shannon GROUP

Aviation | Property | Tourism

SHAPING OPPORTUNITIES IN AVIATION, PROPERTY AND TOURISM

ANNUAL REPORT AND ACCOUNTS 2019

www.shannongroup.ie

Annual Report and Accounts | 2019

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ABOUT SHANNON GROUP

SHAPING 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.

shannon GROUP
Aviation | Property | Tourism

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

Annual Report and Accounts | **2019**

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.

STRATEGIC PRIORITIES

CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE OFFICER'S REVIEW

CHAIRMAN'S STATEMENT

SHAPING AVIATION, PROPERTY & TOURISM

CHAIRMAN'S STATEMENT

The COVID-19 pandemic gripping the world will be a defining moment in our history. It will challenge our people and our economy as never before. While the full impact of this pandemic remains unknown, as the situation continues to evolve on a daily basis it is becoming clear that the economic and financial ramifications will be felt across the globe.

It is in this context that I present Shannon Group's annual report for 2019.

BUSINESS UPDATE

The Group delivered a satisfactory performance in 2019, with operating profit of €24.9 million and profit after tax of €21.6 million. This is a positive result, in what was a challenging year for aviation and tourism in the regions.

The world faces a challenging journey once the COVID-19 pandemic has passed. However, we are determined to reconnect our airport and the West of Ireland to global destinations as soon as possible.

It was disappointing that, after six successive years of growth at the Airport, passenger numbers were down by 8% to 1.71 million in 2019, due mainly to the global grounding of the Boeing 737 MAX Jet on safety grounds. However, we redoubled our efforts to secure additional services and ended the year with the announcement of three new services to Paris Charles de Gaulle, Vienna and Barcelona, though naturally the launch of these services has been postponed due to COVID-19.

Shannon Heritage visitor numbers continued to grow in 2019, with the company welcoming over 963,000 visitors to its portfolio of attractions during 2019, a 4% increase on the previous year.

In 2019 we continued with our ambitious investment strategy, investing a further €31 million in capital projects during the year bringing our total capital investment since the formation of the Group to over €115 million. This included the delivery of the first wide-body aircraft hangar in Ireland in almost 20 years, a clear commitment to growing the aviation cluster here in Shannon.

A key priority for the Group since its inception has been the regeneration of our property in the Shannon Free Zone, and during the year we began working on the next stage of our master plan securing planning permission and commencing construction of a 150,000 square foot new development on a 12-acre site in the Shannon Free Zone.

NEXT PHASE

Prior to the onset of COVID-19, a key priority for the Group was to maintain and grow existing airline services and attract new routes, and we will continue to focus on this once the crisis has passed.

Through our geographically diverse range of tourist attractions and leveraging of the connectivity provided by Shannon Airport as the international gateway to the Wild Atlantic Way, the Group has an opportunity to make a significant contribution to the tourism sector in Ireland. This role will be even more critical in the times ahead.

The Group's property strategy is focused on the continued development of a wide-ranging property portfolio. Central to this strategy is the need to provide appropriate, innovative and competitive property solutions to meet the existing and future demands of our customers and support the continued development of the aviation cluster in Shannon.

Our strategy includes ambitious plans for the next phase of development at the Shannon Free Zone which will include the construction of new advanced technology manufacturing units, warehousing, flexible industrial space and a new office block at the main entrance to the Zone.

Our business development team in the International Aviation Services Centre (IASC) will continue to work closely with aerospace and aviation companies in Shannon to develop their businesses and support new entrants keen to join this growing nucleus of aerospace excellence, ensuring that Shannon remains a centre of excellence for the aviation industry.

Recognising the impact of Shannon Group, it is clear that we are uniquely placed to act as a catalyst for economic growth through our mix of business activities.

This will be even more critical in the months and years ahead. We look forward to continuing to work with all stakeholders to ensure that our region recovers and reaches its full potential.

CORPORATE GOVERNANCE

Across the year the Board continued to prioritise corporate governance in line with best practice, emerging regulation and trends. We comply with the applicable provisions of the Code of Practice for the Governance of State Bodies. Risks are formally reviewed and monitored on an ongoing basis to ensure appropriate mitigations and controls exist. As Chairman, I am satisfied that the appropriate internal controls exist and are managed effectively to meet our governance requirements.

The Board is committed to ensuring that the strategic objectives and operations of Shannon Group and its businesses are both sustainable and socially responsible. In 2020 we will continue to innovate to support these commitments.

NEW SHANNON GROUP CEO

In October 2019 the Board announced the appointment of Mary Considine as the new CEO of Shannon Group plc. Mary brings to the role a deep knowledge of the aviation industry and significant experience across the diverse sectors within which the Group operates. Given her extensive experience, Mary is well positioned to lead the Group through the unprecedented challenges which COVID-19 has presented.

