount relating to a joint arrangement entered into in 2004 by the Agency with Fingal County Council to develop lands in Blanchardstown Dublin in the ownership of the Council, for subsequent sale to industrial undertakings. Under the terms of the arrangement, IDA is responsible for making infrastructural improvements to the lands. The Agency bears the full costs of this work and is entitled to receive half of the proceeds of any sales. The net book amount included above in relation to this arrangement is €Nil.

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

14 Other Fixed Assets	2019		2018	
	Office and Computer Equipment, Fixtures & Fittings	Total	Office and Computer Equipment, Fixtures & Fittings	Total
Cost	€'000	€'000	€'000	€'000
At 1 January	13,844	13,844	10,820	10,820
Additions	15,332	15,332	3,173	3,173
Disposals	(7,011)	(7,011)	(149)	(149)
At 31 December	22,165	22,165	13,844	13,844
Provision for Depreciation				
At 1 January	10,672	10,672	10,332	10,332
Charge for Year	4,428	4,428	489	489
Disposals	(6,871)	(6,871)	(149)	(149)
At 31 December	8,229	8,229	10,672	10,672
Net Book Amount				
At 31 December	13,936	13,936	3,172	3,172
At 1 January	3,172	3,172	488	488
Net Movement for Year	10,764	10,764	2,684	2,684

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

15 Telecommunication Assets

Acting pursuant to a Government decision IDA Ireland, in conjunction with the Department of Public Enterprise (now the Department of Communications, Energy and Natural Resources), entered into contracts in 1999 for the purchase of telecommunication assets in the form of an indefeasible right of use of a designated portion of a global telecommunications network for a period of 25 years from 2000. A portion of the capacity purchased by IDA was sold to a number of service providers. The remaining assets have an historical cost of €38.85m, which amount has been written off by way of an impairment charge of €21m in 2002 and aggregate depreciation of €17.85m over 8 years from 2000, resulting in a net book value of €Nil.

16 Receivables	2019	2018
Amounts falling due within one year:	€'000	€'000
Accounts Receivable and Prepayments	23,422	23,805
Provision for Doubtful debts	(819)	(849)
	22,603	22,956
Amounts falling due after more than one year:		
Amount due from sub lessee in relation to fit out costs	603	-
	23,206	22,956

(i) Included in receivables and prepayments are amounts of €21.918m in down payments on property transactions, mainly reflecting payments to solicitors' escrow accounts on property purchases, one transaction is expected to complete in Q2 2020 and it is anticipated that the other transactions will complete by Q4 2020.

(ii) The long term Debtor of €603,000 represents monies due from SEAI in relation to the fit out costs of the new Global Headquarters occupied by IDA and other agencies. The parties have agreed a 3 year repayment schedule

17 Payables	2019	2018
Amounts falling due within one year:	€'000	€'000
Accounts Payable and Accruals	5,451	5,900
Amount due on Uncompleted Sales	717	294
	6,168	6,194

18 Provision for Liabilities and Charges	2019	2018
Operating Leases Provision	€'000	€'000
At 1st January	2,623	4,068
Net (reduction) for the year	(297)	(1,445)
Total at 31st December	2,326	2,623

The Operating Leases Provision comprises:

- Potential building reinstatement costs associated with obligations under operating leases.
- Future costs arising under operating leases estimated to exceed the amounts recoverable from sub lessees.

19 Pensions

(a)

IDA has responsibility for the pension costs of staff retiring from IDA post 16th July 2014, under the Industrial Development (Forfás Dissolution Act 2014). Staff who are/were members of the Forfás Pension Scheme join the new IDA Scheme on superannuation terms no less favourable than those they enjoyed under the Forfás Scheme immediately before the date of transfer from Forfás to IDA. The following schemes are operated by the IDA:

Staff Covered

- Staff recruited upto 5 April 1995 who became pensionable after that date.
- Staff recruited after 5th April 1995 and before 1st January 2013.
- Staff recruited since 1st January 2013, who are members of the Single Public Service Pension Scheme.
- Staff recruited since 1st January 2013, who joined the Forfás Pension Scheme (now the new IDA Scheme) as they were pre-existing members of another public service scheme (with no more than six months break in service post 1st January 2013).

Each of the Schemes include Spouses and Children's schemes.

