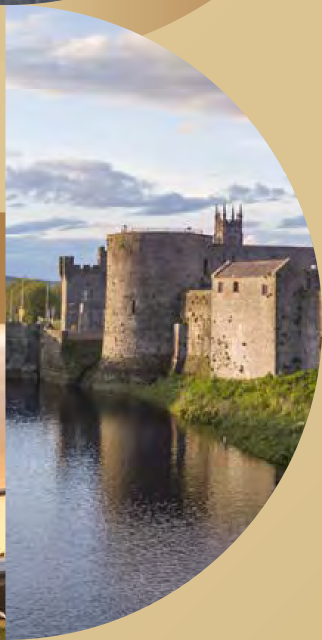
shannon GROUP
Aviation | Property | Tourism



SHAPING OPPORTUNITIES IN AVIATION, PROPERTY & TOURISM

ANNUAL REPORT AND ACCOUNTS | 2020

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Annual Report and Accounts | 2020

CONTENTS

ABOUT SHANNON GROUP

SHAPING OPPORTUNITIES IN AVIATION, PROPERTY & TOURISM

Shannon Group is about helping to deliver a vibrant, thriving economy in our region. We do this by having an airport that provides vital connectivity for business and tourism, a compelling tourist offering, an attractive location to set up a business and a dynamic and growing cluster of aviation companies servicing the global aviation industry. All making Shannon a great region to work, live, visit and a great place to set up a business.

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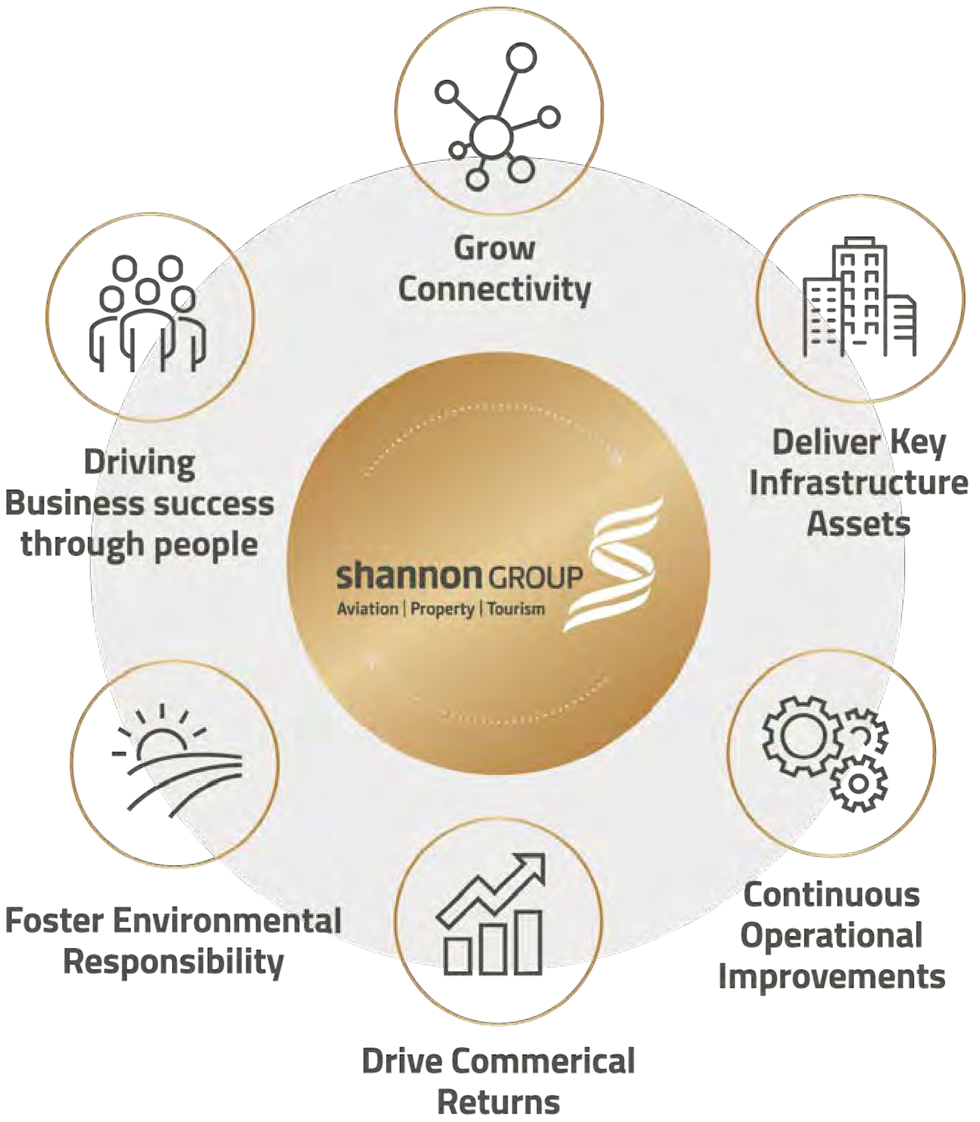
shannon AIRPORT
PART OF shannon GROUP

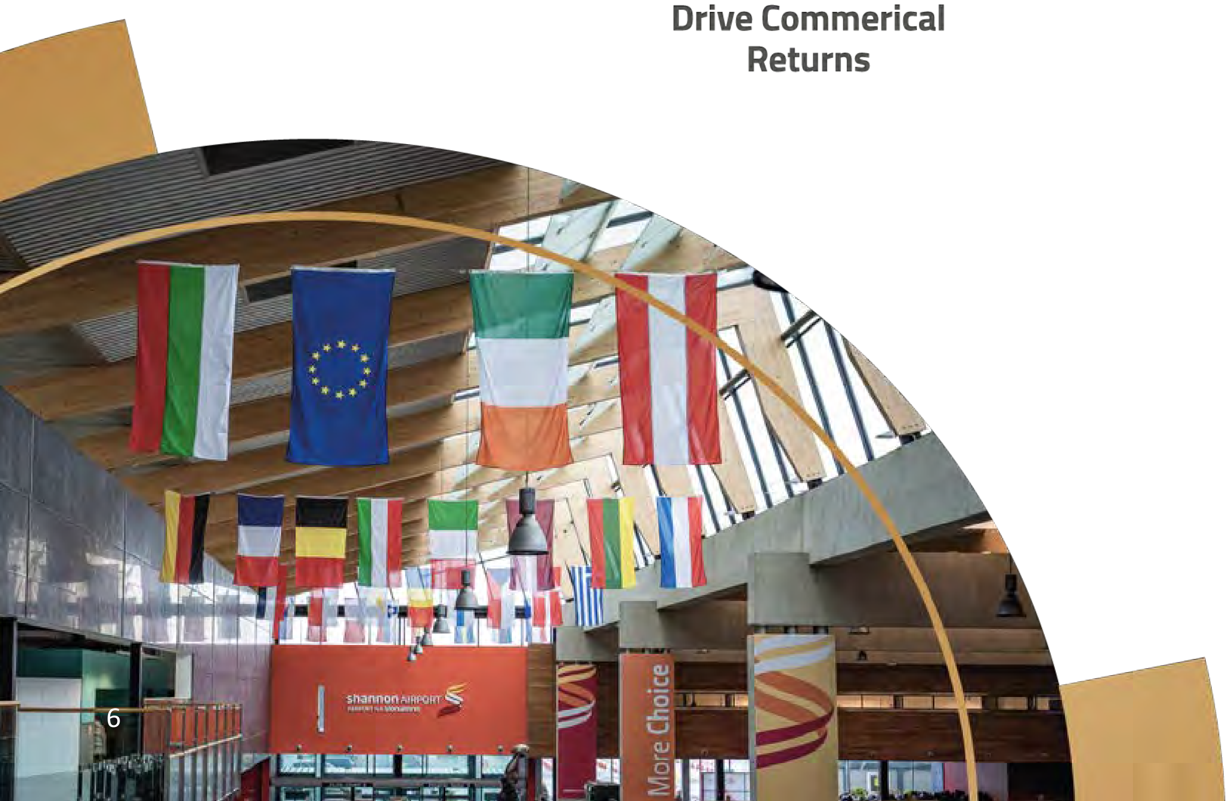
shannon COMMERCIAL PROPERTIES
PART OF shannon GROUP

shannon HERITAGE
PART OF shannon GROUP

shannon IASC
International Aviation Services Centre
PART OF shannon GROUP

STRATEGIC PRIORITIES





OUR VISION

Reach further to build a thriving, connected place

OUR MISSON

Build sustainable livelihoods and a vibrant economy for our people, our regions, and our country by shaping opportunities in aviation, property and tourism.

OUR VALUES

Partnership

Fostering and enabling partnerships are key, to not only group mentality but, to all of the four entities. Partnership allows us to grow and build on our idea of being a catalyst for prosperity and opportunity in the Mid-west of Ireland. Partnership is also about synergy and working together for the greater good.

People

We are built on our people and our personalities. We seek to be a friendly and helpful voice as well as a voice that is authoritative and challenging to help drive better business and foster better relatonships. We are never cold, we are warm, relatable and understanding. Our people carry generations of experience and character and this helps us stand out from the rest.

Pride

We are proud of our roots, our heritage, our area, our people and our land. We are proud of our homes, our working environments and our communities that we have built. We yearn for prosperity and a thriving economy because it is part of our own identity and we have an innate yearning to see it do well. We are proud of past achievements and take pride in current and future endeavours.

Perseverance

Perseverance and a can-do attitude throughout our history has allowed the Shannon Group to grow and prosper. Pushing through, challenging the norm and innovating whilst trying to be unique will enable us to be more fruitful and become stronger.

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CHIEF EXECUTIVE OFFICER'S REVIEW

CHIEF EXECUTIVE OFFICER'S REVIEW

FOCUS ON RECOVERY AND REBUILDING

The devastating impact of the COVID-19 pandemic continues to affect public health and has had an unprecedented impact on the global economy, in particular the aviation and tourism sectors. Government imposed restrictions on the movement of people to control the spread of the virus had a severe impact on Shannon Group and are reflected in our performance in 2020. While our property business remained strong, the pandemic's impact across the aviation and tourism sectors, key areas for Shannon Group, highlights the unprecedented challenges which our people and business have faced.

BUSINESS UPDATE

The collapse of the aviation sector resulted in just over 352,000 passengers using Shannon Airport last year, a 79% decrease on 2019. It is important to note that this full year performance was distorted by a strong start to the year before the impact of the pandemic, with passenger numbers from April to December declining by over 92% compared to the same period in 2019. In addition, our Group experienced a collapse in visitors across our portfolio of heritage attractions, which are heavily reliant on international visitors. The sites recorded just over 302,000 visitors in 2020, a reduction of almost 69% on 2019.

On a positive note, our property business performed strongly during 2020, and we continued to deliver on our property development strategy which has seen the Group deliver 1 million sq ft of commercial property solutions across the Shannon Campus at Shannon Free Zone and Shannon Airport since 2015.

The decline in passengers and visitors in 2020 reflects the devastating impact of COVID-19 and was especially disappointing given the optimism with which we embarked on 2020, forecasting growth for each of our Group businesses. We had secured new routes for the Airport, were continuing our strong property development strategy and anticipating growth at our heritage sites.

Unfortunately, instead we found ourselves facing an unprecedented crisis which resulted in the Group recording a loss for the year of €28.2 million (post tax and exceptional items) compared to a profit in 2019 of €21.6 million, a reduction of almost €50 million. During the year, the Group incurred exceptional charges of €27.9 million, the main exceptional item being an impairment in the carrying value of the Airport of €24.5 million, which was necessitated as a result of the uncertain passenger outlook due to COVID-19.

Group revenue was down 57% to €34.3 million in 2020 from almost €80 million in 2019. Faced with this significant reduction in revenue, the Group implemented stringent cost control measures. Our overall operating costs reduced by 42.5% in the year, to just under €30 million.

ACTIONS TAKEN TO PRESERVE OUR BUSINESS

The scale and devastating impact of the global pandemic, and the resulting collapse in airport passengers and visitors to our attractions, required us to take difficult but necessary actions to preserve our businesses and protect jobs for the future. We eliminated discretionary spending across the Group with only essential or key strategic capital projects undertaken during the year.

Similar to airports, airlines, and the tourism industry around the world, we also engaged with our employees on a range of measures to manage payroll costs to reflect the decline in business activity. These included temporary reduction in working hours; career breaks; temporary layoffs; temporary reduction in pay and a voluntary severance scheme. These were difficult but necessary decisions taken to navigate the crisis and we recognise the impact they have had on our people.

We availed of Government supports for which we are very grateful, including the Temporary Wage Subsidy Scheme (TWSS) and the Employment Wage Subsidy Scheme (EWSS) to preserve employment across the Group and its businesses. We also availed of the waiver of commercial rates scheme, and our heritage business received grants under the Covid Restrictions Support Scheme (CRSS) and the COVID-19 adaptation fund.

RECOVERY AND REBUILDING

For much of 2020 our attention was focused on the key steps necessary to enable Shannon Group survive the immediate crisis caused by COVID-19. Our focus is now firmly on recovery and rebuilding our business.

Throughout the crisis we continued to maintain close relationships with our aviation partners. From July there was cause for optimism as Ryanair resumed services from Shannon, however due to the ongoing effects of the pandemic and the reinstatement of restrictions, the airline temporarily closed its Shannon and other bases in October for the winter.

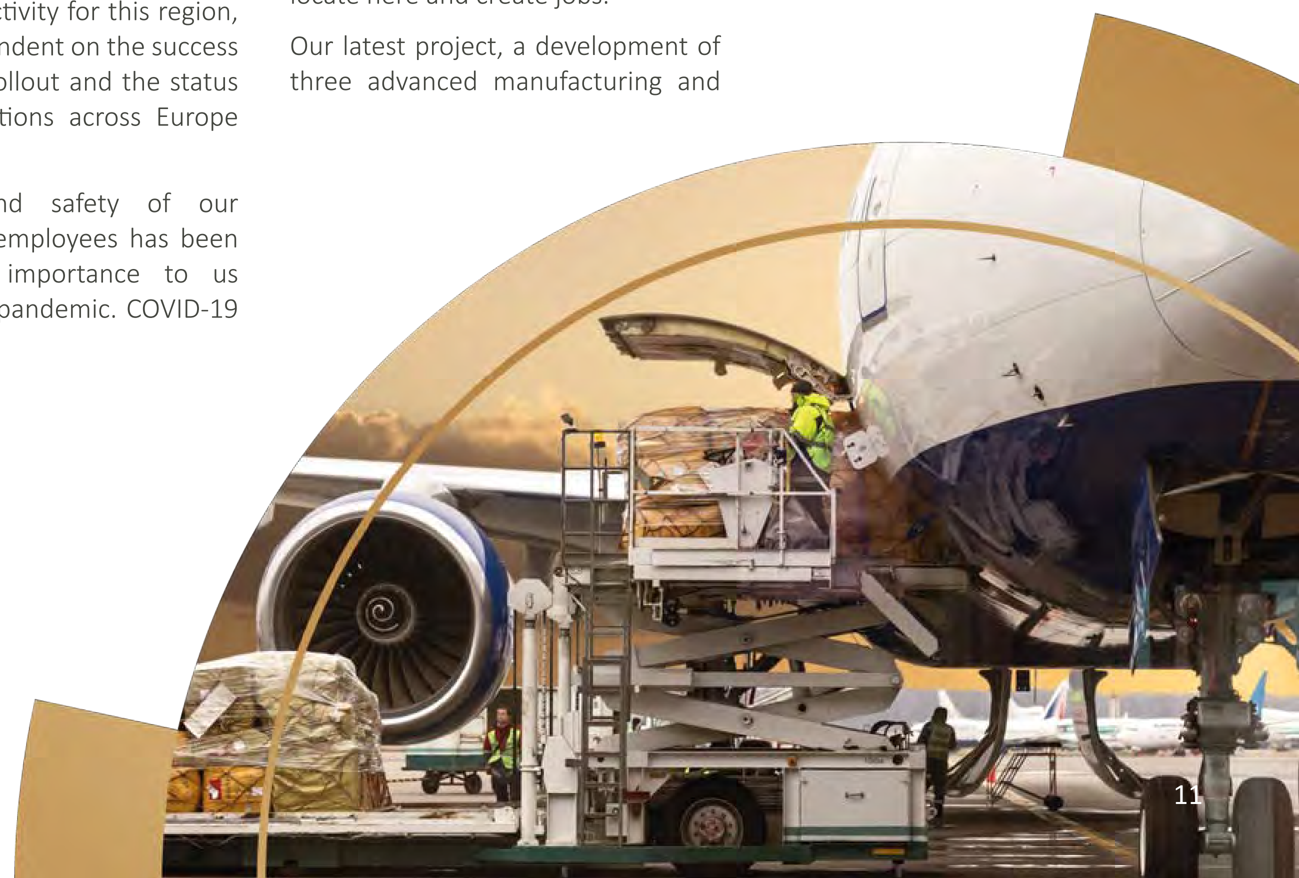
We were pleased to end 2020 on a positive note, with Ryanair announcing it would re-open its Shannon base with one based aircraft and recommence 14 routes for Summer 2021. Since then, we have had further good news with Ryanair adding a new route to Corfu, bringing to 15 the total number of destinations available from Shannon in 2021. The success of these Ryanair services and the return of the Aer Lingus services at Shannon are key to restoring connectivity for this region, and will be dependent on the success of the vaccine rollout and the status of travel restrictions across Europe and in the US.

The health and safety of our customers and employees has been of paramount importance to us throughout the pandemic. COVID-19 safety measures were introduced across all Group sites during 2020. We were pleased that these safety arrangements were acknowledged externally. Our Airport measures received global endorsements from Airports Council International (ACI) and ACI Europe in 2020. Bunratty Castle & Folk Park in Clare and King John's Castle in Limerick both achieved Fáilte Ireland accreditation for their specific COVID-19 safety efforts.

Whilst we await the reopening of aviation and tourism, we have used the opportunity to continue to invest to deliver core Group infrastructure. The work undertaken to date along with our plans for further investment at our Shannon Group Campus will not only improve the experience for passengers, airlines and companies located on the Campus but will also provide the foundations upon which we will be able to meet anticipated future demand. Throughout 2020 we upgraded our core airport infrastructure and built world-class property solutions that have attracted FDI and indigenous companies to locate here and create jobs.

Our latest project, a development of three advanced manufacturing and logistics facilities totalling 148,000 sq ft on a 12-acre site in the Shannon Free Zone is now complete. US/UK based clinical-stage gene therapy company MeiraGTx have taken two of these buildings and are currently undertaking a significant fit-out. The completion of this key strategic project during the year was vital to allow us to continue with our future investment strategy. In addition, US cybersecurity management company, exida, established a European Centre of Excellence at Shannon Free Zone.

2020 also saw the establishment of the Future Mobility Campus Ireland (FMCI) research hub in the Shannon Free Zone. We are delighted to be a partner in this exciting venture, Ireland's first test bed for future mobility, which is set to provide a unique real world setting to research and develop future mobility technologies. We are looking forward to seeing this cutting-edge technology grow and deliver a cluster of new industries at our Shannon Group Campus.



CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

FUTURE FOCUS

We are continuing to implement our strategic development plan for our Shannon Group Campus in 2021. The next phase of the redevelopment of our property portfolio will see the delivery of a new 40,000 sq ft R&D high bay technology unit, the redevelopment of two existing buildings as multi-purpose units and small office suites, and we are advancing a planning application for the development of a 60,000 sq ft warehousing facility. Work continues on installing smart infrastructure throughout Shannon Free Zone to support existing companies' operations there and providing for future technologies. All of these developments will provide ready to go solutions for new companies locating into Shannon.

Essential projects to futureproof the Airport from an operational perspective are also underway. We are completing installation of a new hold baggage screening facility, which will be fully operational later this year, and upgrading our passenger screening area. Other projects planned for this year include airside upgrade works, the installation of a new automated security exit from our airport customs hall, and remedial works to airport estuary embankments. The provision by Government of capital funding under the 2021 Covid support scheme for the Regional State Airports has enabled us to undertake these necessary infrastructural projects which are critical to the future success of the Airport and we welcome the Government support in funding them. We are also working with Fáilte Ireland to secure funding for an ambitious plan to deliver a significantly enhanced visitor experience at Bunratty Castle and Folk Park.

As we continue to recover and rebuild from the current crisis, we are firmly focused on diversifying our revenue base. The continued property investment has enabled the Group to build a more resilient business model and we believe opportunities also exist to develop clusters at our Shannon Group Campus, particularly with the establishment of FMCI and the ongoing development of Shannon Group's International Aviation Services Centre (IASC).

EMERGING FROM COVID-19

While we will eventually recover from the economic impact of COVID-19, it will take several years for activity to return to anything like normal levels. Travel restrictions continue to impact heavily on passenger numbers and confidence in travel.

Implementation of "Ireland's Aviation Restart Plan 2021", recently published by the National Civil Aviation Development Forum (NCADF) working group, will enable the recommencement of aviation and the restoration of Ireland's connectivity. Initiatives such as the European Union's Digital Green Certificate will pave the way for travel between the European Union member states for citizens who have been vaccinated against, recovered from, or tested negative for COVID-19, without being subject to additional restrictions such as testing process or quarantine rules. This initiative represents a welcome positive step towards the recovery of aviation activity within Europe. Its success will be determined by an effective, consensus led and standardised approach to its implementation by member states.

The Government's support to date for airports provides a framework for recovery and growth, and it is critical that this is maintained to ensure that benefits of international connectivity for tourism, trade and investment are realised as soon as is possible. We appreciate the range of Government support Shannon Group received for 2020 and we will continue to advocate the benefits of putting in place a multi-year funding arrangement, providing capital and operational funding for State-owned regional airports over the coming years.