Mary has played a vital role in the Group's journey to date, I congratulate her and wish her every success.

ACKNOWLEDGEMENTS

I would like to highlight the work of my colleagues on the Shannon Group Board who have worked so well with me over the past five years to formulate a pragmatic but ambitious strategy for the Group, which is aligned with national priorities and customer expectations. However, none of the success seen to date would be possible without a dedicated staff. We are fortunate to have talented people at Shannon Group and I would like to thank them for their hard work and commitment.

I would like to welcome Ambrose Loughlin, a former partner at McCann Fitzgerald Solicitors, Dublin, and Stephen Rae, business and media advisor, who joined the Shannon Group Board on the 15th May 2019. I also welcome Mike Quinn, CEO of the Doncasters Group, who joined the Board on the 2nd March 2020. Their experience will be invaluable and will complement the Board's existing expertise.

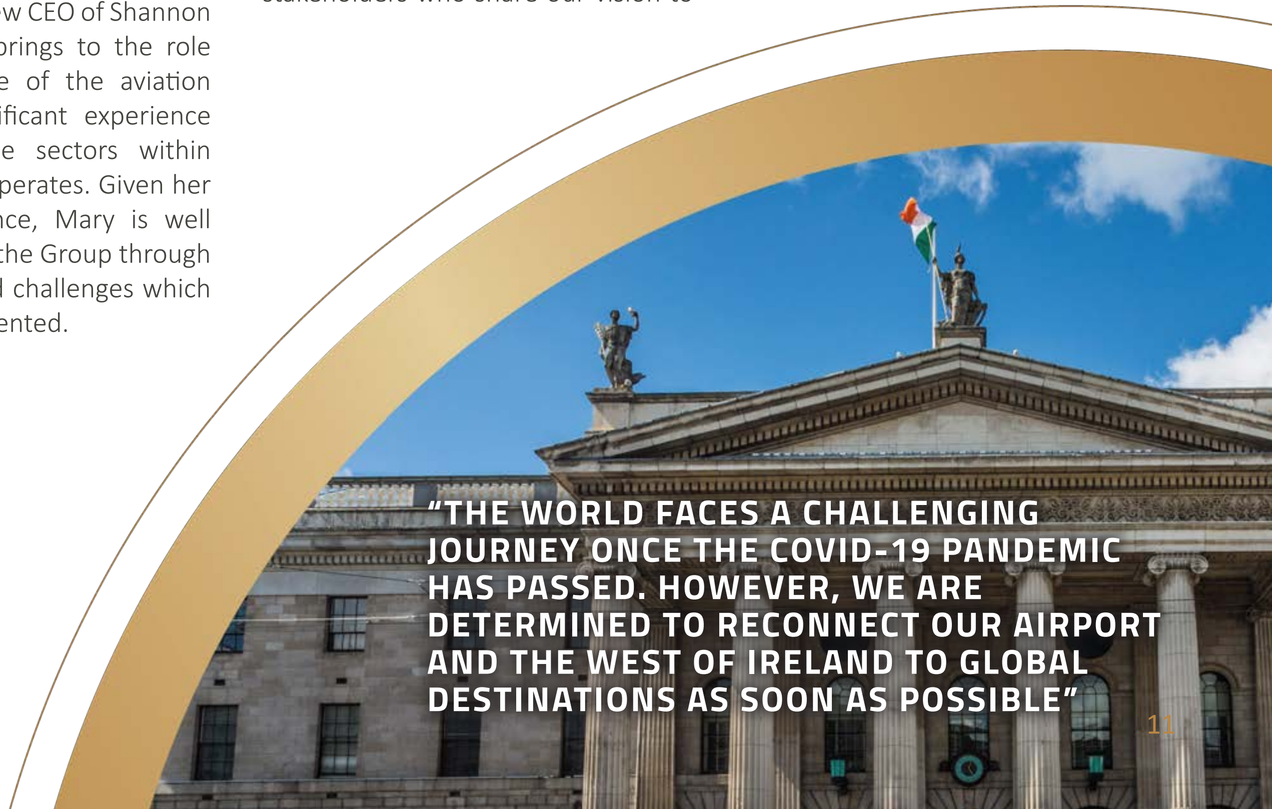
We partner with a wide range of stakeholders who share our vision to achieve the region's full potential.

I would like to take this opportunity to thank them for their contribution throughout the year.

I would like to thank the Minister for Transport, Tourism and Sport, Shane Ross and his officials for their commitment and their on-going support for all aspects of our business.

I look forward to working with the Board, CEO, the management team and the staff of Shannon Group to take the actions necessary to ensure the future sustainability of our operations. Through dedication, resilience, determination and partnership, I am confident that we will come through these difficult times. When we do, our team will be ready to renew its commitment to build sustainable livelihoods and a vibrant economy for our people, our regions, and our country by shaping opportunities in aviation, tourism and property.