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

The new Single Public Service Scheme (“Single Scheme”) commenced with effect from 1 January 2013. All new entrants to pensionable public service employment on or after 1 January 2013 are, in general, members of the Single Scheme. The rules of the Single Scheme are set down in the Public Service Pensions (Single Scheme and Other provisions) Act 2012. Pension liabilities in relation to those individuals employed under the Single Public Service Scheme for less than 2 years have not been included in the pension calculation as they will not have accrued pension rights until after 2 years service is attained.

IDA meets the net costs arising from normal retirements. These are paid out of current income. Contributions received by IDA from staff in the contributory unfunded schemes outlined above are used to part fund ongoing pension liabilities.

Under the Financial Measures (Miscellaneous Provisions) Act 2009 the assets of the Former Industrial Development Authority were transferred to the National Pension Reserve Fund on 31 December 2009. The pension schemes associated with these two funds continue in force for existing members with no impact on benefits or associated provision for members. IDA Ireland remits employee contributions to the Exchequer. Total employee contributions of €952k for these schemes were remitted by IDA to the Exchequer in 2019 and pension costs at retirement are paid by Oireachtas Grant Vote No 32 subhead A5 (i).

(b) Pension Disclosure under FRS102

Financial Reporting Standard 102 (FRS102) requires financial statements to reflect at fair value the assets and liabilities from an employer’s superannuation obligations and any related funding and to recognise the costs of providing superannuation benefits in the accounting periods in which they are earned by employees.

	2019	2018
	€’000	€’000
(c) Analysis of Total Pension Charge		
Service costs	6,207	6,985
Interest on Pension Scheme Liabilities	2,910	2,945
Employee Contributions utilised in payment of Pensions	(952)	(972)
	8,165	8,958
(d) Analysis of amount recognised in Statement of Comprehensive Income	2019	2018
	€’000	€’000
Experience Gains	344	3,954
Changes in assumptions Gains / (Losses)	(16,060)	1,706
Actuarial Gain / (Loss)	(15,716)	5,660
(e) Pension Liability	2019	2018
Change in Pension Schemes’ Liabilities	€’000	€’000
Opening Balance	153,942	151,667
Current Service Cost	6,207	6,985
Interest Costs	2,910	2,945
Payments to Pensioners	(1,993)	(1,995)
Actuarial Loss / (Gain) /	15,716	(5,660)
Present Value of Schemes’ Obligations at 31 December	176,782	153,942
(f) Net Deferred Funding for Pensions in Year	2019	2018
	€’000	€’000
Funding Recoverable in respect of Current Year pension costs	9,117	9,930
Funding to pay Pensions	(1,993)	(1,995)
	7,124	7,935

Notes to the Financial Statements (continued)

For Year Ended 31 December 2019

IDA recognises as an asset an amount corresponding to the unfunded deferred liability for pensions on the basis of the set of assumptions described below and a number of past events. These events include the statutory basis for the establishment of the superannuation schemes, and the policy and practice currently in place in relation to funding public service pensions including contributions by employees and the annual estimates process. IDA has no evidence that this funding policy will not continue to meet such sums in accordance with current practice.

The deferred funding asset for pensions at 31 December 2019 amounted to €176.782m (2018 - €153.942m). The quantification of the liability is based on the financial assumptions set out in note 19(g). The assumptions used, which are based on actuarial advice, are advised to the Department of Business, Enterprise and Innovation.

(g) Valuation

The valuation used for FRS102 disclosures has been based on a full actuarial valuation at 31 December 2019. The financial assumptions used to calculate scheme liabilities under FRS102 as at 31 December were as follows;

Valuation method -

Projected Unit	2019	2018	2017	2016	2015
Discount rate	1.20% p.a.	1.90% p.a.	1.95% p.a.	1.90% p.a.	2.70% p.a.
Future salary increases	3.00% p.a.	3.30% p.a.	3.40% p.a.	3.35% p.a.	3.20% p.a.
Future state pension increases	3.00% p.a.	3.30% p.a.	3.40% p.a.	3.35% p.a.	3.20% p.a.
Future pension increases	2.50% p.a.	2.80% p.a.	2.90% p.a.	2.85% p.a.	2.70% p.a.
Future Inflation	1.50% p.a.	1.80% p.a.	1.90% p.a.	1.85% p.a.	1.70% p.a.