With our fellow stakeholders in the Irish Taskforce for Aviation Recovery, Shannon Group is also advocating for a support package for airlines to support routes which would encourage the rebuilding of air traffic and restore vital services to the regions. Likewise, an increase in regional route marketing funds available to Tourism Ireland will ensure that routes into the regions are maintained and developed which will be critical to the economic recovery of the regions.

These initiatives will be critical to the restoration of Ireland's air services which will be pivotal to national economic recovery as we emerge from the pandemic, particularly given Ireland's reliance on global markets to drive our industrial, tourism and international service sectors.

STRATEGIC PRIORITIES

As we rebuild from the pandemic our commitment to delivering on our strategic priorities remains unchanged. We are firmly focused on diversifying our revenue base and ensuring a resilient business model across the organisation.

Growing connectivity remains a key priority for the Group. While in the short term our focus is on working with our airline partners to resume existing services, the development of direct high-quality international air connectivity is critical for the economic development of the region in the long term.

We will continue to invest in the development of key infrastructural assets. The supply of first-rate commercial property, and the connectivity provided by Shannon Airport, is continually cited to us by FDI companies as important reasons for them choosing to locate to our region.

More important than ever as we rebuild will be the need to drive commercial returns that deliver profitability and diversify our revenue base. This, together with a focus on continuous operational improvements and rigorously controlling costs will be vital so that the business remains efficiently run throughout the recovery period.

Fostering environmental responsibility in our business practices is paramount for us, and sustainability is at the core of all our Group's activities. We have a Group-wide team, led by our employees, which has initiated multiple sustainability projects across the Group. We recently launched an exciting initiative in conjunction with local schools, to build a Community Biodiversity Garden at Shannon. We have reached our 2020 climate action targets as set out by Government and we are now mapping our path to deliver 2030 targets in line with the Government's Climate Action Plan.

Of course, at the core of driving our business success are our people. They are central to the Group's perseverance in the face of the current crisis and in driving our recovery.

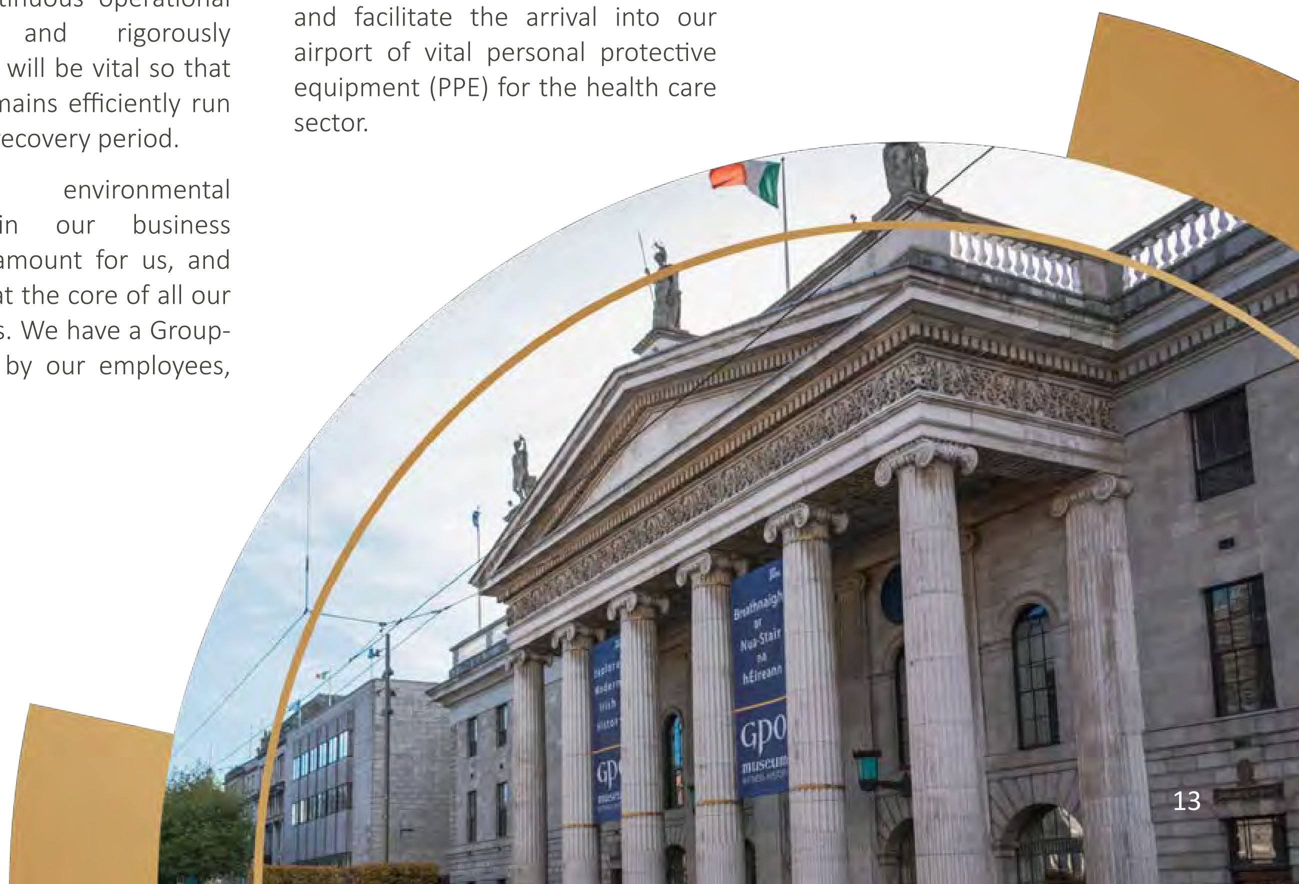
ACKNOWLEDGEMENTS

I would like to thank our employees for their continued commitment during what has been one of the most challenging years in the history of aviation and tourism.

As essential workers, our airport employees kept the airport open throughout the pandemic for essential travel, cargo operations, emergency services, to support our aviation industry cluster at Shannon, and facilitate the arrival into our airport of vital personal protective equipment (PPE) for the health care sector.

The relentless progress of the virus, the new variants which emerged and the shifting sands it generated in its wake, meant that we had to adapt to the rolling closures of our heritage sites due to public health restrictions. When allowed to open, our employees ensured that visitors to our attractions had a memorable and safe experience. In addition, many of our employees across the Group have had to adapt to working remotely. I am proud of the efforts of all of our team.

Throughout the year our Board has been hugely supportive of our efforts to manage the crisis caused by the pandemic and for that I am most grateful. I would like to acknowledge the hard work and commitment of our former Shannon Group Chairman, Rose Hynes, and Board member Kathryn O'Leary Higgins whose terms on the Board of Shannon Group ended on the 28th of August 2020. I wish them every success in their future endeavours.



Annual Report and Accounts | **2020**

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

I am very pleased to acknowledge the support and encouragement we received throughout the year from our Shareholder, the Department of Transport, and to thank Ministers Ryan and Naughton, and former Minister Ross, and their Department Team for their continued support.

My thanks to our many loyal customers and business partners who have remained steadfast allies of Shannon Group throughout the year. Partnership is crucial to success and we are very appreciative of the support of all our stakeholders.

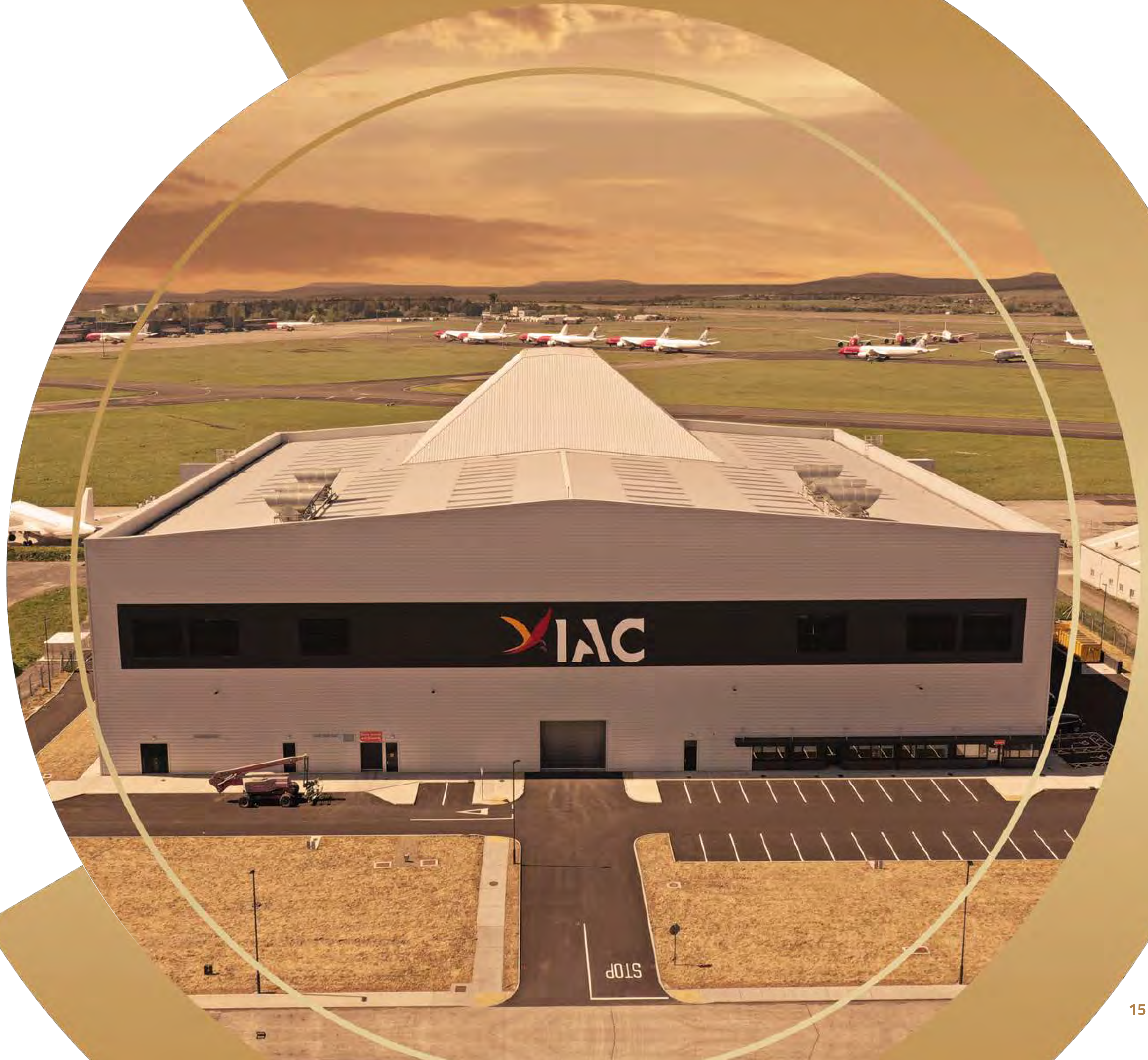
MOVING FORWARD

In October 2020 we marked the 75th anniversary of the first ever scheduled commercial transatlantic passenger flight, which landed at Shannon Airport on 24th October 1945. As a result of that first transatlantic service, Shannon became the original airport gateway between the US and Europe, and went on to build a successful transatlantic business, achieving a number of global firsts for aviation, including the birthplace of Duty-Free shopping, the world's first Customs Free Zone and, more recently, the first US Preclearance facility outside North America. Shannon was also home to the pioneers of aircraft leasing, and today hosts a vibrant aviation cluster comprising 80 aviation companies supported by Shannon Group's International Aviation Services Centre (IASC).

This is a timely reminder of the innovation, determination and resolve in our DNA, which still exists within Shannon Group and will drive our strategy to rebuild.

Shannon Group is a symbol of this region's progress, evidence of this region's innovation and when thriving, an example of this region's success and prosperity. Shannon Airport is the hub that connects this region's people and industry with the world and drives regional economic growth. This will be needed more than ever as we recover from this crisis. It will take time and perseverance, but we are determined to succeed.

Mary Considine
Chief Executive Officer



SHANNON GROUP 2020 FINANCIAL OVERVIEW

	2020 €'000	2019 €'000
Revenue	**34,338**	79,120
Operating Profit as reported (after exceptional items)	**(26,484)**	24,856
Investment properties revaluation losses / (gains)	**469**	(16,552)
Other income/expense (gains/losses on disposal of assets)	**(7,831)**	(309)
Exceptional items ^	**27,920**	-
Adjusted operating profit	**(5,926)**	7,995
Depreciation and amortisation	**7,114**	6,561
EBITDA (before exceptional items)	**1,188**	14,556

^ See page 68 for details of exceptional items

Annual Report and Accounts | 2020

THE BOARD OF DIRECTORS OF SHANNON GROUP PLC

STANDING: **Linda Tynne | Tom Kelly | Liam O'Shea | Mary Considine**
Stephen Rae | Ambrose Loughlin

SEATED: **Mike Quinn | Kevin McCarthy**

THE BOARD OF DIRECTORS OF SHANNON GROUP PLC (CONTINUED)

MARY CONSIDINE, CEO

Mary is the Chief Executive Officer of Shannon Group, the parent company of Shannon Airport Authority, Shannon Commercial Properties and Shannon Heritage, and which supports the growing aviation cluster through the International Aviation Services Centre (IASC) brand.

Mary was formerly Deputy CEO as well as CFO/Company Secretary of the Group. In her previous role as Airport Director she led the successful separation of Shannon Airport from daa leading to Shannon Airport becoming independent on 31st December 2012 and the formation of Shannon Group in late 2014. Mary is a qualified accountant and she has extensive experience in the areas of aviation, commercial and finance having previously held a number of senior roles within the Group.

Mary is a member of the Governing Authority of Mary Immaculate College and is also a member of the Governing Body of Limerick Institute of Technology. Mary is a current director and past President of Shannon Chamber of Commerce and is a member of the VHI Healthcare Members' Advisory Council.

TOM KELLY

Tom Kelly was appointed to the Board of Shannon Group on 25th October 2017. He chairs the Shannon Group Audit and Risk Committee. He is the Chief Executive Officer of AerCap Ireland Limited. He previously served as Chief Financial Officer of AerCap's Irish operations and has a substantial aircraft leasing and financial services background. Previously, Tom spent ten years with GECAS where his last roles were as Chief Financial Officer and director of GECAS Limited, GECAS's Irish operation. He also served as global controller for GECAS in his role as Senior Vice President and Controller. Prior to joining GECAS in 1997, he spent over eight years with KPMG in the London office, acting as a Senior Manager in the financial services practice. Tom is a Chartered Accountant and holds a Bachelor of Commerce degree from University College Dublin.

AMBROSE LOUGHLIN

Ambrose Loughlin was appointed to the Board of Shannon Group on 15th May 2019. Ambrose was a partner for 22 years with McCann FitzGerald, one of Ireland's leading law firms, where in addition to client advisory work on financial services, he served in several senior management roles involving finance and risk. He is a board member since 2016 of the National Museum of Ireland and chairs its Audit and Risk Committee. He was recently appointed to the Finance HR and Asset Management Committee of the University of Limerick. From 2013 to 2019, he chaired the Audit Committee of the Department of Finance. He has particular expertise in the areas of risk management and corporate governance.

KEVIN MCCARTHY

Kevin McCarthy was appointed to the Board of Shannon Group on its incorporation on 29th August 2014 to the 29th August 2018 as an Employee Representative. He was again appointed to the Board as an Employee Representative on the 1st December 2018. Kevin has spent 40 years working in Shannon Airport's Police and Fire Service. He retired from Shannon Airport in October 2019.

LIAM O'SHEA

Liam O'Shea was appointed to the Board of Shannon Group on its incorporation on 29th August 2014. He sits on the Audit and Risk Committee and the Remuneration Committee. Liam is the former Chairman and Managing Director of Clare FM and Tipp FM and currently sits on the Board of Tipp FM. He is a founder member and former Chairman of Spin South West, and a founder member and former Board Director of Newstalk. Liam was inducted into the PPI Radio Hall of Fame in 2013.

MIKE QUINN

Mike Quinn was appointed to the Board of Shannon Group on 2nd March 2020. Mike is an experienced executive having held roles at CEO and Vice President level since 2007. He is currently CEO of UK based Doncasters Group, a leading international manufacturer of high-precision alloy components. His former roles include CEO of Bord Na Mona and Ervia (Irish Water and Gas Networks Ireland) and Chief Operating Officer of WElink Energy, a global renewables company. Prior to this Mike held roles in several aerospace companies at Group Vice President level.

Mike holds a degree in Applied Physics and Electronics from Dublin City University, a Post Graduate Diploma from the University of Limerick and has completed advanced Leadership programs in Ross School of Business in the University of Michigan, USA and Cranfield University in the UK. More recently, Mike attended the authentic leaders program in Harvard University and completed the Institute of Directors Diploma course in Company Direction in the Irish Management Institute.

STEPHEN RAE

Stephen Rae was appointed to the Board of Shannon Group on 15th May 2019. Stephen is a Senior Global Advisor and Principal at KOBN Reputation & Risk Advisory. He is chairman of the International Fraud Prevention Conference, an events and content business in the cyber security space. Stephen serves on the Supervisory Board of the World Association of News Publishers, WAN-IFRA. He has previously served as a member of the European Commission's High-Level Expert Group on Online Disinformation and on the board of the World Editors Forum. In 2018 Stephen stepped down from his role as Group Editor-in-Chief at Independent News & Media, Ireland's largest media group, where he oversaw the group's online operations and four national newspapers. Previously, he was the editor of two national newspapers and Independent.ie. Stephen is a qualified barrister and holds the Award in Business and Leadership from the Directors Course at Cranfield University.

LINDA TYNNE

Linda Tynne was appointed to the Board of Shannon Group on 1st December 2018 as an Employee Representative. Linda has worked at Shannon Airport for over 30 years, initially in Shannon Duty Free in 1987, travelling to St Petersburg to the new downtown duty free shop. After her time in Russia, Linda returned to Shannon and worked in different departments; Shannon Aviation Fuels, cash office supervisor and currently works in Shannon Airport Finance department.

Annual Report and Accounts | 2020

SHANNON GROUP EXECUTIVE TEAM

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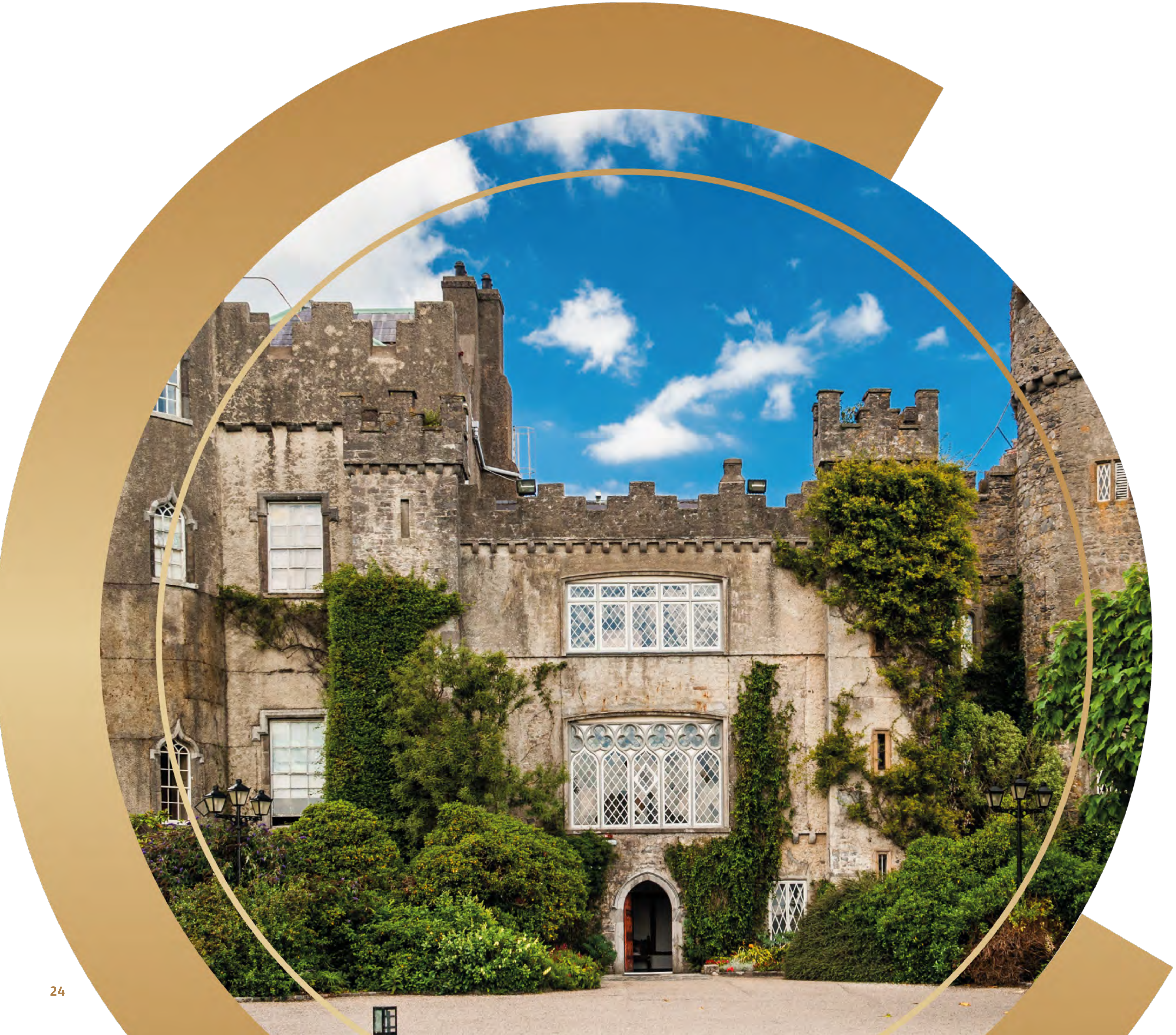
From left: Rachael Leahy, Company Secretary and Head of Legal | Paul MacNamara, Chief Financial Officer | Mary Considine, Chief Executive Office | Ray O'Driscoll, Chief Operating Officer | Caroline Kelleher, Director of Public Affairs



CONTENTS

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of Shannon Group plc and subsidiaries ("the Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

Shannon Group plc ("the Company") was incorporated on 29 August 2014 and following the enactment of the State Airports (Shannon Group) Act 2014 ("Shannon Group Act") on 5 September 2014 the Group was formed.

Shannon Airport Authority DAC ("Shannon Airport") and Shannon Commercial Enterprises DAC (trading as "Shannon Commercial Properties") are subsidiaries of the Company. Shannon Heritage DAC ("Shannon Heritage") is a subsidiary of Shannon Commercial Properties. SAA Pension Corporate Trustee DAC and Shannon Airport Authority Financial Services DAC are subsidiaries of Shannon Airport Authority DAC.

The Group's principal activities are the operation, management and development of Shannon Airport ("the Airport"), the management and development of the extensive commercial property portfolio held by Shannon Commercial Properties, including Shannon Free Zone, and the operation of Heritage and tourism sites managed by Shannon Heritage. There has been no significant change in the principal activities of the Group during the year.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Shannon Group plc is a state company with a clear commercial mandate. The purpose of Shannon Group is to promote and facilitate air transport and aviation services in and around Shannon Airport, and optimise the return on its land, property and Heritage assets.

In addition to information directly included in this report, detailed commentaries on performance for the year ended 31 December 2020 including information on recent events, likely future developments facing the business and key performance indicators, required in accordance with the Companies Act 2014, are contained in the Chief Executive Officer's Review.

The Covid-19 pandemic has had a severe and on-going negative impact globally on air traffic volumes and tourism as governments have imposed travel restrictions and airlines have grounded fleets. This has resulted in a significant reduction in revenue for two of the three Shannon Group business operations and there continues to be uncertainty around air traffic volumes and tourism in the future.

RESULTS FOR THE YEAR

In this context, the directors are satisfied with the performance of the Group for the year. The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss on page 47 and in the related notes.

In monitoring the Group's performance, the directors and management have regard to a range of key performance indicators including the following:

Airport passenger numbers
Shannon Heritage visitor numbers
Turnover
EBITDA (earnings before interest, tax, depreciation and amortisation)
(Loss)/profit before tax
(Loss)/profit after tax
Net cash position
Capital expenditure
Proceeds from capital sales

The Group recorded a consolidated loss of €28.2 million (post-tax and exceptional items) (2019: profit of €21.6 million) and consolidated turnover for the year was €34.3 million (2019: €79.1 million). Airport passenger numbers for the year were 350,000 (2019: 1.71 million) and Heritage sites welcomed over 302,000 visitors in the year (2019: 963,000).

Group EBITDA[1] for the year, before exceptional items, is €1.2 million (2019: €14.6 million). This result is considered satisfactory in the context of the Covid-19 pandemic, which had a devasting impact on the Group's business during year.

During 2020 the Group incurred exceptional charges of €27.9 million in respect of a non-cash impairment of Airport assets and a group-wide voluntary severance scheme, as described in Note 3 to the financial statements. No such exceptional charges were incurred in 2019.

The Group has cash reserves to meet its operating and recurring short-term capital expenditure needs, with net cash deposits of €29.2 million at the year end date (2019: €33.3 million). During 2020 the Group drew down further external funding of €1.3 million (2019: €13.2 million) to partially fund the Group's capital expenditure programme. This brings total external bank loans to €30.8 million at the year end date (2019: €31.2 million) (Note 23).

Investment in capital expenditure projects is seen as key to ensuring the future sustainability of Shannon Airport, Shannon Commercial Properties and Shannon Heritage. As reflected in the Consolidated Cash Flow Statement the Group had cash outflows of €17.2 million for capital projects across the Group in the year (2019: €30.5 million). In addition, the Group realised proceeds of €12.2 million on capital disposals in the year (2019: €4.1 million).

[1]Group EBITDA is calculated as follows (before exceptional items 2020) - €'000

	2020	2019
Operating profit before other income/(expenses)	(6,209)	7,995
Depreciation and amortisation of intangible assets	7,462	6,909
Amortisation of capital grants	(348)	(348)
Other operating income (government grants)	283	-
EBITDA	**1,188**	**14,556**

PRINCIPAL RISKS AND UNCERTAINTIES

The principal areas of risk and uncertainty which could materially and adversely affect the Group's future operating profits or financial position, along with the strategies to mitigate these, are outlined in the Risk and Governance report on page 30.

DIRECTORS AND SECRETARY AND THEIR INTERESTS

The names of the persons who were directors during the year are set out on page 36. The directors and secretary who held office at 31 December 2020 had no interest in the shares of Shannon Group plc or its subsidiary companies either at the start of the year or their date of appointment, if later, nor at the end of the year.

ACCOUNTING RECORDS

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at Shannon Airport, Shannon, Co. Clare.

RESEARCH AND DEVELOPMENT

The Group does not undertake research and development activities.

GOING CONCERN

The Covid-19 pandemic has had a material impact on the Group's businesses in 2020, which has continued in 2021, with the Airport and Heritage businesses particularly badly affected. The impact of government advisories against non-essential travel and implementation of mandatory quarantine has reduced Airport traffic significantly. The Group's heritage sites closed at various points during 2020 and remain closed under the current government guidelines at the date of approval of the financial statements. This has resulted in a significant reduction in Group revenues and related cash flows and there continues to be uncertainty around air traffic volumes and tourism in the future. There may be other future impacts that cannot be foreseen at this point in time and therefore cannot be considered by the directors.

The directors have given careful consideration to the Covid-19 situation that exists and continues to evolve at the date of approval of these financial statements and the related impact on the going concern basis of preparation. The directors have implemented a number of mitigating actions to preserve cash that can be taken and are within the control of the Group in order to offset the revenue reduction and ensure that the Group can continue to meet its obligations.

The directors believe that sufficient financial resources are available to enable the Group to meet its obligations as they fall due, covering a period of not less than 12 months from the date of approval of the financial statements. In forming their view, the directors have taken into consideration the future financial requirements of the Group and Company, government supports and the existing bank facilities. The directors believe that this uncertainty does not represent a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. For this reason, the directors continue to adopt the going concern basis in preparing these financial statements.

DIRECTORS' REPORT (CONTINUED)

ADDITIONAL COMPLIANCE OBLIGATIONS

The Group complies with the Corporate Governance and other obligations imposed by the Ethics in Public Office Act 1995 and the Standards in Public Office Act 2001. The Group meets its obligations under other legislation including, but not limited to, the Disability Act 2005, the Regulation of Lobbying Act 2015 and the Safety, Health and Welfare at Work Act 2005.

The Group has implemented a Protected Disclosures Policy in accordance with the requirements of the Protected Disclosures Act 2014. The mechanism whereby the Group's employees can raise concerns which cannot be appropriately addressed through normal channels or make disclosures in the public interest in accordance with the Protected Disclosures Act 2014 is outlined within the Protected Disclosures Policy. All disclosures by employees may be raised to the employee's line manager or Human Resources in accordance with the procedures set out in the policy.

The Group is also committed to protecting the rights and privacy of individuals in accordance with the Data Protection Acts 1988 to 2018 and all associated legislation.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

The well-being of the Group's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and all relevant companies within the Group to take the necessary action to ensure compliance with this Act.

Health, safety, security and environmental issues are of paramount importance within the Group. The Group's operations are subject to an increasingly stringent range of environmental and health and safety laws, regulations and standards. A breach of any such law or regulation could result in the imposition of material sanctions on the Group and could have a material adverse effect on the Group's business.

PROMPT PAYMENTS ACT

The Group's policy is to comply with the provisions of the Prompt Payment of Accounts Act 1997 as amended by the European Communities (Late Payments in Commercial Transactions) Regulations 2012. Standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and the regular review of payment practices. These procedures provide reasonable, but not absolute, assurance against material non-compliance with the regulations.

POLITICAL CONTRIBUTIONS

The Group and Company did not make any political donations or incur any political expenditure during the year.

RELEVANT AUDIT INFORMATION

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

DIRECTORS' COMPLIANCE STATEMENT

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

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

SUBSEQUENT EVENTS

There have been no significant events subsequent to the year-end affecting the Group.

AUDITOR

Pursuant to Section 383(2) of the Companies Act 2014, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

Liam O'Shea	**Mary Considine**
Director	*Director*

25 March 2021

RISK AND GOVERNANCE REPORT

RISK MANAGEMENT

The Board acknowledges its responsibility for risk management, including determining the nature and extent of the significant risks the Group is willing to accept in pursuit of its strategic and operational objectives. To address this, the Board has established a risk management system that provides for continuous identification, assessment, implementation of mitigating actions and controls, and the monitoring and reporting of significant risks within Shannon Group. The Board is committed to proactive management of risk and has processes in place designed to anticipate and address, to the extent possible, changes to the Group's business and risk environment. The risk management process ensures that the Group identifies critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. The effectiveness of risk management is subject to review by the Audit and Risk Committee.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. Risk registers are utilised to ensure that risks are consistently identified, assessed, recorded and reported across all business functions. The process is overseen by the Audit and Risk Committee with regards to strategic/commercial, financial and compliance risks and overseen by the Health, Safety, Security and Environmental Committee with regards to operational and compliance risks in the areas of health, safety, security and the environment.

The Group's risk management system is subject to continuous review and improvement in order to remain effective in changing business environments. In keeping with a commitment for continuous improvement, the Group continually seeks to enhance processes across the organisation.

PRINCIPAL RISKS AND UNCERTAINTIES

As part of the risk identification process, the principal areas of risk and uncertainty which could materially and adversely affect the Group's future operating profits or financial position have been identified. A summary of the principal risks and uncertainties along with the strategies being adopted to mitigate the risks are set out below. The risks and uncertainties are not listed in a particular order and the list is not intended to be an exhaustive analysis of all the risks and uncertainties that may arise in the ordinary course of business. These risks and uncertainties are assessed on a continual basis and management report any significant changes in the business and external environment, which affect the significant risks and uncertainties identified, to the Audit and Risk Committee, the Health, Safety, Security and Environmental Committee and the Board.

I. STRATEGIC/COMMERCIAL RISKS

COVID-19

Together with risks to the health of the Group's staff and customers, the on-going Covid-19 pandemic has had a material impact on the Group's results as outlined in the directors' report. This continues to be a challenging and evolving situation and it is difficult to anticipate with certainty the future impacts on the Group's businesses.

Strategic Priority
Grow Connectivity, Drive Commercial Returns, Deliver Key Infrastructure assets, Driving Business Success Through People.

Impact
Potential health risks to group staff, airport passengers, heritage visitors and/or contractors engaged on behalf of the Group. Covid-19 has had a material financial impact on the Group's businesses, with the Airport and Heritage businesses, particularly badly affected. The impact of restrictions imposed due to public health risks associated with Covid-19, including advising against non-essential travel and the introduction of mandatory quarantine, has reduced Airport traffic significantly, and the requirement to close Heritage sites, coupled with uncertainty across all business activities has led to an immediate and significant impact on Group revenues and related cash flows, since early 2020.

Mitigation
- The Group has put in place a business response plan for dealing with Covid-19 including policies and procedures to ensure appropriate safety protection measures are in place to meet the Group's business requirements.
- Business continuity plans exist to manage the risk of any significant disruption of infectious diseases and public health threats.
- Engaging closely with customers, tenants, suppliers and banks to avoid/mitigate supply disruption or default situations as a consequence of Covid-19 restrictions.
- Strong working relationships and protocol in place with various State bodies and agencies to deal with infectious diseases and public health threats.
- Implementation of temporary layoffs, reduced working hours and temporary pay reductions.
- Discretionary operating and capital expenditure that is not of a strategic nature severely curtailed and/or cancelled as a consequence of Covid-19.
- Availing of schemes offered by government around Covid-19 business supports and engaging with the government regarding ongoing support for the recovery of the aviation sector.
- Managing staff morale and engagement through regular communications regarding consequences arising from Covid-19 restrictions including measures being taken to resume operations.

Competition

The Group operates in a very competitive environment, particularly in the operation of an international airport.

Strategic Priority
Grow Connectivity.

Impact
Investment in additional infrastructural capacity, innovation and pricing policy on the part of our competitors could have an adverse effect on the Group's ability to recover market share and results.

Mitigation
- Group management are cognisant of the competition posed by other airports, regions and countries on the performance of Shannon Airport.
- Management keep the value proposition offered by the Group under review and offer attractive incentive schemes to airlines to grow connectivity.
- Focus remains on the Airport's cost base, to ensure that it is efficient, effective and adaptable to the demands of the business.
- Shannon Group is reliant on the government's commitment to balanced regional development as set out in the National Planning Framework and is working with its shareholder and various stakeholders to ensure the National Aviation Policy is aligned in this regard.

Business performance

The Group's revenue is sensitive to competitive and economic conditions in the markets and sectors in which it operates. A key factor affecting the Group's financial performance is the number of passengers and the number of aircraft movements at Shannon Airport, the ability of Shannon Commercial Properties to negotiate new and renew terminating leases and the number of visitors to the sites managed by Shannon Heritage.

The Group is also exposed to cost increases arising from the nature of its operating cost base and exposed to additional costs in responding to regulatory changes.

Strategic Priority
Drive Commercial Returns, Continuous Operational Improvements and Deliver Key Infrastructure Assets.

Impact
Increased competition, reduced consumer demand and the impact of global economic events could negatively impact the overall level of revenue generated by the Group. Coupled with this, the inability to address the fixed and semi fixed nature of the Group's operating cost base and build a flexible cost structure, which is able to respond to regulatory changes, will lead to negative cash flow implications.

Mitigation
- The Group operates strong business and financial control systems (including capital appraisal) with regular reporting on financial performance, early signalling of material deviation from plan and accountability of business unit management to the Chief Executive Officer.
- The Group is focused on continuous improvement of processes to drive efficiency, improve flexibility and proactively manage its cost base.
- The Group is focused on taking pro-active management action and implementing sound commercial strategies to recover its passenger footfall through Shannon Airport and visitor admission footfall through Shannon Heritage sites, which will yield increasing revenues, and to maintain and grow its rental income in Shannon Commercial Properties.
- The Group has processes in place to ensure it remains up to date with property market trends and is focused on maintaining and upgrading its properties through a programme of investment to meet customer expectations.

RISK AND GOVERNANCE REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Business Performance *(Continued)*

- The Group continuously reviews its customer product offerings to ensure they remain relevant, engaging and value for money.

Economic

A significant change in the post-Covid economic outlook leading to a sustained economic slowdown.

Strategic Priority

Drive Commercial Returns and Continuous Operational Improvements.

Impact

This could negatively impact the Group's business and financial performance.

Mitigation

- The Group operates strong business and financial control systems (including capital appraisal) with regular reporting on financial performance, early signalling of material deviation from plan and accountability of business unit management to the Chief Executive Officer.
- While a significant proportion of the Group's cost base is fixed, the Group is focused on continuous improvement in processes to drive efficiency, improve flexibility and proactively manage its cost base.
- The Group is working to diversify its revenue base.
- The Group takes immediate actions to mitigate the financial impact of material events on its business.

Brexit

There are risks and opportunities for the Group associated with the exit of the United Kingdom ("UK") from the European Union.

Strategic Priority

Grow Connectivity, Deliver Key Infrastructure Assets.

Impact

Key matters affecting the Shannon Group in relation to Brexit are the potential impact on passenger volumes, particularly on Ireland/UK routes, the potential impact on UK visitor numbers, the implications for border controls and regulatory divergence.

Mitigation

- Significant planning was undertaken across the Group as part of its preparation for Brexit.
- Implications of Brexit are actively monitored as part of the Group's risk management process.
- Potential opportunities are also assessed, and where opportunities arise plans put in place to maximise these opportunities.

Investments and capacity

The management and operation of an airport, property portfolio and historic tourism sites are by their nature capital intensive.

Strategic Priority

Deliver Key Infrastructure Assets and Drive Commercial Returns.

Impact

While recognising our obligation to stakeholders, there is a risk that investments made in respect of aeronautical and other regulated activities, upgrades and development of investment properties and preservation of historic sites do not deliver the required rates of return or cash flows or may suffer impairment.

Mitigation

- The Group has determined its risk appetite for commercial investments and set financial tolerance levels accordingly.
- Decisions regarding investments in aeronautical and other regulated activities, upgrades of investment properties and preservation of historic sites are based on evidence-based inputs and are subject to Board approval.
- A planned maintenance and rehabilitation programme is in place for key assets, including airfield pavement structure, commercial properties and other operationally critical assets.

Capital projects

The Group has plans to make further significant capital investment in line with its Strategic Plan.

Strategic Priority

Deliver Key Infrastructure Assets and Drive Commercial Returns.

Impact

There are risks associated with the delivery of significant capital projects including timing, cost (including construction price inflation), health and safety and failure to deliver desired objectives.

Mitigation

- Defined procedures are in place for capital investment programme management, project management and contract and supplier management.
- All capital projects are tightly controlled to ensure these are delivered within budget and in compliance with all relevant regulations e.g. health and safety regulations.

Reliance on core customers

The prospect of future air traffic movements at Shannon Airport are dependent, to a significant extent, on the future strategies and financial strengths of core airline customers.

Strategic Priority

Grow Connectivity.

Impact

The loss of one or more of these customers, a significant deterioration in commercial terms or changes in the strategic direction of such key customers such as restructuring of route networks, consolidation of the airline industry or a change in ownership or control of significant airline customers could have a material impact on the Group's financial performance.

Mitigation

- The Group has developed strong relationships with major customers by focusing on superior customer service and cost competitiveness.
- The Group is focused on keeping abreast of developments in the airline industry and on the competitiveness of its offering and appropriateness of facilities for the needs of its current and prospective customers.
- Diversification of the Group's product offering, targeting new customers and development of new revenue streams are key strategic objectives for the Group to limit the reliance on core customers.

II. FINANCIAL RISKS

Liquidity and treasury

The Group is exposed to certain financial and treasury related risks, including fluctuating interest rates, credit risks and liquidity risks. Further information on financial and treasury related risks can be found in Note 25.

Strategic Priority

Drive Commercial Returns and Deliver Key Infrastructure Assets.

Impact

Significant fluctuations in interest rates or counterparties failing or defaulting in the performance of their obligations could have a negative financial impact on the Group.

Mitigation

- The Group operates strong business and financial control systems with regular operational cash flow and cash balance position reporting, early signalling of material deviation from plan and carries out reviews to ensure liquidity is maintained in the short to longer term.
- A prudent approach is adopted in managing liquidity including funding of significant investment requirements.

Funding

The Group has plans to make further significant capital investment that is of a strategic nature. The ability to continue to deliver this investment plan is contingent on funding from a number of sources, namely additional bank debt, disposal of non-core property, recurring operating profits and cash resources held by the Group. There can be no certainty that each of these funding sources will be available to meet planned investment needs.

Strategic Priority

Deliver Key Infrastructure Assets and Drive Commercial Returns.

Impact

Failure to deliver the planned sources of funding would have a significant negative financial impact on the delivery of the Group's capital investment plans.

RISK AND GOVERNANCE REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Funding *(Continued)*

Mitigation

- The Group maintains effective relationships with financial institutions.
- The Group maintains a bank overdraft to fund its Airport working capital requirements and maintains minimum cash balances across the Group to ensure it can fund its operations and capital needs.
- The Group tracks and reports on key initiatives to generate funds e.g. disposal of property, debt raising plans, free cash flows and cash balances.
- The Group operates strong business and financial control systems with regular operational cash flow and cash balance position reporting, early signalling of material deviation from plan and carries out reviews to ensure liquidity is maintained.
- The Group engages regularly with its funders in relation to its current funding obligations and the impact of Covid-19 on its repayment capacity and financial covenants.

III. OPERATIONAL RISKS

Business continuity

The Group's operations are subject to operational risks and other unforeseen events such as weather events, fire, flooding, mechanical systems failure, technical failures, terrorism and infectious diseases. Disruption to operations could also arise due to internal or third party industrial action.

Strategic Priority

Drive Commercial Returns.

Impact

Disruptions to operational and commercial activities could result in a significant financial and/or reputational impact on the Group and give rise to potential legal liabilities for the Group.

Mitigation

- The Group seeks to eliminate the risk of discontinuity of services by having robust systems and business continuity plans. Where events result in disruption to services, the Group activates its business continuity plans in order to minimise the impact of the disruption.
- Insurance is also in place in relation to certain unforeseen events.
- Strong working relationships and protocol in place with the Health Service Executive to deal with infectious diseases and public health threats.

Talent management risk

The Group is dependent upon the quality, ability and commitment of key management personnel in order to sustain, develop and grow the business in line with its key objectives.

Strategic Priority

Driving Business Success Through People.

Impact

Growth targets may be at risk through failing to attract, retain and manage key personnel with appropriate experience and skills.

Mitigation

- The Group has put in place strong recruitment processes and effective human resource management policies and procedures together with strategic workforce planning to ensure appropriate resources are in place to meet the Group's business requirements.

Operational standards

The Group is obliged to meet various operational and quality standards including, but not limited to, those standards set by the Irish Aviation Authority and European Aviation Safety Agency as part of its aerodrome licensing requirements.

Strategic Priority

Continuous Operational Improvements.

Impact

Failure Failure to meet any of these standards could result in sanctions, up to and including the withdrawal of the Airport's operating licence or financial penalties being imposed on the Group.

Mitigation

- The Group has systems in place to monitor compliance with externally established quality standards. These systems include the capture of data, continuous monitoring and appropriate escalation processes.

Sustainability

The Group complies with the requirements of Ireland's Climate Action Plan and is committed to conducting its business with minimal environmental impact.

Strategic Priority

Foster Environmental Responsibility.