Year of attaining age 65	2019	2039
Life expectancy - male	21.5	23.9
Life expectancy - female	24.0	26.0

(h) History of defined Benefit Obligations - Commenced 2014

Year Ending 31 December	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Defined Benefit Obligation	176,782	153,942	151,667	139,918	106,133
Experience gains / (losses) on Scheme Liabilities:					
Amount	344	3,954	19	117	(666)
Percentage of Scheme Liabilities	0.2%	2.6%	0.0%	0.1%	(0.6%)
Total (loss) / gain recognised in Statement of Comprehensive Income:					
Amount	(15,716)	5,660	(4,095)	(27,647)	(4,198)
Percentage of Scheme Liabilities	(8.9%)	3.7%	(2.7%)	(19.8%)	(4.0%)

20 Commitments

It is estimated that future payments likely to arise from Grant Commitments amounted to €364m as at 31 December 2019, estimates payable as follows; 2020 €104m, 2021 €94m, 2022 €75m, 2023 €44m, 2024 €31m, 2025 €13m, 2026 €3m. (At 31 December 2018 the estimate was €383m, estimates payable as follows; 2019 €101m, 2020 €95m, 2021 €78m, 2022 €58m, 2023 €28m, 2024 €13m, 2025 €10m). Capital Commitments outstanding at 31 December 2019 on contracts for the acquisition and development of Industrial Property amounted to €44m (2018 : €48m).

21 Taxation

Section 227 of the Taxes Consolidation Act, 1997, provides an exemption from tax for income of non-commercial state bodies. This exemption does not apply to deposit interest. Where interest receivable is subject to tax at source (e.g. DIRT), the net receivable amount is credited to the Operating Account.

In some countries in which the Agency operates, an exemption from local taxation has been availed of under the Governmental Services article of the relevant double taxation agreement. This position continues to be under review by the Agency which is actively seeking clarification to determine whether overseas employment taxes arise in any of the jurisdictions where this exemption has been availed of. The review could result in a liability to taxes but in view of the uncertainty in relation to the amount, if any, of such possible contingent liability no provision has been made in the financial statements for the year ended 31 December 2019.

22 Industrial Property Income and Expenditure

	Notes	2019 €'000	2018 €'000
Income:			
Oireachtas Grant	2	49,055	23,000
Rental Income IDA Ireland Client Companies		2,565	1,858
Fee Income in respect of Undeveloped Lands	5	698	404
Interest on Industrial Property Transactions	5	3	13
Profit on Disposal of Industrial Property		84	2,303
		52,405	27,578
Expenditure:			
Promotion, Administration and General Expenses		1,584	1,482
Industrial Building Charges	9	10,902	6,634
Depreciation Charges and Provisions	10	10,782	(2,708)
		23,268	5,408
Net Movement for Year		29,137	22,170
Transfer (to) Capital	12	(13,004)	(34,767)
Contribution to Promotion and Administration activities		16,133	(12,597)

23 Related Party Disclosures

Please refer to Note 8 for a breakdown of the remuneration and benefits paid to key management.

In the normal course of business the Agency may approve grants and may also enter into other contractual arrangements with undertakings in which IDA Board members are employed or otherwise interested.

The Agency adopted procedures in accordance with the guidelines issued by the Department of Public Expenditure and Reform covering the personal interests of Board members and these procedures have been adhered to by the Board members and the Agency. During 2019 one transaction required disclosure being income received of €0.798m as it related to a company in which the relevant Board member is employed.

In cases of potential conflict of interest, Board members do not receive Board documentation or otherwise participate in or attend discussions regarding these transactions. A register is maintained and available on request of all such instances.

24 Contingent Liability

IDA entered into an agreement with a service provider with the objective of winning foreign direct investments, primarily in small and medium sized enterprises, resulting in the creation of sustainable jobs. On 25th March 2016 the agreement was extended for a period of one year to enable the orderly wind down of the contract. In accordance with the contractual obligation in the agreement, IDA made a payment to the service provider in 2017. The payment, which was provided for in the 2016 Financial Statements, was calculated by reference to potential future job creation. If the number of jobs created and verified is less than provided for in the payment, a refund will be sought and if the number of jobs created and verified is more than provided in the payment, a further payment will be made. Following correspondence between parties, disputed matters have been referred to arbitration.

25 Non Adjusting Post Balance Sheet Event

The impact of COVID-19 on IDA's client portfolio and the actions taken to mitigate the impact have been outlined in detail in the CEO's / Chairman's report. In accordance with FRS102, COVID-19 is a non adjusting Post Balance Sheet event, with no impact on the financial statements for 2019. The IDA will continue to assess the impacts of emerging risks on its operations in the course of 2020, including any potential costs or impairments which may require to be reflected in the 2020 Financial Statements.

26 Approval of Financial Statements

The Financial Statements were approved by the Board on 14th May 2020.

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