Impact

A breach of these requirements could result in serious financial loss or reputational damage to the Group.

Mitigation

- The Group has invested in structures, processes and resources to meet and monitor compliance with environmental requirements and targets.
- A Group-wide team has been established and has initiated multiple sustainability projects, including initiatives to reduce the Group's carbon footprint.
- The Group actively engages with various bodies and agencies of the State and other stakeholders to address environmental issues associated with conducting business in the aviation, property and tourism sectors.

Information technology systems

Effective and secure information technology systems are critical for the efficient management of the business and to support operational activities.

Strategic Priority

Continuous Operational Improvements and Drive Commercial Returns.

Impact

A significant failure of the Group's information technology systems could result in significant disruption to operations, financial loss or reputational damage to the Group. The Group could also be negatively impacted by cyber-attacks, data breaches or similar incidents involving a significant disclosure, loss or theft of personal data.

Mitigation

- The Group operates a centralised information technology systems function with a group wide remit. The information technology function operates with a high level of resilience in systems and processes.
- Business continuity plans exist to manage the risk of any significant disruption from a failure of information technology systems.
- Appropriately qualified and trained professionals are employed by the Group to manage this function.
- A programme of continuous improvement and re-investment in information technology systems is in place.

Health, safety, security and environment

The Group's operations are subject to an increasingly stringent range of health, safety, security and environmental laws, regulations and standards.

Strategic Priority

Continuous Operational Improvements and Foster Environmental Responsibility.

Impact

A breach of any such law or regulation could result in the imposition of material sanctions on the Group and have a material adverse effect on the Group's business.

Mitigation

- Staff training in the areas of health, safety, security and environment, as well as strong emphasis on monitoring compliance, form an integral part of the Group's mitigating strategies. These are designed to prevent a serious breach of statutory or other regulatory obligations.
- The Group continues to invest in safety and security installations, systems and resources to meet legal and regulatory requirements to achieve best industry standards across all its business units.
- The Group actively engages with various bodies of the State and other stakeholders to address health, safety, security and environmental issues of operating an international airport.

Governance and compliance

The Group is subject to a wide range of legislative and governance requirements, including, but not limited to, those set out in Irish company and European law.

Strategic Priority

Continuous Operational Improvements.

Impact

Any breach of these requirements could result in serious financial loss or reputational damage to the Group.

RISK AND GOVERNANCE REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Governance and compliance *(Continued)*

Mitigation

- The Group has structures and processes in place to monitor compliance with regulatory, legislative and governance requirements.
- The Group has a proactive, forward looking approach to monitoring changes in regulation and legislation and is actively involved with its shareholder, the Department of Transport on this matter.
- The Group also engages with other external organisations that provide advice and training on these matters to management.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of Corporate Governance. Shannon Group plc and its subsidiaries have put in place appropriate processes and procedures to ensure compliance with the Code of Practice for the Governance of State Bodies (2016) (the "Code") for the year ended 31 December 2020. The Code sets out the principles of Corporate Governance, which the boards of State bodies are required to observe. The Group has put in place a Code of Business Conduct for directors, senior management and employees of Shannon Group plc and subsidiary companies. The Group continuously reviews and updates its policies and procedures to ensure compliance with the Code and best practice in Corporate Governance.

THE BOARD OF DIRECTORS

The eight directors serving on the Board as of the date of approval of the financial statements are listed in the table below. Unless otherwise indicated below they served as directors for the entire year ended 31 December 2020.

Director

Mary Considine (Chief Executive Officer)
Tom Kelly
Ambrose Loughlin
Kevin McCarthy
Liam O'Shea
Mike Quinn
Stephen Rae
Linda Tynne

Company Secretary

Rachael Leahy

Mike Quinn was appointed to the Board on 2 March 2020. The periods of office of Rose Hynes and Kathryn O'Leary Higgins expired with effect from 28 August 2020.

The Board is responsible for the proper management and long-term success of the Group. It takes all significant strategic decisions and retains full and effective control while allowing management sufficient flexibility to run the business efficiently and effectively within appropriate Board approved delegated authority. The Board has reserved a formal schedule of matters for its decision and approval. These matters include the adoption of strategic and business plans, the approval of the annual financial statements and annual budget, treasury policy, acquisitions, disposals, capital expenditure and property transactions (above certain thresholds) and material contracts. Other matters reserved for the Board include oversight of the system of risk management and internal control and the appointment of the Chief Executive Officer.

The Chairperson leads the Board in the determination of its strategy and in the achievement of its objectives and is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairperson facilitates the effective contribution of directors, ensures that directors receive accurate, timely and clear information and manages the effective communication with the Minister for Transport (the "Minister"). Since 28 August 2020 there has been no Chairperson of the Board. The Minister is informed of matters arising in respect of the Group by the Chief Executive Office on behalf of the Board.

The Board is provided with regular information, which includes key performance indicators for all aspects of the Group's businesses. Regular reports and papers are circulated to the directors in a timely manner, in preparation for Board and Board committee meetings. These papers are supplemented by information specifically requested by the directors from time to time. Regular management financial reports and information are provided to all directors, which enable them to scrutinise the Group and management's performance against agreed objectives.

The Board structure is prescribed by statute whereby the number of directors on the Board, and the manner in which such directors, including the Chairperson, are appointed (and removed) is set out in the Shannon Group Act.

This legislation provides that:

- The Board of the Group shall consist of not more than ten directors.
- The Minister for Transport, may, with the consent of the Minister for Public Expenditure and Reform following consultation with such trade union representatives as he or she believes appropriate, appoint two persons representing the employees of the Group and its subsidiaries, as directors of the Group.
- The directors of the Group (other than the Chief Executive Officer) shall be appointed by the Minister, with the consent of the Minister for Public Expenditure and Reform.
- The Chief Executive Officer shall, for the duration of his or her appointment, be ex officio a director of the Group.
- Each director of the Group shall hold office on such terms (other than the payment of remuneration and allowances for expenses) as the Minister determines at the time of his or her appointment. The Minister, when appointing a director of the Group, shall fix such director's period of office, which shall not exceed 5 years.
- A director of the Group (other than the Chief Executive Officer) shall not serve for more than a period of 10 years in total.

The Board is satisfied that its size and structure, as prescribed in legislation, is appropriate for the needs of the Group and achieves a balance of representation on the Board.

Directors have undergone a formal induction process and are also provided with detailed briefing documents, governance, financial and operational information and have had an opportunity to be briefed by executives on the different aspects of the Group's business. Organised familiarisation tours of the Group's facilities including the Airport campus, the Group's commercial properties and heritage sites are also provided, where possible. The on-going development needs of directors are kept under review. The Board recognises the need to ensure that Board members are aware of their statutory and fiduciary responsibilities and that they are kept up to date and fully informed of industry, economic and Corporate Governance developments and changes in best practice.

Training and development requirements are reviewed and agreed with the Chairperson.

Board members have access to the Company Secretary who is responsible for ensuring the Board procedures are followed and that applicable rules and regulations are adhered to.

During 2020, the Board undertook an external evaluation of Board performance.

The Board has formed the following committees:

- Audit and Risk Committee
- Remuneration Committee
- Health, Safety, Security and Environmental Committee

INDEPENDENCE OF DIRECTORS

The directors and secretary who held office at 31 December 2020 had no interest in the shares of Shannon Group plc or its subsidiary companies either at the start of the year or their date of appointment, if later, nor at the end of the year.

Certain members of the Board, as outlined further below, hold directorships or executive positions in organisations which are under the control of the Irish Government. Mary Considine is a member of the Governing Authority of Mary Immaculate College and Limerick Institute of Technology. Linda Tynne is an employee of Shannon Airport. Ambrose Loughlin is a member of the Board of Directors of the National Museum of Ireland.

The Board is satisfied that its non-executive directors are independent of management, independent of character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the Board member's judgement. Each Board member brings independent judgement. Non-executive Board members are required to declare any interests or relationships which could interfere with the exercise of their independent judgement.

The Board has put procedures in place to deal with potential conflicts of interest. In accordance with the provisions of the Code and the Shannon Group Act, all directors must disclose any interests and absent themselves from Board discussions where they have a direct or indirect interest. In such circumstances Shannon Group and each of the directors at all times adheres to the highest standards of corporate governance and business conduct. Related party transactions requiring disclosure are included in Note 27 to the financial statements.

RISK AND GOVERNANCE REPORT (CONTINUED)

GENDER BALANCE IN THE BOARD MEMBERSHIP

As at 31 December 2020, the Board had two female (25%) and six male members (75%), with two positions vacant, including the position of Chairperson. The Board therefore does not meet the Government target of a minimum of 40% representation of each gender in the membership of State Boards.

The Board of Shannon Group strives to maintain a balance of gender and diversity. As at 31 December 2020 there was no Chairperson of the Board, while Board vacancies remained. The Board has requested that the Department of Transport, in drawing up the specification for all future Board appointments, should have due regard to diversity on the Board including gender to ensure an inclusive and diverse membership.

COMPANY SECRETARY AND ACCESS TO PROFESSIONAL ADVICE

The Company Secretary is appointed by the Board.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Group's professional advisors are available for consultation by the Board as required. Individual directors may take independent professional advice, in line with Group procedures, at the Group's expense.

MEETINGS

Regular meetings of the Board are held throughout the year. The Board met formally eight times during the year. In addition, scheduled committee meetings were held. Due to the Covid-19 pandemic the Board met six further times outside of the formal meetings to receive regular updates on the ongoing crisis.

Attendance at scheduled Board meetings is set out below:

Director	Board meetings attended	Maximum number of meetings
Rose Hynes (Former Chairperson)	5	5
Mary Considine (Chief Executive Officer)	8	8
Tom Kelly	8	8
Ambrose Loughlin	7	8
Kevin McCarthy	8	8
Kathryn O'Leary Higgins	4	5
Liam O'Shea	8	8
Mike Quinn	6	6
Stephen Rae	8	8
Linda Tynne	8	8

BOARD COMMITTEES

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

Details of the work of the Audit and Risk Committee, the Remuneration Committee, and the Health, Safety, Security and Environmental Committee, including their current membership, are set out below.

AUDIT AND RISK COMMITTEE

The company is required under Section 167 of the Companies Act, 2014, to establish an Audit Committee. The Audit and Risk Committee has defined terms of reference under which authority is delegated to it by the Board. Tom Kelly serves as the Chairperson of the Audit and Risk Committee.

The Committee met four times during the year and attendance at the Committee meetings is set out in the table below:

Member	Committee meetings attended	Maximum number of meetings
Tom Kelly	4	4
Liam O'Shea	4	4
Ambrose Loughlin	4	4

The regular attendees at the Audit and Risk Committee meetings included the Chief Executive Officer, the Chief Operations Officer, the Chief Financial Officer, the outsourced Internal Auditor - Deloitte, senior management from the finance department and KPMG, the independent statutory auditor.

The main areas of responsibility of the Committee are as follows:

- reviewing the annual financial statements and submitting a recommendation to the Board, focusing particularly on changes in accounting policies and practices, major judgemental areas, significant adjusted or unadjusted audit differences, the going concern assumption, compliance with accounting standards, ensuring compliance with legal requirements and consistency of other information presented alongside the financial statements;
- considering and recommending the appointment, re-appointment and removal of the statutory auditor and the audit fee;
- developing and implementing a policy on the engagement or the award of contracts to the statutory auditor or affiliate for non-audit work, taking into account relevant best practice and ethical guidelines;
- monitoring and reviewing at least annually the performance, qualifications, expertise, resources and independence of the statutory auditor and assessing the effectiveness of the external audit process;
- reviewing the effectiveness of the Group's internal financial controls, internal controls and risk management systems;
- assisting the Board in fulfilling its responsibilities in ensuring the appropriateness and completeness of the system of internal control, reviewing the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems and thereby maintaining an effective system of internal control;
- reviewing and making a recommendation on the Group's Statement on internal control and risk management systems prior to endorsement by the Board;
- overseeing and advising the Board on the current risk exposures of the Group and future risk strategy;
- reviewing the effectiveness of the Internal Audit function on an annual basis;
- monitoring and reviewing the effectiveness of the Internal Audit programme, ensuring co-ordination between the internal and statutory auditors and ensuring that the Internal Audit function is adequately resourced, and that adequate attention is paid to value for money auditing; and
- reviewing the policy by which staff may, in confidence, raise concerns about possible business, financial or other improprieties and ensure that arrangements are in place to investigate such matters.

The Committee reviewed the annual financial statements before recommending their approval to the Board. The Committee considered, and discussed with the Chief Executive Officer, the Chief Operations Officer, the Chief Financial Officer, senior financial management and the statutory auditors, the appropriateness of the significant accounting policies, estimates and judgements applied in preparing these financial statements, together with presentational and disclosure matters.

The Committee has an established risk management framework and considered the processes for identifying, reporting and managing both existing and emerging risks. The Committee received periodic management reports on the risk management framework applied, including management actions to address, mitigate and manage risks on a continuing basis. This complemented regular Board receipt of management reports on emerging risks and significant changes in the business and external environment which affect the risk registers.

The Committee reviewed, on behalf of the Board, the effectiveness of the Group's system of risk management and internal control. Monitoring covered all controls, including financial, operational and compliance controls and risk management processes.

The Committee reviewed a risk-based internal audit annual plan, including the resources required, and considered the alignment of internal audit focus with the areas of greatest risk facing the Group. During the year, the Committee considered reports from the Internal Auditor summarising the work planned and undertaken, recommending improvements and describing actions taken by management. The Committee was appraised by the Internal Auditor of the findings of internal audit reviews. The Committee also considered management's progress in addressing the relevant issues, including the nature, extent and speed of response.

RISK AND GOVERNANCE REPORT (CONTINUED)

AUDIT AND RISK COMMITTEE *(Continued)*

The Committee reviewed the remuneration and terms of engagement of KPMG, the independent statutory auditor. The Committee reviewed the external audit plan and the findings of KPMG from its audit of the annual financial statements. The Committee took appropriate steps to ensure that an objective and professional relationship was maintained with KPMG.
The Committee considered KPMG's independence and objectivity. This included considering a) the nature and extent of the services provided, and fees earned, for external audit and non-audit work carried out by KPMG and b) ensuring the provision of non-audit services to the Group do not present a conflict of interest.

Fees paid to KPMG for audit services, audit related services and other non-audit services are set out in Note 5 of the financial statements. There were no instances where KPMG was engaged to provide services which were adjudged to give rise to a conflict of interest.

The Committee also monitored KPMG's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, as well as assessing annually its qualifications, expertise, resources and the effectiveness of the audit process.

The Chairperson of the Committee reports periodically to the Board on significant issues considered by the Committee which are then considered by the Board.

REMUNERATION COMMITTEE

The Remuneration Committee has defined terms of reference under which authority is delegated to it by the Board. Rose Hynes served as chairperson of the Remuneration Committee until the end of her tenure and it was agreed by the Committee that Liam O'Shea would act as chairperson of the Committee pending the appointment of a new Chairperson of the Board and the subsequent appointment of a new Committee chairperson.

The Committee met three times during the year and attendance at the Committee meetings is set out in the table below:

Member	Committee meetings attended	Maximum number of meetings
Rose Hynes	4	4
Tom Kelly	5	5
Liam O'Shea	5	5
Stephen Rae	5	5

The main responsibilities of the Remuneration Committee during the year were to determine the remuneration of the Chief Executive Officer, the pay structures of senior management, to approve voluntary severance schemes and restructuring programmes and to review the on-going appropriateness and relevance of the Group's remuneration policies and pension schemes and any major structural changes to such policies or schemes.

Details of directors' fees and emoluments including those of the Chief Executive Officer are set out in Note 6 to the financial statements, in accordance with the requirements of the Code. Remuneration of key management is summarised in Note 27 (b) to the financial statements.

HEALTH, SAFETY, SECURITY AND ENVIRONMENTAL COMMITTEE

Health, Safety, Security and Environmental Committee has defined terms of reference under which authority is delegated to it by the Board.

Kathryn O'Leary Higgins served as chairperson of the Health, Safety, Security and Environmental Committee until the end of her tenure on 28 August 2020. Joe Buckley retired from the Company in October 2020 and Mary Considine was appointed by the Board to the Committee pending the appointment of a new Chairperson to the Board and subsequently a new Committee chairperson and member.

The Committee met four times during the year and attendance at the Committee meetings is set out in the table below:

Member	Committee meetings attended	Maximum number of meetings
Kathryn O'Leary Higgins	3	3
Joe Buckley	3	3
Kevin McCarthy	3	4
Stephen Rae	4	4
Mary Considine	1	1

The main responsibilities of the Committee during the year were the management of health, safety and environmental matters in all Group companies and the management of aerodrome safety and security matters at Shannon Airport.

The Committee reports to the Board on any significant compliance or other relevant issues, receives incident reports, reviews reports on airside safety, security, health, safety and environmental issues, monitors the processes in place for training and reviews related communications with the Group. It monitors and reviews the risk registers covering its remit.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Board has established an organisational structure with clear operating and reporting procedures, secured the services of appropriately qualified personnel, designed suitable lines of responsibility, put in place appropriate authorisation limits, made arrangements in respect of segregation of duties and delegated the necessary authority for decision making.

The Board has put in place an on-going process for identifying, evaluating and managing the significant risks faced by the Group. Management is responsible for the identification and evaluation of significant business risks and for the design and operation of suitable internal controls. The Board has appointed a Chief Risk Officer. The Audit and Risk Committee, the Health, Safety, Security and Environmental Committee and the Board receive regular reports from the Chief Risk Officer and management on key risks and how they are managed.

The system of internal controls includes the following:

- Clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board;
- Comprehensive budgeting systems including an annual budget which is subject to approval by the Board. Re-forecasts are performed during the year to track expected results against Budget and presented to the Board;
- Comprehensive system of financial reporting including the reporting of cumulative monthly actual results against budget. These results are presented to the Board for consideration at each Board meeting. The Board questions significant changes or adverse variances and remedial action is taken where appropriate;
- Comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure;
- Risk management process which enables identification and assessment of risks that could impact the achievement of agreed business objectives and ensures that appropriate mitigating measures and controls are put in place. This process is led by the Chief Risk Officer with regular reports to the Audit and Risk and Health, Safety, Security and Environmental sub-committees of the Board;
- Code of ethics that requires senior management and employees to maintain the highest ethical standards in conducting business;
- Responsibility by management at all levels for internal control over their respective business functions; and
- The internal audit function conducts a systematic review of internal financial controls. In these reviews, emphasis is focused on areas of greater risk, as identified by risk analysis.

The Group maintains risk registers which have been reviewed by the Board and reviewed in detail by the Audit and Risk Committee and the Health, Safety, Security and Environmental Committee, as appropriate. The risk registers identify, evaluate and address the mitigation of key risks facing the Group, covering strategic, operational, compliance, financial, safety and security risks.

The Chief Executive Officer and Chief Risk Officer report to the Board on significant changes in the business and its external environment and the impact of these changes on the Group's risk profile.

RISK AND GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL AND RISK MANAGEMENT *(CONTINUED)*

The Board has reviewed the effectiveness of the systems of internal control up to the date of the approval of the financial statements. A detailed review was performed by the Audit and Risk Committee, which reported its findings back to the Board. The key areas of financial, operational and compliance controls and risk management were reviewed. The process used to review the effectiveness of the system of internal control includes:

- Review and consideration of the programme of Internal Audit and consideration of its reports and findings;
- Review of the status of issues raised previously by Internal Audit;
- Review of the risk management activity including the risk registers; and
- Review of reports from the statutory auditors which contain details of any material internal financial control issues identified by them in their work as auditors.

The Chairperson of the Board reports to the Minister for Transport on compliance with the Code of Practice for the Governance of State Bodies in respect of the financial period under review. Since the 28 August 2020 there has been no Chairperson of the Board. The Chief Executive Officer reports to the Minister on compliance with the Code on behalf of the Board.

The Board is satisfied that the Group's system of internal controls is suitably designed to provide reasonable assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting and reliable financial information.

REPORTING REQUIREMENTS

The following disclosures are provided for the year ended 31 December 2020, as required by the Code of Practice for the Governance of State Bodies (2016) and agreed with the Department of Transport.

Travel and subsistence costs charged to the profit and loss account for the year amounted to €0.06 million (national) (2019: €0.25 million) and €0.02 million (international) (2019: €0.19 million). Hospitality and staff wellbeing costs charged to the profit and loss account amounted to €0.03 million (2019: €0.07 million) (employee) and €0.01 million (2019: €0.04 million) (customer). Professional services costs incurred and charged to the profit and loss account amounted to €0.31 million (2019: €0.69 million). Payments totalling €0.11m were made in settlement of a concluded and settled legal case in 2020, of which €0.03m related to legal fees. There were no legal and settlement payments for concluded and settled legal cases in 2019.

Termination payments arising under approved restructuring programmes in 2020 are set out in Note 3 to the financial statements. There were no such termination payments charged to the profit and loss account in 2019. Amounts relating to staff costs charged to the profit and loss account are set out in Note 6 to the financial statements.

Details of employee benefits for the Group's activities are displayed below [2].

	Number of employees in band	
€	**2020**	**2019**
50,000 - 74,999	81	126
75,000 - 99,999	27	58
100,000 - 124,999	3	6
Over 125,000	7	10

COMPLIANCE STATEMENT

The directors confirm that the Company has complied in all material respects with the Code of Practice for the Governance of State Bodies (2016) for the year ended 31 December 2020.

[2] Employee benefits comprise all regular earnings, salary, overtime, shift-related, performance-based earnings and other benefits such as medical insurance, but exclude employer pension contributions

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

The directors are also responsible for ensuring that the Corporate Governance disclosures included in the Directors' report and Risk and governance report reflect the Group's compliance with the Code of Practice for the Governance of State Bodies (2016).

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

On behalf of the Board

Liam O'Shea *Director*	**Mary Considine** *Director*

25 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANNON GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Shannon Group plc ("the Company") and its consolidated undertakings ("the Group") for the year ended 31 December 2020 set out on pages 47 to 104, which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

EMPHASIS OF MATTER – IMPACT OF COVID-19

We draw attention to note 1.3 to the financial statements concerning the ongoing impact of the Covid-19 pandemic on the business that exists at the date of approval of these financial statements and the related impact on the going concern basis of preparation. The pandemic has resulted in a significant reduction in Group revenues and related cash flows and there continues to be uncertainty around air traffic volumes and tourism in the future. There may be other future impacts that cannot be foreseen at this point in time and therefore the ultimate impact on the Group is unknown.

The financial statements have been prepared on the going concern basis and the directors are of the view that this uncertainty does not represent a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report and the risk and governance report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Group were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

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

RESPECTIVE RESPONSIBILITIES AND RESTRICTIONS ON USE

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 43, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A fuller description of our responsibilities is provided on IAASA's website at *https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANNON GROUP PLC (CONTINUED)

RESPECTIVE RESPONSIBILITIES AND RESTRICTIONS ON USE *(Continued)*

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Eamon Dillon

Eamon Dillon
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm

1 Stokes Place
St. Stephen's Green
Dublin 2

25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the year ended 31 December 2020

	Note	Total pre exceptional items 2020 €'000	Exceptional items (Note 3) 2020 €'000	Total 2020 €'000	Total 2019 €'000
Revenue	2	**34,338**	**-**	**34,338**	79,120
Cost of sales		**(3,537)**	-	**(3,537)**	(12,576)
Gross profit		**30,801**	**-**	**30,801**	66,544
Administrative expenses		**(37,010)**	**(3,436)**	**(40,446)**	(58,549)
		(6,209)	**(3,436)**	**(9,645)**	7,995
Other income	4	**8,114**	**-**	**8,114**	16,968
Other expense	4	**(469)**	**(24,484)**	**(24,953)**	(107)
Operating profit	5	**1,436**	**(27,920)**	**(26,484)**	24,856
Finance income	7	**41**	**-**	**41**	30
Finance expense	7	**(1,269)**	**-**	**(1,269)**	(819)
(Loss)/profit before tax		**208**	**(27,920)**	**(27,712)**	24,067
Income tax expense	8	**(483)**	**-**	**(483)**	(2,430)
(Loss)/profit for the year		**(275)**	**(27,920)**	**(28,195)**	21,637

All operations are continuing.

The notes on pages 55 to 104 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	Total 2020 €'000	Total 2019 €'000
(Loss) / profit for the year		**(28,195)**	21,637
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit pension liability	24	**(254)**	(82)
Related deferred tax credit	13	**32**	10
Other comprehensive income, net of tax		**(222)**	(72)
Total comprehensive (loss) / income attributable to equity holder		**(28,417)**	21,565

The notes on pages 55 to 104 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Note	2020 €'000	2019 €'000
Assets			
Intangible assets	9	**729**	884
Property, plant and equipment	10	**54,232**	80,940
Right of use assets	26	**1,691**	2,027
Investment properties	11	**127,795**	129,726
Finance lease receivable	12	**271**	282
Deferred tax assets	13	**100**	72
Non-current assets		**184,818**	213,931
Finance lease receivable	12	**32**	32
Inventories	14	**2,022**	2,358
Current tax assets		**1,862**	580
Trade and other receivables	15	**15,871**	8,661
Other investments	17	**-**	9,248
Cash and cash equivalents	18	**31,520**	24,013
Current assets		**51,307**	44,892
Total assets		**236,125**	258,823
Equity			
Share capital	19	**38**	38
Capital contribution reserve	19	**112,275**	112,275
Retained earnings		**32,160**	60,577
Total equity		**144,473**	172,890
Liabilities			
Loans and borrowings	23	**30,512**	31,145
Deferred income	21	**2,429**	2,473
Provisions	22	**2,170**	3,109
Deferred tax liability	13	**1,747**	1,059
Employee benefits	24	**800**	580
Non-current liabilities		**37,658**	38,366
Bank overdraft	18	**2,328**	-
Trade and other payables	20	**47,334**	43,422
Loans and borrowings	23	**2,109**	2,082
Deferred income	21	**348**	348
Provisions	22	**1,875**	1,715
Current liabilities		**53,994**	47,567
Total liabilities		**91,652**	85,933
Total equity and liabilities		**236,125**	258,823

The notes on pages 55 to 104 form an integral part of these consolidated financial statements.

On behalf of the Board

Liam O'Shea
Director

Mary Considine
Director

25 March 2021

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Note	**2020 €'000**	2019 €'000
Assets			
Financial assets	16	**78,618**	112,275
Intangible assets	9	**117**	10
Property, plant and equipment	10	**39**	75
Non-current assets		**78,774**	112,360
Current tax assets		**6**	7
Trade and other receivables	15	**704**	832
Cash and cash equivalents	18	**332**	709
Current assets		**1,042**	1,548
Total assets		**79,816**	113,908
Equity			
Share capital	19	**38**	38
Capital contribution reserve	19	**112,275**	112,275
Retained earnings		**(34,150)**	103
Total equity		**78,163**	112,416
Liabilities			
Trade and other payables	20	**1,453**	1,292
Provisions	22	**200**	200
Total current liabilities		**1,653**	1,492
Total equity and liabilities		**79,816**	113,908

The notes on pages 55 to 104 form an integral part of these financial statements.

On behalf of the Board

Liam O'Shea
Director

Mary Considine
Director

25 March 2021

Annual Report and Accounts | **2020**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

	Share capital €'000	**Capital contribution reserve €'000**	**Retained earnings €'000**	**Total €'000**
At 1 January 2019	38	112,275	39,012	151,325
Profit	-	-	21,637	21,637
Other comprehensive income	-	-	(72)	(72)
Total comprehensive income	-	-	21,565	21,565
At 31 December 2019	38	112,275	60,577	172,890
At 1 January 2020	**38**	**112,275**	**60,577**	**172,890**
Loss	**-**	**-**	**(28,195)**	**(28,195)**
Other comprehensive income	**-**	**-**	**(222)**	**(222)**
Total comprehensive income	**-**	**-**	**(28,417)**	**(28,417)**
At 31 December 2020	**38**	**112,275**	**32,160**	**144,473**

All amounts are attributable to the equity holder/owner of the Company.

The notes on pages 55 to 104 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2019	38	112,275	-	112,313
Profit	-	-	103	103
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	103	103
At 31 December 2019	38	112,275	103	112,416
At 1 January 2020	**38**	**112,275**	**103**	**112,416**
Loss	**-**	**-**	**(34,253)**	**(34,253)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**(34,253)**	**(34,253)**
At 31 December 2020	**38**	**112,275**	**(34,150)**	**78,163**

All amounts are attributable to the equity holder/owner of the Company.

The notes on pages 55 to 104 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Cash flow from operating activities			
(Loss) / profit for the year Profit for the year		**(28,195)**	21,637
Adjustments for:			
Amortisation of capital grants		**(348)**	(348)
Amortisation of intangible assets		**295**	356
Depreciation of property, plant and equipment		**6,831**	6,219
Depreciation of right of use assets		**336**	334
Change in fair value of investment properties		**469**	(16,552)
Gain on disposal of investment properties		**(7,823)**	(416)
(Gain) / loss on disposal of property, plant and equipment		**(8)**	107
Impairment of property, plant and equipment		**24,484**	-
Finance income		**(41)**	(30)
Finance expense		**1,269**	819
Tax charge		**483**	2,430
		(2,248)	14,556
Changes in:			
- Trade and other receivables		**1,499**	8,004
- Inventories		**336**	37
- Trade and other payables		**2,768**	(4,277)
- Provisions		**(779)**	(1,518)
- Employee benefits		**(43)**	(77)
- Finance lease receivable		**11**	9
Cash generated from operating activities		**1,544**	16,734
Interest received and similar income		**-**	30
Interest paid		**(1,028)**	(730)
Taxation paid		**(1,073)**	(925)
Net cash from operating activities		**(557)**	15,109
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible as-sets		**(5,617)**	(22,283)
Purchases of investment properties		**(11,575)**	(8,185)
Capital grants received		**304**	-
Proceeds from sale of property, plant and equipment		**49**	18
Proceeds from sale of investment properties		**12,124**	4,078
Non-refundable capital deposits received		**2,000**	19,134
(Purchase of) / proceeds from disposal of other investments	17	**9,248**	(9,018)
Net cash used in investing activities		**6,533**	(16,256)
Cash flows from financing activities			
Proceeds from loans and borrowings		**1,268**	13,162
Repayment of loans and borrowings		**(1,766)**	(3,356)
Payment of lease liabilities		**(299)**	(371)
Net cash from financing activities		**(797)**	9,435
Net increase in cash and cash equivalents		**5,179**	8,288
Cash and cash equivalents at the beginning of the year		**24,013**	15,725
Cash and cash equivalents at the end of the year (net of bank overdraft)	18	**29,192**	24,013

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Cash flow from operating activities			
(Loss) / profit for the year		**(34,253)**	103
Adjustments for:			
Amortisation of intangible assets		**4**	-
Depreciation of property, plant and equipment		**14**	20
Loss on disposal of property, plant and equipment		**2**	-
Impairment of financial assets		**33,657**	-
		(576)	20
Changes in:			
- Trade and other receivables		**128**	(325)
- Trade and other payables		**161**	207
- Provisions		**-**	200
Cash generated from operating activities		**(287)**	205
Taxation refunded / (paid)		**1**	(7)
Net cash from operating activities		**(286)**	198
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(129)**	(67)
Proceeds from sale of property, plant and equipment		**38**	-
Net cash used in investing activities		**(91)**	(67)
Cash flows from financing activities		**-**	-
Net increase in cash and cash equivalents		**(377)**	131
Cash and cash equivalents at the beginning of the year		**709**	578
Cash and cash equivalents at the end of the year	18	**332**	709

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

1. ACCOUNTING POLICIES

1.1 Reporting entity

Shannon Group plc (the "Company") is a company domiciled in Ireland. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Following the enactment of the State Airports (Shannon Group) Act 2014 ("Shannon Group Act"), Shannon Group plc was incorporated on 29 August 2014. The entire issued share capital of the Company is beneficially held by the Minister for Public Expenditure and Reform.

On 5 September 2014, ownership of all shares held directly by the Minister for Public Expenditure and Reform, in both Shannon Airport Authority plc and Shannon Commercial Enterprises Limited (formerly Shannon Free Airport Development Company Limited) transferred to Shannon Group plc ("Shannon Group"). The Shannon Group Act provided that no consideration was payable by Shannon Group in respect of the shares vested in Shannon Group.

The Group and Company financial statements were approved for issuance on 25 March 2021.

The following details the accounting policies which are applied consistently in dealing with items which are considered material in relation to the Group and Company financial statements and are consistently applied by all Group entities.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU ("EU IFRS").

The individual financial statements of the Company ("Company financial statements") have been prepared in accordance with EU IFRS as applied in accordance with the Companies Acts 2014, which permits a company that publishes its Company and Group financial statements together to take advantage of the exemption in Section 304 of the Companies Act 2014 from presenting to its members its Company Statement of Profit or Loss and related notes that form part of the approved Company financial statements.

The Group and Company financial statements, which are presented in Euro, the functional currency of the Company and each of its subsidiaries, have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- investment property is measured at fair value; and
- the defined benefit plan liability is recognised as fair value of plan assets less the present value of the defined benefit plan obligations.

The methods used to measure fair values are discussed further within the relevant notes.

1.3 Going Concern

The Covid-19 pandemic has had a material impact on the Group's businesses in 2020, which has continued in 2021, with the Airport and Heritage businesses particularly badly affected. The impact of government advisories against non-essential travel and implementation of mandatory quarantine has reduced Airport traffic significantly. The Group's heritage sites closed at various points during 2020 and remain closed under the current government guidelines at the date of approval of the financial statements. This has resulted in a significant reduction in Group revenues and related cash flows and there continues to be uncertainty around air traffic volumes and tourism in the future. There may be other future impacts that cannot be foreseen at this point in time and therefore cannot be considered by the directors.

The directors have given careful consideration to the Covid-19 situation that exists and continues to evolve at the date of approval of these financial statements and the related impact on the going concern basis of preparation. The directors have implemented a number of mitigating actions to preserve cash that can be taken and are within the control of the Group in order to offset the revenue reduction and ensure that the Group can continue to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.3 Going concern *(Continued)*

The directors believe that sufficient financial resources are available to enable the Group to meet its obligations as they fall due, covering a period of not less than 12 months from the date of approval of the financial statements. In forming their view, the directors have taken into consideration the future financial requirements of the Group and Company, government supports and the existing bank facilities. The directors believe that this uncertainty does not represent a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. For this reason, the directors continue to adopt the going concern basis in preparing these financial statements.

1.4 Consolidation

The Group financial statements consolidate the financial statements of Shannon Group and all of its subsidiaries as detailed in Note 16. Therefore, these financial statements are the consolidated results of Shannon Group plc, Shannon Airport Authority DAC ("Shannon Airport") and Shannon Commercial Enterprises DAC (which trades as "Shannon Commercial Properties"), together with the results of Shannon Commercial Enterprises DAC's subsidiary company, Shannon Heritage DAC ("Shannon Heritage"), and Shannon Airport Authority DAC's subsidiary companies, SAA Pension Corporate Trustee DAC and SAA Airport Authority Financial Services DAC, for the year ended 31 December 2020.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated Statement of Profit or Loss from the date of acquisition or up to the date of disposal. Control exists when the Company has exposure or rights to variable return and the ability to affect these returns through its power over an investee.

Intra-group balances and income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

1.5 Revenue

The Group operates a number of revenue streams and accordingly applies methods for revenue recognition, based on the principles set out in IFRS 15.

The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following five step model:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when or as the entity satisfies its performance obligations.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed, 'point in time' recognition, or 'over time' as control of the performance obligation is transferred to the customer.

The following revenue recognition criteria apply to the Group's main income streams.

Aeronautical and related revenue

Aeronautical revenue is recognised net of rebates, on delivery of service to the customer and comprises:

- passenger charges which are recognised on their departure;
- runway movement charges (landing and take-off) levied according to aircraft's maximum take-off weight, and related short-term aircraft parking charges based on combination of time parked and area of use, both recognised on departure;
- long term aircraft parking charges based on combination of time parked and area of use, recognised when services are rendered;
- other charges which are recognised when services are rendered.

Retail revenue

- Retail revenue from the Group's Airport and Tourism businesses is recognised, when control of goods transfers to the customer.

Tourism revenue

- Admission and banqueting revenue is recognised at a point in time on the provision of service to the customer.
- Membership income is recognised over the period to which it relates.
- Management fee from operation of tourism attractions – is recognised over the period to which it relates.

The Group manages and operates a number of tourist attractions for which a management fee is receivable from the ultimate owner of the attraction. As the Group has determined that it does not have overall control over the provision of the services to the customer it has concluded that it acts in the capacity of an agent rather than as the principal in respect of these arrangements and the management fee is recorded as revenue over the period to which it relates.

Amounts collected on behalf of the principal (e.g. admission fees) are paid to the principal and are not recorded as revenue. Costs incurred in respect of operating these attractions are fully reimbursable, including the costs of certain employees employed by the Group.

Commercial property revenue

- Rental income from investment properties is recognised on a straight-line basis over the lease term. The contracts entered into are long-term lease arrangements.

Airport concession fee and rental revenue.

- Concession fee income from commercial concessionaires is recognised based on the transaction price which the entity expects to be entitled to based on the transfer of services to the customer and related revenue and is recognised over the period that these services are provided.
- Rental income from property on the Airport campus is accounted for on a straight-line basis over the lease term.

Other commercial activities revenue

Revenue from other commercial activities includes:

- Throughput fee for fuel delivery, recognised on delivery of fuel to the aircraft; and
- Car park income, which is recognised as the service is deemed to be provided to the customer.

Other income

Other income is recognised in accordance with the general provisions above, that is when the service is delivered to the customer (i.e. performance obligation satisfied).

Revenue is disaggregated at the income stream level. All revenue from the Group's income streams is generated in Ireland.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of certain performance measures.

In determining the amount of revenue and profits to record, and related balance sheet items (such as trade receivables, accrued revenue and deferred income) to recognise in the period, management are required to form a number of judgements and assumptions.

The Group's customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The Group agrees payment schedules at the beginning of contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income liability for this difference. Where a product or service has been delivered but payments have not yet been recorded the Group recognises an accrued revenue asset for this difference.

Other than where outlined in the above policies all performance obligations are satisfied within the financial year and there are no judgements or assumptions required to estimate transaction price or allocate revenue to performance obligations.

Annual Report and Accounts | 2020

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.6 Foreign currencies

Transactions in foreign currencies are translated to Euro, being the Company's and each subsidiary's functional currency, at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are then retranslated at the exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Non monetary assets are not retranslated.

Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss.

1.7 Business combinations

The acquisition basis of accounting is employed in accounting for the acquisition of subsidiaries by the Group. This method is used at the acquisition date, which is the date on which control is transferred to the Group.

Shannon Group plc acquired the entire issued share capital of Shannon Airport Authority and Shannon Commercial Properties, by way of a capital contribution, with effect from 5 September 2014. This was accounted for as a common control transaction, with net assets being accounted for at net book value. Therefore, no goodwill arose on the acquisition for consolidation purposes. As the shares in both entities, acquired by Shannon Group, were transferred at nil consideration, the share transfer was treated as a capital contribution.

1.8 Exceptional items

The Group has adopted a Statement of Profit or Loss format which seeks to highlight significant items within the Group's results for the year. The Group believes this presentation is a more meaningful and helpful analysis as it highlights non-trading items. Such items may include significant restructuring or acquisition costs, significant profit or loss on disposals of assets or operations, together with items that are, by their nature, non-trading. Judgement is used by the Group in assessing the particular items which by virtue of their size or incidence, should be disclosed in the Statement of Profit or Loss and related notes as exceptional items.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Construction work in progress is stated at cost and relates to capital expenditure on construction projects that have not been completed at the year end. Assets in the course of construction are transferred to completed assets when substantially all of the activities necessary to get the asset ready for use are complete. Depreciation is not applied to assets under construction. The cost of industrial land and buildings and construction work in progress includes an apportionment of staff costs directly associated with the acquisition or development of the assets.

A gain or loss on disposals of property, plant and equipment, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in operating profit on completion of sale. Where a gains or loss is deemed significant this is disclosed as an Exceptional item in accordance with 1.8.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is charged to the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Terminal complexes, airfields and other airport property	10 – 50 years
Industrial and tourist buildings and infrastructure	5– 33.3 years
Building modifications	20 years
Plant, fixtures and fittings	2 – 20 years
Motor vehicles	4 – 5 years
IT equipment	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Provision is also made for any impairment of items of property, plant and equipment in accordance with 1.11.

The Group earns rental income from a number of Airport assets held as property, plant and equipment. These assets are required for the operation of the Airport and the generation of aeronautical and other income streams. The Group does not have the ability to sell such assets due to their proximity to the airfield and runway areas and as these assets do not generate cashflows independently of the other assets held by the Group they do not meet the requirements to be classified as Investment Properties in accordance with IAS 40.

1.10 Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less any impairment losses.

Amortisation is charged to the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets with indefinite useful lives are systematically tested for impairment at each year end date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	3 – 6 years

1.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (carried at lower of cost and net realisable value), investment property (measured at fair value) and deferred tax assets (recognised based on recoverability), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount as appropriate.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Information on basis of the impairment loss recognised during the year is set out in Note 10.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, and are not occupied by the Group.

Rental income from investment property is accounted for as described in the revenue accounting policy.

Investment properties are measured at fair value. The fair value is the price that would be received if the property were sold in an orderly transaction between market participants based on the asset's highest and best use. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. On disposal of an investment property, the carrying amount is deemed to be the fair value at the date of the previous published Statement of Financial Position.

Management value the portfolio every year. The valuation of investment properties requires a high degree of management judgement. The valuations, which are supported by market evidence, are determined by benchmarking against comparable transactions for similar properties in the same locations as those of the Group or on the use of valuation techniques including the use of market yield on comparable properties. Information on the basis on which such valuations are undertaken in the year is set out in Note 11.

1.13 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.13 Leases *(Continued)*

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Depreciation is charged on the right-of-use asset using a straight-line method from the commencement date to the end of the lease term. Depreciation is charged over the useful life of the underlying asset using the same basis as property and equipment. This basis is applied when the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from readily available sources of finance and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right of use assets as a separate line item and accounts for lease liabilities under 'Loans and borrowings' in the Statement of Financial Position.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 *Financial Instruments* to the net investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Commercial property revenue'.

(iii) Finance lease receivables

Leases in which the Group transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease receivables. Leased assets sold by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated impairment losses.

Minimum lease payments are apportioned between finance income and the reduction of the outstanding liability. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

1.14 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is based on invoice price on an average basis. Net realisable value comprises the actual or estimated selling price (net of trade but before settlement discounts), less all further costs to be incurred in marketing and selling.

Provision is made for obsolete, slow moving or defective items, where appropriate.

Maintenance stock relates solely to inventory which will be expensed when consumed. It comprises spare parts which are used for maintenance purposes and office supplies.

1.15 Provisions

A provision is defined as a liability of uncertain timing or amount. Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are recognised for onerous contracts whereby the unavoidable costs of meeting the obligations under the arrangement exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the minimum net cost of exiting from the contract, i.e. the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill if any; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.16 Taxation *(Continued)*
The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property. Deferred tax is measured on an undiscounted basis. Deferred tax assets and liabilities are offset only if certain criteria are met.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent to which it has become probable that taxable profits will be available against which they can be used.

Shannon Commercial Enterprises DAC is liable for Capital Gains Tax in accordance with Section 36, State Airports (Shannon Group) Act 2014.

1.17 Employee benefits
Short term employee benefits
Short term employee benefits are recognised as an expense as the related employee service is rendered.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, where the effect is material, then they are discounted to their present value.

Retirement benefit obligations
Group companies operate or participate in a number of pension schemes, as outlined below.

Defined contribution schemes
The Group operates a number of defined contribution pension schemes. A defined contribution scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The assets of these schemes are held separately from those of the Group in independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit or Loss in the periods during which services are rendered by employees.

Shannon Commercial Properties operated an unfunded defined benefit pension scheme up to the date of transfer to Shannon Group. In accordance with the Shannon Group Act, all liabilities, duties, obligations and funding (including pension increases and supplementary pension payments) arising by virtue of the operation of the scheme was transferred to the Minister for Jobs, Enterprise and Innovation. Therefore Shannon Group and Shannon Commercial Properties have accounted for the scheme as a defined contribution pension scheme.

The Group pays employer and employee contributions to the Department of Jobs, Enterprise and Innovation for its employees who are members of this defined benefit scheme. The amount charged to the Statement of Profit or Loss represents the employer contributions payable to this scheme in respect of the accounting period.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Certain of the Group's employees are members of a separately administered defined benefit scheme ("The Aer Rianta Supplemental Superannuation Scheme"). daa plc ("daa") is the main sponsoring employer of the scheme. The scheme is now closed to new members.

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at the price within the bid-ask spread most representative of fair value) are deducted. The Group determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

1.18 Financial Instruments
Financial assets and liabilities
The Group's financial assets include trade and other receivables, finance lease receivables, cash and cash equivalents and other investments.

The Group's financial liabilities include trade and other payables and secured bank loans.

Recognition and initial measurement
Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are initially recognised when they are originated.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets
Classification and subsequent measurement
On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at fair value through profit or loss.

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Any gain or loss on settlement is recognised in profit or loss.

Impairment losses recorded against financial assets measured at amortised cost are calculated based using an expected credit loss model.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.18 Financial Instruments *(Continued)*

At each reporting date the Group evaluates the recoverability of trade receivables and records allowances for doubtful receivables based on experience. The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of non-recoverability to write off. Loss rates are based on historic data of credit loss experience. It also takes into consideration the Group's view of economic conditions over the expected lives of the receivables.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.19 Capital contribution

Assets received from the Group's shareholder by way of a gift, are treated as a capital contribution and included in shareholders' funds on the Group and Company Statements of Financial Position.

1.20 Deferred income

Deferred income comprises capital grants and non-refundable customer deposits.

Capital grants

Capital grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant. EU and other grants received in respect of the purchase of property, plant and equipment are treated as deferred income, and are amortised to the Statement of Profit or Loss over the useful economic life of the asset to which they relate.

Non-refundable customer deposits

Customer deposits represent non-refundable payments received from customers in advance of control of the related goods, services or capital assets being transferred. These are initially recognised as deferred income and recorded as revenue on disposal or on ultimate transfer of control to the customer.

1.21 Revenue Grants

Revenue grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

1.22 Investment in subsidiaries (Company only)

The investment in subsidiaries was initially established on their transfer to the Company and continues to be carried at that amount less any provision for impairment if required.

1.23 New Standards and Interpretations

Standards in issue but not effective

A number of new International Financial Reporting Standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. The most significant of these which may impact the Group are outlined below. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement.

Standard	IASB effective date (periods beginning)	EU companies effective date (periods beginning)
IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014)	1 January 2016 (early adoption permitted)	Not endorsed, expected to wait for the final standard.
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (issued on 27 August 2020)	1 January 2021	1 January 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (issued on 14 May 2020)	1 January 2022	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (issued on 14 May 2020)	1 January 2022	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3) (issued on 14 May 2020)	1 January 2022	1 January 2022
Amendments to IAS 8: Disclosure of Accounting Policies (issued on 12 February 2021)	1 January 2023	1 January 2023
Amendments to IAS 1: Definition of Accounting Policies (issued on 12 February 2021)	1 January 2023	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	1 January 2023	Not yet endorsed

New standards adopted in the current year

The following new standards and amendments were adopted by the Group for the first time in the current financial reporting period.

Standard	IASB effective date (periods beginning)	EU companies effective date (periods beginning)
Amendments to References to Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8) (issued on 31 October 2018)	1 January 2020	1 January 2020
Definition of a Business (Amendments to IFRS 3) (issued on 22 October 2018)	1 January 2020	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on 26 September 2019)	1 January 2020	1 January 2020

For all changes to standards above the Group has changed its accounting policies accordingly, which did not have a material impact on the financial results or financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.24 Critical accounting estimates and judgements

The preparation of financial statements in conformity with EU IFRS requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The areas involving a high degree of judgement, complexity or areas where assumptions and estimates are significant to the Group financial statements relate primarily to:

- The determination of recoverable amount of assets in assessing whether indicators of impairment exist requires a high degree of management judgement, see further detail in Note 10;
- The classification of assets which are held to deliver essential services for the airport as property, plant and equipment (e.g. Hangars), see further detail in Note 10; and
- The valuation of investment properties requires a high degree of management judgement, see further detail in Note 11.

2. REVENUE

All revenue of the group arises in the Republic of Ireland and from continuing activities. No one customer accounts for more than 10% of the Group's revenue. In the following table, revenue is disaggregated by major product/service lines and by timing of revenue recognition.

	2020 €'000	2019 €'000
Major product/service lines		
Aeronautical and related revenue	**5,877**	17,531
Retail revenue	**3,660**	17,185
Tourism revenue	**2,538**	12,637
Commercial property revenue	**13,300**	13,448
Airport concession and rental revenue	**5,639**	9,622
Other commercial revenue	**3,324**	8,697
Total revenue	**34,338**	79,120
Timing of revenue recognition		
Performance obligation performed:		
- At a point in time	**16,723**	58,619
- Over time	**17,615**	20,501
Total revenue	**34,338**	79,120

Contract assets and contract liabilities

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020 €'000	2019 €'000
Trade receivables (Note 15)	**3,724**	3,890
Contract assets	**29**	84
Contract liabilities	**(1,766)**	(1,062)

Trade receivables comprise invoiced amounts as outlined in Note 15.

Contract assets at the balance sheet date comprise rights to consideration for performance obligations satisfied but not billed. Contract liabilities relate to partially satisfied performance obligations or advance consideration at the year end date.

Deferred income as outlined in Note 21 relates to Government grants which is recorded as Other income. Operational grant income received in 2020 is recorded as Other income (Note 4).

No information has been provided in relation to unsatisfied performance obligations at the year end date that have an expected duration of less than one year, as permitted by IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. EXCEPTIONAL ITEMS

In accordance with the Group's accounting policy, the following items have been presented as exceptional items on continuing operations in 2020. No exceptional items were recorded in 2019.

	2020 €'000	2019 €'000
Provision for voluntary severance scheme (i)	**3,436**	-
Impairment loss on tangible fixed assets (ii)	**24,484**	-
Exceptional charge	**27,920**	-

(i) Provision for voluntary severance scheme

A voluntary severance scheme was launched during 2020. An exceptional charge of €3,436,000 was recorded during the year in respect of costs arising under this scheme (Note 22).

(ii) Impairment loss on tangible fixed assets

Management have considered the carrying value of property, plant and equipment at 31 December 2020 by reference to the estimated value in use of assets within the Airport CGU. An impairment test was performed on a value in use basis, resulting in an impairment loss of €24,484,000 (Note 10).

4. OTHER INCOME/(EXPENSE)

	2020 €'000	2019 €'000
Net increase in fair value of investment property (Note 11)	**-**	16,552
Gain on disposal of investment properties (Note 11)	**7,823**	416
Gain on disposal of property, plant and equipment (Note 10)	**8**	-
Government grants received (i)	**283**	-
Total other income	**8,114**	16,968
Net decrease in fair value of investment property (Note 11)	**(469)**	-
Loss on disposal of property, plant and equipment (Note 10)	**-**	(107)
	(469)	(107)
Exceptional cost		
Impairment of property, plant and equipment (Note 10)	**(24,484)**	-
Total other expense	**(24,953)**	(107)

(i) The Group's subsidiary company, Shannon Heritage DAC, received operational grant funding totalling €283,000 during 2020. This included funding received from the Department of Transport, Fáilte Ireland and under the Covid Restrictions Support Scheme operated by the Revenue Commissioners. This has been recorded as Other Income in accordance with the Group's accounting policy.

5. STATUTORY AND OTHER INFORMATION

The Group's operating profit is stated after charging/(crediting):

	2020 €'000	2019 €'000
Depreciation	**6,831**	6,219
Depreciation of right of use assets	**336**	334
Amortisation of intangible assets	**295**	356
Amortisation of capital grants	**(348)**	(348)

	2020 €'000	2019 €'000
Auditor's remuneration		
- audit of Group financial statements	**68**	82
- audit of Company financial statements	**-**	-
- other audit services	**12**	15
- tax advisory services fees	**-**	-
- other non-audit services	**57**	195
	137	292

The audit fee of the Company is borne by subsidiary companies.

6. EMPLOYEE BENEFIT EXPENSE

Group staff numbers and costs

	2020 €'000	2019 €'000
- Wages and salaries	**16,882**	22,814
- Overtime	**164**	675
- Allowances	**802**	1,016
- Wage subsidies received (i)	**(3,679)**	-
Total wages and salaries	**14,169**	24,505
Social welfare costs	**1,569**	2,595
Social welfare credit received (i)	**(431)**	-
Termination benefits (Note 3)	**3,436**	-
Post-employment benefits (Note 24):		
Defined contribution pension expense	**1,254**	1,567
Other compensation costs	**571**	182
	20,568	28,849

(i) Amounts represent subsidies received under the Temporary Wage Subsidy Scheme ("TWSS") and Employers Wage Subsidy Scheme ("EWSS") provided by the Government due to the impact of Covid-19 during 2020.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. EMPLOYEE BENEFIT EXPENSE *(Continued)*

The average number of group employees (full time equivalents) during the year was as follows:

	2020	2019
Operations and administration	**266**	440
Commercial	**16**	43
Property	**24**	29
	306	512

Included in the above average numbers are 6 *(2019: 10)* full-time equivalents, who are employed by a subsidiary company, whose cost is fully reimbursed to the Group.

Directors remuneration

	2020 €	2019 €
Directors' remuneration for the year:		
Fees for services as director	**96,455**	100,384
Other emoluments (including pension contribution)	**283,568**	427,420
	380,023	527,804

Included in other emoluments is the remuneration of the Chief Executive Officer and the directors who were nominated by the Irish Congress of Trade Unions to represent employees on the Board and who were appointed by the Minister for Transport arising from their normal contracts of employment.

Amounts paid to directors disclosed in accordance with the Code of Practice for the Governance of State Bodies (2016) and Section 305 of the Companies Act 2014, are provided on the next page.

The following directors served on the board during the year ended 31 December 2020.

	2020 €	2019 €
Fees for the year		
Rose Hynes	**12,132**	21,600
Mary Considine	**-**	-
Ambrose Loughlin	**11,340**	7,892
Tom Kelly	**11,340**	12,600
Kevin McCarthy	**11,340**	12,600
Kathryn O'Leary Higgins	**7,077**	12,600
Liam O'Shea	**11,340**	12,600
Mike Quinn	**9,206**	-
Stephen Rae	**11,340**	7,892
Matthew Thomas	**-**	-
Linda Tynne	**11,340**	12,600
For services as director during the year	**96,455**	100,384
Other emoluments		
Salary (including benefit-in-kind)	**239,646**	243,436
Termination benefits	**-**	144,805
Pension contributions		
- Defined contribution scheme	**43,922**	39,179
- Defined benefit scheme	**-**	-
	283,568	427,420
Total directors' remuneration for the year	**380,023**	527,804

Where a director is appointed or resigned during the year or prior year the fees above represent the fees paid from/to the date of appointment/resignation.

Mike Quinn was appointed as director on 2 March 2020. The periods of office of Rose Hynes and Kathryn O'Leary Higgins expired with effect from 28 August 2020.

Ambrose Loughlin and Stephen Rae were appointed as directors on 15 May 2019. Matthew Thomas resigned as director with effect from 14 June 2019. Mary Considine was appointed director on 18 October 2019 on her appointment as Chief Executive Officer.

All other directors served for the full years ended 31 December 2019 and 2020.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. EMPLOYEE BENEFIT EXPENSE *(Continued)*

In aggregate, the members of the Board were reimbursed for out of pocket travel and other similar expenditures during the year in respect of services as director, disclosed in accordance with the Code of Practice for the Governance of State Bodies (2016), totalling €1,140 *(2019: €6,500)*. Directors' expenses above do not include expenses of the Chief Executive Officer, which are separately disclosed below.

The remuneration of the Chief Executive Officer ("CEO"), disclosed in accordance with the applicable government department guidelines relating to the remuneration arrangements of Chief Executives of Commercial State Bodies and Section 305 of the Companies Act 2014, is provided below.

	2020 €	2019 €
Emoluments:		
- Basic salary	**161,500**	178,245
- Other taxable benefits	**22,361**	24,616
Total emoluments	**183,861**	202,861
Pension contributions	**40,375**	36,290
	224,236	239,151

The remuneration above represents the total remuneration of the CEO for the years ended 31 December 2020 and 2019 (including a period during 2019 where an Acting CEO was in place).

Matthew Thomas resigned as CEO with effect from 14 June 2019 and Mary Considine was Acting CEO from that date. Mary Considine was subsequently appointed as CEO on 18 October 2019. Pursuant to her contract the salary of Ms. Considine is €190,000 per annum.

Total business expenses amounted to €5,372 *(2019: €9,142)*, which are not included in the amounts disclosed above. No performance related pay was paid to the Chief Executive Officer in respect of the years ended 31 December 2020 or 2019.

7. FINANCE INCOME/(EXPENSE)

	2020 €'000	2019 €'000
Interest receivable on short term bank deposits	**-**	-
Finance lease income receivable (Note 12)	**41**	30
Finance income	**41**	30

	2020 €'000	2019 €'000
Interest expense on loans and overdrafts	**(1,252)**	(728)
Interest expense on lease liabilities (Note 26)	**(8)**	(79)
Net interest expense on defined pension scheme (Note 24)	**(9)**	(12)
Finance expense	**(1,269)**	(819)

8. INCOME TAX EXPENSE

	2020 €'000	2019 €'000
Current tax:		
Current tax on profits for the year	**-**	1,613
Adjustments in respect of prior period	**(209)**	(250)
Total current tax	**(209)**	1,363
Deferred tax (Note 13):		
Origination and reversal of temporary differences	**692**	1,067
Total deferred tax	**692**	1,067
Income tax expense	**483**	2,430

Reconciliation of effective tax rate

	2020 €'000	2019 €'000
(Loss) / profit before tax	**(27,712)**	24,067
(Loss) / profit before tax multiplied by the standard rate of corporation tax in Republic of Ireland of 12.5%	**(3,464)**	3,008
Tax effect of:		
Expenses not deductible for tax purposes	**949**	149
Income taxed at a higher rate	**1,030**	889
Chargeable gains	**554**	-
Losses/(gains) in profit or loss which are not taxable or impact on	**1,623**	(264)
Recognition of previously unrecognised capital losses	**-**	(1,102)
Adjustment in respect of prior periods	**(209)**	(250)
Tax expense	**483**	2,430

Under Section 229A (4) of the Taxes Consolidation Act 1997, for the purposes of the Capital Gains Tax Acts where a gain accrues to that company from the disposal of an asset after 31 December 2013, such portion of the gain as represents the same proportion of the gain as the length of the qualifying period bears to the length of the period of ownership, shall not be a chargeable gain. The qualifying period refers to the period beginning on date of the acquisition of the asset, or if the asset was held on 6 April 1974, that date, and ending on 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

9. INTANGIBLE ASSETS

Group

	Computer software €'000	Work in Progress €'000	Total €'000
Computer software			
Cost			
At 1 January 2019	2,186	77	2,263
Acquisitions	43	48	91
Transfers	115	(115)	-
At 31 December 2019	2,344	10	2,354
At 1 January 2020	**2,344**	**10**	**2,354**
Acquisitions	**55**	**85**	**140**
Transfers	**10**	**(10)**	**-**
At 31 December 2020	**2,409**	**85**	**2,494**
Accumulated Amortisation			
At 1 January 2019	1,114	-	1,114
Charge for year	356	-	356
At 31 December 2019	1,470	-	1,470
At 1 January 2020	**1,470**	**-**	**1,470**
Charge for year	**295**	**-**	**295**
At 31 December 2020	**1,765**	**-**	**1,765**
Net book value			
At 31 December 2020	**644**	**85**	**729**
At 31 December 2019	874	10	884
At 31 December 2018	1,072	77	1,149

All intangible assets arise from purchased computer software.

Company

	Computer software €'000	Work in Progress €'000	Total €'000
Computer software			
Cost			
At 1 January 2019	-	-	-
Additions	-	10	10
At 31 December 2019	-	10	10
At 1 January 2020	**-**	**10**	**10**
Additions	**26**	**85**	**111**
Transfers	**10**	**(10)**	**-**
At 31 December 2020	**36**	**85**	**121**
Accumulated Amortisation			
At 1 January 2019	-	-	-
Charge for year	-	-	-
At 31 December 2019	**-**	**-**	**-**
At 1 January 2020	**-**	**-**	**-**
Charge for year	**4**	**-**	**4**
At 31 December 2020	**4**	**-**	**4**
Net book value			
At 31 December 2020	**32**	**85**	**117**
At 31 December 2019	-	10	10

All intangible assets arise from purchased computer software.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

Group	Terminal Complexes	Lands and Airfields	Tourism Buildings	Other Property and General Infrastructure	Plant, Fixtures and Fittings	Work in Progress	Total
Cost	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2019	18,158	32,397	25,193	8,020	22,059	3,504	109,331
Additions	-	-	136	-	164	23,922	24,222
Disposals	-	(656)	-	-	(79)	-	(735)
Transfer from investment properties	-	(340)	-	-	-	-	(340)
Transfers	93	719	-	12	883	(1,707)	-
At 31 December 2019	**18,251**	**32,120**	**25,329**	**8,032**	**23,027**	**25,719**	**132,478**
At 1 January 2020	18,251	32,120	25,329	8,032	23,027	25,719	132,478
Additions	-	-	-	-	33	4,615	4,648
Disposals	-	-	-	-	(258)	-	(258)
Transfers	121	(139)	2	18,870	1,734	(20,588)	-
At 31 December 2020	**18,372**	**31,981**	**25,331**	**26,902**	**24,536**	**9,746**	**136,868**
Accumulated Depreciation and Impairment Losses							
At 1 January 2019	4,858	6,621	19,700	2,936	11,264	-	45,379
Charge for year	1,194	1,943	703	433	1,946	-	6,219
Disposals	-	-	-	-	(60)	-	(60)
At 31 December 2019	**6,052**	**8,564**	**20,403**	**3,369**	**13,150**	**-**	**51,538**
At 1 January 2020	6,052	8,564	20,403	3,369	13,150	-	51,538
Charge for year	1,206	1,914	715	811	2,185	-	6,831
Impairment loss	4,282	8,283	-	8,491	3,428	-	24,484
Disposals	-	-	-	-	(217)	-	(217)
At 31 December 2020	**11,540**	**18,761**	**21,118**	**12,671**	**18,546**	**-**	**82,636**
Net book value							
At 31 December 2020	**6,832**	**13,220**	**4,213**	**14,231**	**5,990**	**9,746**	**54,232**
At 31 December 2019	12,199	23,556	4,926	4,663	9,877	25,719	80,940
At 31 December 2018	13,300	25,776	5,493	5,084	10,795	3,504	63,952

Management have considered the carrying value of property, plant and equipment at 31 December 2020 by reference to the estimated value in use of assets within the Airport CGU, to determine whether there is any indication of impairment in accordance with the accounting policy in 1.11.

The impairment test was performed on a value in use basis, with the value in use of Airport assets determined by calculating the net present value of estimated future cash flows arising from that income generating unit, discounted using a discount factor of 8.5% *(2019: 7.5%)*. The relevant cash flows were derived from the approved rolling plan. Due to the significant impact of Covid-19 on the Airport's business and projected cash flows, the property, plant and equipment in the Airport CGU was written down to a recoverable amount of €47,568,000, resulting in an impairment loss of €24,484,000 (Note 4).

The Group has considered other assets for indicators of impairment and has noted that a reasonable change in assumptions would not have resulted in an impairment.

In determining an asset's recoverable amount the Directors are required to make judgements, estimates and assumptions that impact on the carrying value of the property, plant and equipment. The estimates and assumptions used are based on historical experience, industry knowledge and other factors that are believed to be reasonable based on information available.

Property, plant & equipment includes a new hangar at the Airport which was reflected in Work in Progress at 31 December 2019 and is reflected in Other Property and General Infrastructure at 31 December 2020, having been brought into use during the year. Management have applied judgement to determine the classification of this property asset within the financial statements. The hangar facility is held to deliver essential services required within the Airport and the Group have accounted for this asset in accordance with the accounting policy in 1.9.

Certain of the Group's assets have been pledged as security against the Group's overdraft facility (Note 25). At 31 December 2020 the net carrying amount of these assets was €1,070,231 *(2019: €1,104,028)*.

Company

	Plant, Fixtures and Fittings €'000	Total €'000
Cost		
At 1 January 2019	41	41
Additions	57	57
At 31 December 2019	98	98
At 1 January 2020	**98**	**98**
Additions	**18**	**18**
Disposals	**(53)**	**(53)**
At 31 December 2020	**63**	**63**
Accumulated Depreciation		
At 1 January 2019	3	3
Charge for year (i)	20	20
At 31 December 2019	23	23
At 1 January 2020	**23**	**23**
Charge for year (i)	**14**	**14**
Disposals	**(13)**	**(13)**
At 31 December 2020	**24**	**24**
Net book value		
At 31 December 2020	**39**	**39**
At 31 December 2019	75	75
At 31 December 2018	38	38

(i) Depreciation is fully recharged to other group companies.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

11. INVESTMENT PROPERTIES

	2020 €'000	2019 €'000
Group		
At beginning of year	**129,726**	109,709
Additions	**11,548**	6,787
Disposals	**(13,010)**	(3,662)
Transfer to property, plant and equipment (Note 10)	**-**	340
(Decrease) / increase in fair value during the year	**(469)**	16,552
At end of year	**127,795**	129,726

During 2020 investment property rentals of €11,625,000 were included in Revenue *(2019: €11,709,000)*. Expenses relating to the leasing and maintenance of investment properties, included in administrative expenses, total €4,179,000 *(2019: €4,736,000)*.

During the year, the Group disposed of investment properties for net proceeds of €20,833,000 *(2019: €4,078,000)* resulting in a gain on disposal of €7,823,000 *(2019: €416,000)*, of which €8,709,000 was receivable at 31 December 2020.

The Group's investment properties are stated at fair value as at 31 December 2020. The valuation of investment properties requires a high degree of management judgement and estimation.

Management assessed the fair value of the Group's total investment property portfolio. Final values were applied to each property, having regard to the relevant circumstances of the property including its location, type, size, use, existing tenancies and condition. These values, which are supported by market evidence, were determined by benchmarking against comparable transactions for similar properties in the same locations as those of the Group or through the use of valuation techniques including the use of market yield on comparable properties.

Valuation technique and significant unobservable inputs
The fair value measurement for investment property has been categorised as Level 3 fair value based on the inputs to the valuation techniques used and continued market uncertainty (Note 25). The following table summarises the key unobservable inputs applied in the valuation of the Group's investment property at 31 December 2020.

Asset class	Input	2020	2019
Industrial and retail buildings	Range for values per sq. ft.applied[1]	**€5 - €44**	€5 - €42
	Weighted average annual rent per sq. ft.[2]	**€5.54**	€5.46
	Equivalent yield - range[2]	**9% - 12.5%**	9.25% - 12.5%
Office buildings	Range for values per sq. ft.applied[1]	**€4.50 - €185**	€4.50 - €195
	Weighted average annual rent per sq. ft.[2]	**€14.56**	€10.81
	Equivalent yield – range[2]	**8% - 12.5%**	7.5% - 12.5%
Warehouse buildings	Range for values per sq. ft.applied[1]	**€19 - €80**	€16 - €76
	Weighted average annual rent per sq. ft.[2]	**€5.37**	€5.62
	Equivalent yield - range[2]	**9% - 9.5%**	9.25% - 10%
Industrial land	Value per acre - range[1]	**€2,000 - €63,000**	€2,000 - €60,000

[1] This is based on comparable market transactions for land and buildings (as applicable). Among other factors the valuation per square foot/acre considers the location of land, the quality of a building and its location, size and condition. This input to the valuation of buildings assumes the buildings are vacant.

[2] Where applicable the valuation model also considers the present value of net cash flows to be generated from a property, taking into account the contracted rental income and lease terms and applying an appropriate rental yield.

Sensitivity of the measurement to variance of key unobservable inputs
An increase in the value of comparable market transactions would result in an increase in the fair value of the portfolio. Conversely a decrease in the comparable market transactions would result in a decrease in the fair value.

Across the entire portfolio of investment properties a 5% increase in value per sq. ft./acre would result in an increase of €4,481,000 in fair value, whilst a decrease of 5% would result in a fair value decrease of €4,481,000. This is further analysed by property class as follows:

	2020		2019	
Asset class	**Increase of 5% in value €'000**	**Decrease of 5% in value €'000**	Increase of 5% in value €'000	Decrease of 5% in value €'000
Industrial buildings	**873**	**(873)**	829	(829)
Office buildings	**1,379**	**(1,379)**	1,526	(1,526)
Warehouse buildings	**387**	**(387)**	358	(358)
Industrial land	**1,842**	**(1,842)**	1,770	(1,770)
Total	**4,481**	**(4,481)**	4,483	(4,483)

12. FINANCE LEASE RECEIVABLE

Finance lease receivables are payable as follows:

	Future minimum lease payments receivable		Interest receivable		Present value of minimum lease payments	
	2020 €'000	2019 €'000	**2020 €'000**	2019 €'000	**2020 €'000**	2019 €'000
Less than one year	**34**	34	**2**	2	**32**	32
Between one and five years	**137**	137	**30**	30	**107**	107
More than five years	**343**	377	**179**	202	**164**	175
	514	548	**211**	234	**303**	314

The Group is party to an agreement in respect of a leased property whereby a fixed rental income is received over a fixed, long-term period, with the option available for the ownership of the property to transfer to the lessee at the end of the term.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. DEFERRED TAX ASSETS

(a) Recognised deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 €'000	2019 €'000	Liabilities 2020 €'000	2019 €'000
Investment properties	**-**	-	**(2,279)**	(2,396)
Unutilised capital losses	**532**	1,337	**-**	-
Employee benefits	**100**	72	**-**	-
Tax assets/(liabilities)	**632**	1,409	**(2,279)**	(2,396)
Net of tax (liabilities)/assets	**(532)**	(1,337)	**532**	1,337
Net tax assets/(liabilities)	**100**	72	**(1,747)**	(1,059)

The deferred tax asset arises entirely in respect of temporary differences on retirement benefit liabilities.

The net deferred tax liability arises in respect of temporary differences on fair value of investment properties, offset by a deferred tax asset arising on capital losses. As these losses can be fully offset against capital gains it is appropriate to recognise the deferred tax asset arising from these losses and offset this against the related deferred tax liability.

Movement in deferred tax during the year

	Assets 2020 €'000	2019 €'000	Liabilities 2020 €'000	2019 €'000
At 1 January	**72**	70	**(1,059)**	-
Credit/(charge) to other comprehensive income	**32**	10	**-**	-
Charge to Statement of profit or loss (Note 8)	**(4)**	(8)	**(688)**	(1,059)
At 31 December	**100**	72	**(1,747)**	(1,059)

(b) Unrecognised deferred tax

At 31 December 2020 the Group has unrecognised deferred tax assets arising as follows.

	2020 €'000	2019 €'000
Temporary differences on fair value of investment properties	**4,680**	5,322
Unutilised tax losses	**610**	619
Unutilised capital allowances	**5,976**	3,367
Other temporary differences	**284**	65
At end of year	**11,550**	9,373

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

	Deferred tax asset €'000
At 1 January 2020	**9,373**
Movement in unrecognised deferred tax arising on:	
Temporary differences on fair value of investment properties	**(642)**
Unutilised tax losses	**(9)**
Unutilised capital allowances	**2,609**
Other temporary differences	**219**
At 31 December 2020	**11,550**

	Asset €'000	Deferred tax Liability €'000	Net Asset €'000
At 1 January 2019	11,283	(724)	10,559
Movement in unrecognised deferred tax arising on:			
Unutilised capital losses and temporary differences on fair value of investment			
Unutilised tax losses	(1,440)	724	(716)
Unutilised capital allowances	(98)	-	(98)
Other temporary differences	(296)	-	(296)
Other temporary differences	(76)	-	(76)
At 31 December 2019	9,373	-	9,373

(i) The opening deferred tax liability in 2019 arose entirely on increases in fair value of investment properties. Capital losses arising on disposal of investment properties can be fully offset against capital gains therefore it was appropriate to offset the unrecognised deferred tax asset arising from such losses against the unrecognised deferred tax liability.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

14. INVENTORIES

	2020 €'000	2019 €'000
Group		
Finished goods for resale	**1,817**	2,109
Maintenance stock and consumables	**205**	249
	2,022	2,358

The replacement cost of inventories did not differ significantly from its carrying value.

A total of €2,119,000 *(2019: €10,738,000)* was recognised as an expense and included in 'Cost of sales'. This includes a net Statement of Profit or Loss credit of €29,000 *(2019: charge of €51,000)* arising on the inventory impairment allowance. The inventory impairment allowance levels are continuously reviewed by management and revised where appropriate, taking account of the latest available information on the recoverability of carrying amounts.

15. TRADE AND OTHER RECEIVABLES

	2020 €'000	2019 €'000
Group		
Trade receivables	**3,724**	3,890
Other receivables	**12,147**	4,771
	15,871	8,661

	2020 €'000	2019 €'000
Company		
Other receivables	**246**	443
Amounts due from subsidiary companies	**446**	316
VAT	**12**	73
	704	832

Amounts due from subsidiary companies arise due to recharges of operating costs.

The carrying amount of trade and other receivables approximate their fair value given their short-term nature.

16. FINANCIAL ASSETS

	2020 €'000	2019 €'000
Company		
Interest in subsidiary companies – shares at cost		
At beginning of year	**112,275**	112,275
Impairment charge	**(33,657)**	-
At end of year	**78,618**	112,275

Principal subsidiaries and related companies are listed below.

Name	Nature of Business	% Share Capital Owned	Registered Office
Subsidiary Companies			
Shannon Airport Authority DAC	Operation of Shannon Airport (trading)	100%	Shannon Airport, Shannon, Co. Clare
Shannon Commercial Enterprises DAC *(trading as Shannon Commercial Properties)*	Management and development of commercial property portfolio (trading)	100%	Shannon Airport, Shannon, Co. Clare
Shannon Heritage DAC	Operation of mediaeval banquets and traditional Irish nights and management of heritage visitor attractions (trading)	100% (indirect)	Bunratty Castle, Bunratty, Co. Clare
SAA Pension Corporate Trustee DAC	Pension trustee company	100% (indirect)	Shannon Airport, Shannon, Co. Clare
Shannon Airport Authority Financial Services DAC	Trustee company	100% (indirect)	Shannon Airport, Shannon, Co. Clare
Related Companies			
Shannon Broadband Limited	Regional broadband development (trading)	20% (indirect)	Mill House, Henry Street, Limerick

17. OTHER INVESTMENTS

	2020 €'000	2019 €'000
Group		
Other investments	**-**	9,248
	-	9,248

Other investments represent short term bank deposits with a maturity of greater than 90 days at inception.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

18. CASH AND CASH EQUIVALENTS

	2020 €'000	2019 €'000
Group		
Cash on hand	**31,520**	24,013
Cash and cash equivalents in the statement of financial position	**31,520**	24,013
Bank overdraft repayable on demand and used for cash management purposes	**(2,328)**	-
Cash and cash equivalents in the statement of cash flows	**29,192**	24,013

As security for its borrowings (Note 23) the Group's subsidiary company, Shannon Airport Authority, has granted its lender an assignment and charge over two bank accounts. The balance on the accounts at year end was €940,500 *(2019: €901,000)*.

Company	2020 €'000	2019 €'000
Cash on hand	**332**	709
	332	709

19. SHARE CAPITAL AND RESERVES

	2020 €'000	2019 €'000
Share capital		
Authorised:		
60,000,000 ordinary shares of €1 each	**60,000**	60,000
Issued:		
38,107 ordinary shares of €1 each	**38**	38

38,107 ordinary shares were issued on 29 August 2014. All of the ordinary shares are beneficially held by the Minister for Public Expenditure and Reform.

Capital contribution reserve
The capital contribution reserve represents the fair value of the assets and liabilities transferred to the Group on 5 September 2014 at nil consideration.

20. TRADE AND OTHER PAYABLES

	2020 €'000	2019 €'000
Group		
Trade payables	**932**	1,402
Accrued expenses	**22,371**	21,592
Deferred income – non-refundable customer deposits	**21,134**	19,134
Social insurance	**466**	729
VAT (i)	**2,431**	565
Current trade and other payables	**47,334**	43,422

(i) The VAT balance at 31 December 2020 represents the VAT liability for all periods in 2020. The Group has availed of the Revenue Commissioners Debt Warehousing Scheme to defer payment of this liability, with no interest applying to this balance in 2021.

	2020 €'000	2019 €'000
Company		
Trade payables	**116**	167
Accrued expenses	**917**	1,004
Amounts owed to subsidiary companies	**324**	38
Social insurance	**96**	83
Current trade and other payables	**1,453**	1,292

The carrying amount of trade and other payables approximate their fair value given their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

21. DEFERRED INCOME – CAPITAL GRANTS

	2020 €'000	2019 €'000
Government grants	**348**	348
Current deferred income	**348**	348
Government grants	**2,429**	2,473
Non-current deferred income	**2,429**	2,473
Total deferred income	**2,777**	2,821

	2020 €'000	2019 €'000
Government grants		
Received		
At 1 January	**12,954**	12,954
Additions (a)	**304**	-
At 31 December	**13,258**	12,954
Amortisation		
At 1 January	**10,133**	9,785
Amortisation	**348**	348
At 31 December	**10,481**	10,133
Net book value at 1 January	**2,821**	3,169
Net book value at 31 December (b) (Note 28)	**2,777**	2,821

(a) Due to the impact of Covid-19, the Group's subsidiary company, Shannon Airport, received €304,000 in government funding for the Hold Baggage Screening ("HBS") project during 2020, with further funding to be received in 2021 as the project is finalised. The grant has been recognised as deferred income and will be amortised over the useful life of the asset to which it relates when the asset is brought into use.

(b) The Group's subsidiary company, Shannon Commercial Properties, received a grant from Fáilte Ireland for the upgrade of the King John's Castle tourism attraction. This grant has been recognised as deferred income and is being amortised over the useful life of the assets to which it relates. The total deferred income recognised at 31 December 2020 in respect of this grant is €2,473,000.

This grant becomes repayable should certain conditions cease to be met. The principal condition is that the castle must remain operational as a tourism attraction for a minimum period from the date of grant and the relevant assets may not be disposed of during that period without the consent of Fáilte Ireland. To date all conditions relating to this grant have been met.

22. PROVISIONS

Group	**Self- insurance provision €'000**	**Provision for severance scheme €'000**	**Provision for remedial works €'000**	**Other provision €'000**	**Total €'000**
At 1 January 2019	568	5,687	-	87	6,342
Provisions used during the year	(116)	(2,587)	-	(13)	(2,716)
Provisions made during the year	302	-	696	200	1,198
At 31 December 2019	754	3,100	696	274	4,824
At 1 January 2020	**754**	**3,100**	**696**	**274**	**4,824**
Provisions used during the year	**(22)**	**(4,259)**	**-**	**(74)**	**(4,355)**
Provisions made during the year	**60**	**3,436**	**-**	**80**	**3,576**
At 31 December 2020	**792**	**2,277**	**696**	**280**	**4,045**
At 31 December 2019					
Current provisions	339	1,102	-	274	1,715
Non-current provisions	415	1,998	696	-	3,109
Total provisions	754	3,100	696	274	4,824
At 31 December 2020					
Current provisions	**365**	**1,230**	**-**	**280**	**1,875**
Non-current provisions	**427**	**1,047**	**696**	**-**	**2,170**
Total provisions	**792**	**2,277**	**696**	**280**	**4,045**

Self-insurance provision
Shannon Airport and Shannon Heritage operate a self-insurance programme which recognises a provision for reported and potential claims. The amount provided at 31 December 2020 reflects amounts settled during the period and a revision to the provision to support management's best estimate of the expenditure required to settle the obligations arising from these claims, based on experience and professional advice obtained.

Provision for severance scheme
A provision of €3,100,000 was recorded at 31 December 2019 in respect of an existing voluntary severance scheme. Obligations totalling €1,102,000 were expected to be settled in 2020.

A new voluntary severance scheme was launched in 2020, following the onset of the Covid-19 crisis, with formal applications received from staff who wished to avail of this scheme. A provision of €3,436,000 was recorded as an exceptional cost during the year. Payments totalling €4,259,000 were made during the year under both schemes.

The provision of €2,277,000 recorded at 31 December 2020 represents management's best estimate of the expenditure required to meet the Group's obligations in respect of its employees under these schemes. Obligations totalling €1,230,000 are expected to be settled in 2021.

Provision for remedial works
As 31 December 2020 the Group has recorded a provision in respect of its commitment to pay a one-off contribution to Clare County Council and the Office of Public Works towards design and planning costs relating the Embankments surrounding the Shannon Airport campus. The amount represents management's best estimate of the expenditure required to settle this commitment.required to settle this commitment.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

22. PROVISIONS *(Continued)*

Other provision
At 31 December 2020 the Group has recorded a provision for certain legal matters. The amounts recorded represent management's best estimate of the expenditure required to settle the relevant obligations.

	Other provision €'000	Total €'000
Company		
At 1 January 2019	-	-
Provisions used during the year	-	-
Provisions made during the year	200	200
At 31 December 2019	200	200
At 1 January 2020	200	200
Provisions used during the year	-	-
Provisions made during the year	-	-
At 31 December 2020	**200**	**200**
At 31 December 2019		
Current provisions	200	200
Non-current provisions	-	-
Total provisions	200	200
At 31 December 2020		
Current provisions	**200**	**200**
Non-current provisions	**-**	**-**
Total provisions	**200**	**200**

Other provision
At 31 December 2020 the Company has recorded a provision for certain legal matters. The amounts recorded represent management's best estimate of the expenditure required to settle the relevant obligations.

23. LOANS AND BORROWINGS

	2020 €'000	2019 €'000
Group		
Secured bank loans	**30,842**	31,157
Lease liabilities	**1,779**	2,070
Total loans and borrowings	**32,621**	33,227

	2020 €'000	2019 €'000
Secured bank loans	**1,843**	1,783
Lease liability (Note 26)	**266**	299
Current loans and borrowings	**2,109**	2,082
Secured bank loans	**28,999**	29,374
Lease liability (Note 26)	**1,513**	1,771
Non-current loans and borrowings	**30,512**	31,145
Total loans and borrowings	**32,621**	33,227

	Currency	Term Years	2020 Face value €'000	2020 Carrying value €'000	2019 Face value €'000	2019 Carrying value €'000
Secured bank loan (a)	EUR	**>15**	**12,907**	**12,805**	13,323	13,187
Secured bank loan (b)	EUR	**6**	**7,096**	**7,029**	7,744	7,677
Secured bank loan (c)	EUR	**>10**	**11,080**	**11,008**	10,461	10,293
Lease liabilities (d)	EUR	**-**	**1,779**	**1,779**	2,070	2,070
Total interest-bearing liabilities (Note 25)			**32,862**	**32,621**	33,598	33,227

The Group's bank loans comprise borrowings by its subsidiary companies, Shannon Commercial Properties and Shannon Airport Authority.

(a) In 2017 Shannon Airport Authority obtained a long-term bank loan to fund the cost of the runway rehabilitation. As security for its borrowings the company has granted its lender an assignment and charge over a bank account, with a nil balance at year end *(2019: €901,0000)* (Note 18). The loan is an amortising facility with periodic repayments of both principal and interest and is subject to a market interest rate. The interest rate is fixed for the first 15 years with stepped pre-agreed increases at pre-determined dates post year 15 if the loan remains outstanding. Shannon Airport Authority obtained a waiver from its lender in relation to the 2020 financial covenants associated with this loan and obtained consent from its lender to utilise the funds in the charged bank account to fund payments due.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

23. LOANS AND BORROWINGS *(Continued)*

(b) In 2018 Shannon Commercial Properties obtained a development loan and long-term loan to partially fund its capital investment programme. During 2019, the development loan was repaid with an additional long-term loan. As security for its borrowings the company has granted its lender an assignment and charge over three investment properties and an assignment of the rental income from the secured properties. Elements of both loans have fixed interest rates with the remainder of the loans being subject to variable interest rates. All loans are amortising facilities with periodic repayments of both principal and interest and are subject to market interest rates. During 2020 Shannon Commercial Properties obtained a waiver from its lender in relation to the requirement to transfer net surplus cash generated from the secured properties to a bank account which is charged to the lender.

(c) During 2019 Shannon Airport Authority obtained a long-term bank loan to partially fund the cost of development of a new aircraft hangar. As security for its borrowings the company has granted its lender an assignment and charge over the hangar, an assignment of the rental income from the hangar and an assignment and charge over a bank account, with a €940,500 balance at year end *(2019: Nil)* (Note 18). The loan is an amortising facility with periodic repayments of both principal and interest and is subject to a market interest rate. The interest rate is fixed with a pre-agreed increase post year 10 if the loan remains outstanding. During 2020 Shannon Airport Authority obtained consent from its lender to utilise funds in the charged bank account to partially fund payments due to the lender in July and October 2020.

The companies are each subject to financial covenants on each loan that will remain in place until the loan is repaid in full. All companies are in compliance with their applicable financial covenants at the year-end date.

(d) The Group has a number of leases with varying lease end dates ranging from 2021 to 2041. Information about leases for which the Group is a lessee is presented in Note 26.

24. EMPLOYEE BENEFITS

The Group operates a number of pension schemes, including both defined contribution and defined benefit schemes. Details of the schemes in operation across the Group are outlined below. The Group has accounted for retirement benefits under defined benefit schemes in accordance with IAS 19 "Employee Benefits".

Shannon Airport Authority operated a number of pension schemes on behalf of its employees during 2020 and 2019:

a) Defined benefit pension scheme – Aer Rianta Supplemental Superannuation Scheme

	2020 €'000	2019 €'000
Group		
Net defined benefit liability	**(800)**	(580)

Certain of the Group's employees are members of the Aer Rianta Supplemental Superannuation Scheme ("ARSSS") which is a defined benefit scheme operated by daa plc ("daa") and accounted for by the Group's subsidiary company, Shannon Airport Authority DAC ("the Company"), as a defined benefit scheme.

On 31 December 2012, the Company and daa entered in a transfer agreement (the "Business Transfer Agreement") whereby the assets and liabilities of the business of Shannon Airport which had been undertaken by daa were transferred to the Company in accordance with the provisions of the State Airports Act 2004.

Under the terms of the Business Transfer Agreement the Company has a net liability to the ARSSS in respect only of those permanent employees of Shannon Airport who were members of the ARSSS on 31 December 2012 and who transferred to and became employed by the Company on that date.

The ARSSS was frozen as at 31 December 2015. The Company ceased to be a participating employer in the ARSSS however it agreed to continue to pay contributions to the ARSSS in respect of the permanent employees of Shannon Airport who were members of the ARSSS on 31 December 2012 if and when demanded by the trustees of the scheme.

The contributions are determined by a qualified actuary on the basis of valuation every three years.

	2020 €'000	2019 €'000
Contributions expected to be paid to the plan during the annual period beginning after the reporting date (i)	**22**	22

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. EMPLOYEE BENEFITS *(Continued)*

(i) Actual contributions paid in 2020 were €43,000 which reflected an additional contribution paid on instruction from the scheme Trustees, in accordance with a funding proposal. A contribution of €22,000 is expected to be paid in 2021.

An actuarial assessment of the scheme was carried out at 31 December 2019 and 2020 by Mercer, the independent professionally qualified firm of actuaries, for the purpose of preparing the year end IAS 19 disclosures. The actuary assigned to the Company the assets and liabilities of the scheme and associated movements which relate to its employees.

Movement in net defined benefit liability

The following table shows a reconciliation of the opening balance to the closing balance for the net defined benefit liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020 €'000	2019 €'000	**2020 €'000**	2019 €'000	**2020 €'000**	2019 €'000
Fair value at beginning of year	**1,981**	1,715	**(1,401)**	(1,152)	**580**	563
Included in Profit or Loss						
Expected return on plan assets	**-**	-	**(22)**	(27)	**(22)**	(27)
Interest cost	**31**	39	**-**	-	**31**	39
	31	39	**(22)**	(27)	**9**	12
Included in Other Comprehensive Income						
Remeasurement loss/(gain):						
- Return on plan assets	**-**	-	**154**	(184)	**154**	(184)
Actuarial loss/(gain) arising from effect of:						
- changes in demographic assumptions	**-**	-	**-**	-	**-**	-
- changes in financial assumptions	**130**	280	**-**	-	**130**	280
- experience adjustments	**(30)**	(14)	**-**	-	**(30)**	(14)
	100	266	**154**	(184)	**254**	82
Other						
Employer contributions	**-**	-	**(43)**	(77)	**(43)**	(77)
Members contributions	**-**	-	**-**	-	**-**	-
Benefits paid	**(2)**	(39)	**2**	39	**-**	-
Fair value at year end	**2,110**	1,981	**(1,310)**	(1,401)	**800**	580

Plan assets

Plan assets comprise the following:

	2020		2019	
	Plan assets €'000	**Percentage of plan assets - %**	Plan assets €'000	Percentage of plan assets - %
Equities	**442**	**33.7**	564	40.3
Bonds	**746**	**57.0**	779	55.6
Property	**-**	**-**	-	-
Cash	**4**	**0.3**	2	0.1
Other	**118**	**9.0**	56	4.0
	1,310	**100.0**	1,401	100.0

To develop the expected long-term rate of return on plan assets the company considered the current level of expected return on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio invested in and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the scheme's asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Defined benefit obligation

Actuarial assumptions

The following table summarises the main assumptions adopted in respect of the defined benefit scheme. The assumptions, including the expected long-term rate of return on assets, have been set up on the advice of the company's actuary.

	2020	2019
Discount rate	**1.25%**	1.55%
Rate of price inflation	**1.3%**	1.4%
Rate of increase in salaries	**-**	-

The discount rate of 1.25% is based on the AA Corporate Rated Bonds which are considered appropriate for the duration of the liabilities of the schemes.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2020 Years	2019 Years
Longevity at age 65 for current pensioners		
Males	**22.6**	22.5
Females	**24.5**	24.4
Longevity at age 65 for current members aged 45		
Males	**24.4**	24.3
Females	**26.3**	26.2

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. EMPLOYEE BENEFITS *(Continued)*

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2020 €'000 Increase/(decrease)	2019 €'000 Increase/(decrease)
Discount rate – 0.5% decrease	**286**	275
Inflation – 0.5% increase	**124**	126

b) Defined contribution schemes

Shannon Airport Authority operates two internally funded defined contribution pension schemes for certain employees. Payments made to the scheme are charged annually in the financial statements and for the year ended 31 December 2020, the total expense recognised was €759,029 *(2019: €964,644)*, none of which was payable at year end *(2019: Nil)*.

Shannon Commercial Properties ("the Company") operated an unfunded defined benefit pension scheme up to the date of transfer to Shannon Group on 5 September 2014. Up to that date, under an arrangement with the Exchequer, employer and employee contributions were paid to the Exchequer and the Company recognised a deferred funding asset representing the asset to be recovered from the Exchequer in future periods. The Company also recognised a liability representing the funding deficit for post-retirement pension increases. In accordance with the Shannon Group Act, all liabilities, duties, obligations and funding (including pension increases and supplementary pension payments) arising by virtue of the operation of the scheme were transferred to the Minister for Jobs, Enterprise and Innovation on date of transfer. Therefore, for the years ended 31 December 2020 and 2019, Shannon Group has accounted for the scheme as a defined contribution pension scheme. Payments made to the scheme are charged annually in the financial statements and for the year ended 31 December 2020, the total expense recognised was €134,000 *(2019: €147,000)*, of which €29,000 was payable at year end *(2019: €29,000)*.

Shannon Heritage operates an internally funded defined contribution pension scheme for certain employees. Payments made to the scheme are charged annually in the financial statements and for the year ended 31 December 2020, the total expense recognised was €62,633 *(2019: €104,751)*. The amount due at year end is €22,828 *(2019: €33,854)*.

Shannon Group plc operates a number of contribution pension schemes for certain employees. Payments made to the scheme are charged annually in the financial statements and for the year ended 31 December 2020, the total expense recognised was €192,920 *(2019: €231,693)*, €21,667 of which was payable at year end *(2019: Nil)*.

25. FINANCIAL RISK MANAGEMENT

Financial risk factors
The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management policy. The Board of Directors has established an Audit and Risk Committee which is responsible for developing and monitoring the Group's risk management systems.

The Group has an established group wide risk management system that ensures risks are consistently identified, assessed, recorded and reported across all Business Units and functions and which seeks to limit the impact of these risks on the financial performance of the Group. It is the Group's policy to manage these risks in a non-speculative manner.

The Group's operations expose it to various financial risks, as described below. This note presents information about the Group's exposure to these risks and its objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout this note.

(a) Credit risk
The Group undertakes financial transactions in the ordinary course of business with a number of counterparties and could suffer financial loss if any of those counterparties were to either fail or to default in the performance of their respective obligations. Credit risk arises from credit to customers arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents and deposits with banks and financial institutions. The Group's deposits are held with two credit institutions. Counterparty exposures are regularly monitored by management and reported to the Board as required.

The carrying amount of financial assets, net of impairment provisions represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end is outlined in the table below.

	Carrying amount	
	2020 €'000	2019 €'000
Group		
Trade receivables (Note 15)	**3,724**	3,890
Other receivables (Note 15)	**12,147**	4,771
Finance lease receivable (Note 12)	**303**	314
Other investments (Note 17)	**-**	9,248
Cash and cash equivalents (Note 18)	**31,520**	24,013
Total	**47,694**	42,236
Company		
Trade receivables (Note 15)	**-**	-
Other receivables (Note 15)	**246**	443
Amounts due from subsidiary companies (Note 15)	**446**	316
Cash and cash equivalents (Note 18)	**332**	709
Total	**1,024**	1,468

Trade receivables
The Group has procedures in place for monitoring and managing the credit risk related to its trade receivables based on experience, customers' track record and historic default rates. Individual risk limits are generally set by customer and risk is only accepted above such limits in defined circumstances. Credit risk exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The Group's trade receivables are all denominated in Euro. The exposure to credit risk for trade and receivables by geographic region of customers was as follows:

	2020 €'000	2019 €'000
Gross trade receivables		
Republic of Ireland	**4,450**	4,439
United Kingdom	**277**	375
Rest of world	**408**	484
At 31 December	**5,135**	5,298

At 31 December 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	2020 €'000	2019 €'000
Aeronautical customers	**1,417**	1,643
Tourism customers	**134**	487
Commercial property customers	**1,471**	1,040
Airport concession and rental customers	**1,505**	1,212
Other commercial customers	**608**	916
At 31 December	**5,135**	5,298

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables, an analysis of which is provided as follows:

	2020 €'000	2019 €'000
Expected credit loss		
At the start of the year	**1,408**	1,477
Amounts charged / (credited) to operating expenses	**59**	(17)
Trade receivables written off	**(56)**	(52)
At 31 December	**1,411**	1,408
Net trade receivables (Note 15)	**3,724**	3,890

The following table provides an aged analysis of the Group's trade receivables:

	2020 €'000	2019 €'000
Within credit terms	**663**	2,291
0-30 days past due	**571**	623
31-60 days past due	**638**	715
61-90 days past due	**410**	92
Greater than 90 days past due	**2,853**	1,577
Total	**5,135**	5,298

Expected credit loss assessment for individual customers as at 31 December 2020

At each reporting date the Group evaluates the recoverability of trade receivables and records allowances for doubtful receivables based on experience.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of non-recoverability to write-off.

	Weighted-average loss rate	Gross carrying amount €'000	Loss allowance €'000	Credit- impaired €'000
Within credit terms	**12.6%**	**663**	**(84)**	**579**
0-30 days past due	**5.3%**	**571**	**(30)**	**541**
31-60 days past due	**2.5%**	**638**	**(16)**	**622**
61-90 days past due	**22.7%**	**410**	**(93)**	**317**
Greater than 90 days past due	**41.6%**	**2,853**	**(1,188)**	**1,665**
Total		**5,135**	**(1,411)**	**3,724**

Loss rates are based on historic data of credit loss experience. It also takes into consideration the Group's view of economic conditions over the expected lives of the receivables.

Expected credit loss assessment for individual customers as at 31 December 2019

	Weighted-average loss rate	Gross carrying amount €'000	Loss allowance €'000	Credit- impaired €'000
Within credit terms	4.2%	2,291	(97)	2,194
0-30 days past due	12.2%	623	(76)	547
31-60 days past due	22.0%	715	(157)	558
61-90 days past due	27.2%	92	(25)	67
Greater than 90 days past due	66.8%	1,577	(1,053)	524
Total		5,298	(1,408)	3,890

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Finance lease receivable
The credit risk in respect of the finance lease receivable arises with one counterparty. The balance is not past due or impaired. The Group has procedures in place for monitoring and managing this credit risk based on experience and the customer's track record of payment.

Cash and cash equivalents and other investments
Cash and cash equivalents and other investments ("cash deposits") are invested with institutions, for which management has considered their credit rating.

Regarding the Group and Company's cash deposits, the credit ratings of the institutions in which cash is deposited was Baa3 or above at year end based on Moodys' ratings *(2019: Baa3 or above)*. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The expected credit loss is less than €1,000.

(b) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash generated by the business is the primary source of funding available to the Group. The Group's subsidiary companies, Shannon Airport Authority and Shannon Commercial Properties have obtained long-term bank loans to partially fund their capital expenditure programmes (Note 23). A prudent approach is adopted in managing liquidity including funding of significant investment requirements. The Group has determined its risk appetite for commercial investments and set financial tolerance levels accordingly.

The Group operates strong business and financial control systems with regular operational cash flow and cash balance position reporting, early signalling of material deviation from plan and carries out reviews to ensure liquidity is maintained in the short to longer term.

The Group has adequate funding resources available to meet forecast short term funding requirements of its operations and capital investment programme. An overdraft facility of €5 million is available to meet short term working capital requirements. Arising from this, the bank holds security over certain Group assets (Note 10). The overdraft facility was used during 2020 and 2019, and was in use at 31 December 2020 (Note 18).

The Group has prepared a five-year rolling plan. Implementation of the Group's capital programme will require additional external borrowings.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

		Contractual cash flows				
	Carrying amount €'000	Total contractual cash flows €'000	3 months or less €'000	3-12 months €'000	1-2 years €'000	More than 2 years €'000
31 December 2020						
Non-derivative financial liabilities						
Bank overdraft	**2,328**	**2,328**	**2,328**	**-**	**-**	**-**
Trade payable and accrued expenses	**23,303**	**23,303**	**23,303**	**-**	**-**	**-**
Secured bank loan	**30,842**	**40,479**	**522**	**2,468**	**2,991**	**34,498**
Lease liability	**1,779**	**2,286**	**89**	**266**	**105**	**1,826**
Total	**58,252**	**68,396**	**26,242**	**2,734**	**3,096**	**36,324**

		Contractual cash flows				
	Carrying amount €'000	Total contractual cash flows €'000	3 months or less €'000	3-12 months €'000	1-2 years €'000	More than 2 years €'000
31 December 2019						
Non-derivative financial liabilities						
Trade payable and accrued expenses	22,994	22,994	22,994	-	-	-
Secured bank loan	31,157	41,296	312	2,468	2,991	35,525
Lease liability	2,070	2,647	93	278	355	1,921
Total	56,221	66,937	23,399	2,746	3,346	37,446

(c) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income.

(i) Interest rate risk
The Group is not exposed to interest rate risk on the secured bank loans held by its subsidiary company, Shannon Airport Authority, as the interest rate is fixed for the term of both loans. The Group's other secured bank loan and cash and investment balances attract interest at both fixed and floating rates. An increase or decrease of 1% in interest rates would result in an increase/(decrease) of €0.3 million to profit/loss *(2019: €0.3 million)*.

(ii) Foreign exchange risk
The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in Euro (the Group's functional currency). Any strengthening or weakening of the Euro against other currencies would not have a significant impact on profit/loss or other comprehensive income.

(iii) Other price risk
The Group is not exposed to equity security or commodity price risk as it does not hold any equity investments.

<u>Capital management</u>
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Market risk *(Continued)*

Financial instruments measurement, categorisations and fair value estimation

The following table presents the classification of the Group and Company's financial assets and liabilities. See Note 11 for disclosure relating to investment properties that are held at fair value.

	Amortised Cost €'000	Fair Value through Profit or Loss €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
Group					
31 December 2020					
Finance lease receivable	**303**	-	-	**303**	-
Trade and other receivables	**15,871**	-	-	**15,871**	-
Other investments	-	-	-	-	-
Cash and cash equivalents	**31,520**	-	-	**31,520**	-
Total	**47,694**	-	-	**47,694**	
Bank overdraft	-	-	**(2,328)**	**(2,328)**	-
Trade payables and accrued expenses	-	-	**(23,303)**	**(23,303)**	-
Secured bank loans	-	-	**(30,842)**	**(30,842)**	-
Lease liability	-	-	**(1,779)**	**(1,779)**	-
Total	-	-	**(58,252)**	**(58,252)**	

	Amortised Cost €'000	Fair Value through Profit or Loss €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
31 December 2019					
Finance lease receivable	314	-	-	314	-
Trade and other receivables	8,661	-	-	8,661	-
Other investments	9,248	-	-	9,248	-
Cash and cash equivalents	24,013	-	-	24,013	-
Total	42,236	-	-	42,236	
Trade payables and accrued expenses	-	-	(22,994)	(22,994)	-
Secured bank loan	-	-	(31,157)	(31,157)	-
Lease Liability	-	-	(2,070)	(2,070)	-
Total	-	-	(56,221)	(56,221)	

	Amortised Cost €'000	Fair Value through Profit or Loss €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
Company					
31 December 2020					
Trade and other receivables	**704**	-	-	**704**	-
Cash and cash equivalents	**332**	-	-	**332**	-
Total	**1,036**	-	-	**1,036**	
Trade and other payables	-	-	**(1,453)**	**(1,453)**	-
Total	-	-	**(1,453)**	**(1,453)**	

	Amortised Cost €'000	Fair Value through Profit or Loss €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
Company					
31 December 2019					
Trade and other receivables	832	-	-	832	-
Cash and cash equivalents	709	-	-	709	-
Total	1,541	-	-	1,541	
Trade and other payables	-	-	(1,292)	(1,292)	-
Total	-	-	(1,292)	(1,292)	

*The Group has availed of the exemption under IFRS 7 "Financial Instruments: Disclosure" for additional disclosures where fair value closely approximates the amortised cost carrying value.

With the exception of finance leases receivable, the above financial assets and liabilities are valued at fair value or deemed to be carried at an amount equivalent to fair value.

Measurement of fair values

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding table.

Finance leases receivable – not measured at fair value in the Statement of Financial Position

Fair value is based on the present value of future cash flows discounted at market rates.

26. LEASES

(a) Leases as lessee

The Group leases a number of retail units at Heritage sites and certain IT equipment with varying lease end dates ranging from 2021 to 2041. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets in the statement of financial position

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as a separate line item in the statement of financial position:

	Tourism Buildings €'000	Plant, Fixtures and Fittings €'000	Total €'000
Balance at 1 January 2019	1,627	734	2,361
Depreciation charge for the year	(89)	(245)	(334)
Balance at 31 December 2019	1,538	489	2,027
Depreciation charge for the year	**(92)**	**(244)**	**(336)**
Balance at 31 December 2020	**1,446**	**245**	**1,691**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26. LEASES *(Continued)*

(ii) Amounts recognised in the consolidated statement of comprehensive income
The following amounts have been recognised in the consolidated statement of comprehensive income for which the Group is a lessee:

	2020 €'000	2019 €'000
Interest expense on lease liabilities	**8**	79

(iii) Amounts recognised in the consolidated cashflow statement

	2020 €'000	2019 €'000
Total cash outflow for leases	**299**	371

(b) Leases as lessor
The Group leases out its investment properties (see Note 11). The Group does not have any finance lease arrangements as a lessor. During the year €11,625,000 *(2019: €11,709,000)* was recognised as rental income by the Group. The following table sets out a maturity analysis of lease payments to be received, showing the undiscounted lease payments to be received after the reporting date:

	2020 €'000	2019 €'000
Operating leases		
Less than one year	**9,649**	10,766
Between one and two years	**6,615**	7,617
Between two and three years	**5,933**	6,370
Between three and four years	**5,405**	5,839
Between four and five years	**4,641**	5,314
More than five years	**13,121**	17,747
Total	**45,364**	53,653

Annual Report and Accounts | 2020

27. RELATED PARTY DISCLOSURES

(a) Related party transactions

Group
The holder and ultimate controlling party of the Group is the Government. In common with many other entities, the Group deals in the normal course of business with Government and state bodies and other entities that are under ownership, control or significant influence from the Government. Such dealings are with a wide range of entities that include central government, local authorities, commercial and non-commercial semi-state companies and financial institutions. Certain assets held by the Group's subsidiary company, Shannon Airport Authority DAC, are leased to National University of Galway ("NUI Galway") on an arm's length basis. Shannon Group plc and NUI Galway are both under the common control of the State.

Transactions between subsidiaries of the Group, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following related party transactions occurred during the year:

(i) Mr. Liam O'Shea, who served as director of the Group during the year, is a shareholder of Clare Community Radio Holdings plc (trading as Clare FM), County Tipperary Radio Limited (trading as Tipp FM) and Spin South West Ltd, companies which provide advertising services to the Group.

Fees in respect of services provided by the above companies to the Group in the normal course of business during the year ended 31 December 2020 were €13,350 *(2019: €49,321)*. No amounts were unbilled or billed and not yet paid by the Group at year-end *(2019: Nil)*.

(ii) Mr. Kevin McCarthy, who served as director of the Group during the year, is a director of Mid West Sporting Supplies Limited, a company which provides services to the Group.

Fees paid by the Group in respect of services provided to the Group in the normal course of business during the year ended 31 December 2020 were €4,024 *(2019: Nil)*. No amounts were unbilled or billed and not yet paid by the Group at year-end *(2019: Nil)*.

(iii) Mr. Ambrose Loughlin, who served as director of the Group during the year, is a former partner of McCann Fitzgerald and currently acts a consultant to the firm, which provides legal services to the Group.

Fees paid in respect of services provided by the above firm to the Group in the normal course of business during the year ended 31 December 2020 were €9,500. A further €1,484 was unbilled and payable by the Group at 31 December 2020 for work performed during the year.

Company
Transactions between the Company and its subsidiaries during the financial period relate primarily to the recharge of operating costs.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. RELATED PARTY DISCLOSURES *(Continued)*

(b) Key management compensation
Key management includes members of the Group Executive Team. In 2019 key management included members of the Group Executive Team and Managing Directors of the Group's subsidiary companies. The compensation paid or payable to key management for employee services is shown below below:

	2020 €'000	2019 €'000
Group		
Salaries and other short-term employee benefits (including social welfare)	**777**	1,237
Post-employment benefits	**99**	117
	876	1,354

Company
A number of members of the Group Executive team are employed by the Company. A portion of this compensation of these employees and of the remuneration of the directors of the Company is recharged to subsidiary companies.

28. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments
The value of capital work not completed at 31 December 2020 under contracts entered into by the Group is estimated at €5,700,480 *(2019: €16,443,581)*. Grant aid of €5,796,000 has been secured to fund certain of these capital commitments, an element of which relates to expenditure reflected in Work in Progress at 31 December 2020 for which grant aid has not yet been claimed *(2019: Nil)*.

(b) Grant contingency
The Group's subsidiary company, Shannon Commercial Properties, received a grant from Fáilte Ireland towards the upgrade of the King John's Castle tourism attraction and this grant becomes repayable should certain conditions cease to be met. To date all conditions relating to this grant have been met.upgrade of the King John's Castle tourism attraction and this grant becomes repayable should certain conditions cease to be met. To date all conditions relating to this grant have been met.

29. SUBSEQUENT EVENTS

There have been no other significant events subsequent to the year-end affecting the Group.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 25 March 2021.

GENERAL BUSINESS INFORMATION

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REGISTERED NUMBER
548847

shannon GROUP
Aviation | Property | Tourism

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