Rose Hynes
Chairman



CHIEF EXECUTIVE OFFICER'S REVIEW

SHAPING AVIATION, PROPERTY & TOURISM

At the time of writing this review the world has entered an unprecedented era of uncertainty, with the full impact to public health and the economy of COVID-19 (Coronavirus) yet to be determined. The safety and welfare of our employees and customers is of course our first concern.

The speed and impact with which the virus has disrupted day-to-day life is unparalleled. It has left businesses like ourselves looking at ways to safeguard the health of our employees and customers, and focus on the steps we need to take to ensure the future sustainability of our operations.

What it has demonstrated is the tremendous perseverance and determination of our employees in these challenging times in their efforts to maintain services at our airport, and reduce operations where necessary across our Group to protect public health in very difficult circumstances. I am so proud of all they have done.

It is in this light that I reflect on our 2019 performance.

OUR 2019 PERFORMANCE

I was privileged to have been appointed Chief Executive Officer of Shannon Group during the year. While we faced challenges, overall 2019 was a positive year for the Group. We continued our ambitious capital investment programme and improved our financial performance.

The Group's turnover was €79 million, with EBITDA for 2019 of €14.6 million, a 14.2% increase on 2018.

2019 was not without its challenges, particularly for our airport and tourism businesses. It was a turbulent year for the aviation sector in particular, with the global grounding of the MAX Jet fleet. As a result, we saw a decline in passenger numbers at the airport for the first time since 2013.

However, the year also illustrated the Group's strength and resilience with Shannon Commercial Properties recording strong growth.

While we were pleased to see an overall increase in visitor numbers to our Shannon Heritage visitor attractions during the year, 2019 has also been widely acknowledged as a challenging year for the tourism industry, particularly in the regions.

The improvement in the Group's financial performance in 2019 is a tribute to the commitment of our people.

CONNECTIVITY

2019 was a year of mixed fortunes for the airport. After six successive years of growth passenger numbers were down by 8% to 1.71 million.

The unexpected global grounding of the MAX Jet fleet for safety reasons resulted in the loss of 13 services in the peak summer season with Norwegian and Air Canada. This was disappointing and resulted in a reduction in passengers during 2019.

We ended the year on a positive note with a number of new route announcements for 2020, Paris Charles De Gaulle, Barcelona and Vienna, and a decision by Aer Lingus to base two of their new A321LR aircraft at Shannon, a clear demonstration of their commitment to Shannon and their ambition for the region.

Unfortunately due to the COVID-19 pandemic these services, like thousands of others across the world, have been suspended. We know the impact of the virus on the global aviation and tourism sectors was immediate and devastating but we look forward to working with all of our airline partners, when the time is right, to restart their services from Shannon.

GROWING OUR AVIATION CLUSTER

We are very proud of the aviation services cluster in Shannon. In 2019 we saw 14 new indigenous and overseas aviation businesses locate in Shannon. This is a clear indication that the Shannon aviation brand, which our International Aviation Services Centre (IASC) is endeavouring to promote, is having a real impact.

OUR INVESTMENT PROGRAMME

As part of our commitment to delivering infrastructural assets for the region we continued our capital investment programme during 2019, investing over €31 million across our businesses.

Included in this was the delivery of a 92,000 square foot specialist aircraft painting hangar at Shannon Airport, adjacent to the Shannon Free Zone and capable of accommodating some of the world's largest aircraft.

The construction of this wide-body hangar is our largest construction project to date and the development of such a major project demonstrates our commitment to growing and expanding Shannon's cluster of aviation businesses. The project was partially funded by a loan from the Ireland Strategic Investment Fund (ISIF) and we now have the largest hangarage footprint of any Irish airport, with ten hangars.

This facility has been leased to IAC (International Aerospace Coating), a leading global aircraft painting, interiors and graphics specialist.

During 2019 we also completed the handover of a new Grade A office block and advanced technology engineering unit to Jaguar Land Rover. In addition, we undertook an extensive refurbishment of the offices of our tenant, Engine Lease Finance Corporation. Our focus is now on planning the next developments for Shannon Free Zone.

We have secured planning permission for the next development which will comprise a 34,000 square feet advanced technology manufacturing unit, 60,000 square feet of warehousing, and 54,000 square feet of flexible industrial space on a 12-acre site in the Shannon Free Zone West. Design work is also underway on a new office block at the main entrance to Shannon Free Zone.

These developments are part of the overall strategy to grow our property portfolio at the Shannon Free Zone, to service existing companies and attract new companies to the region in the future. In total we have delivered over 650,000 square feet of new or upgraded office, manufacturing and warehouse facilities since 2014. This investment has reaped dividends with occupancy rates now of 98% across our properties at Shannon Free Zone.

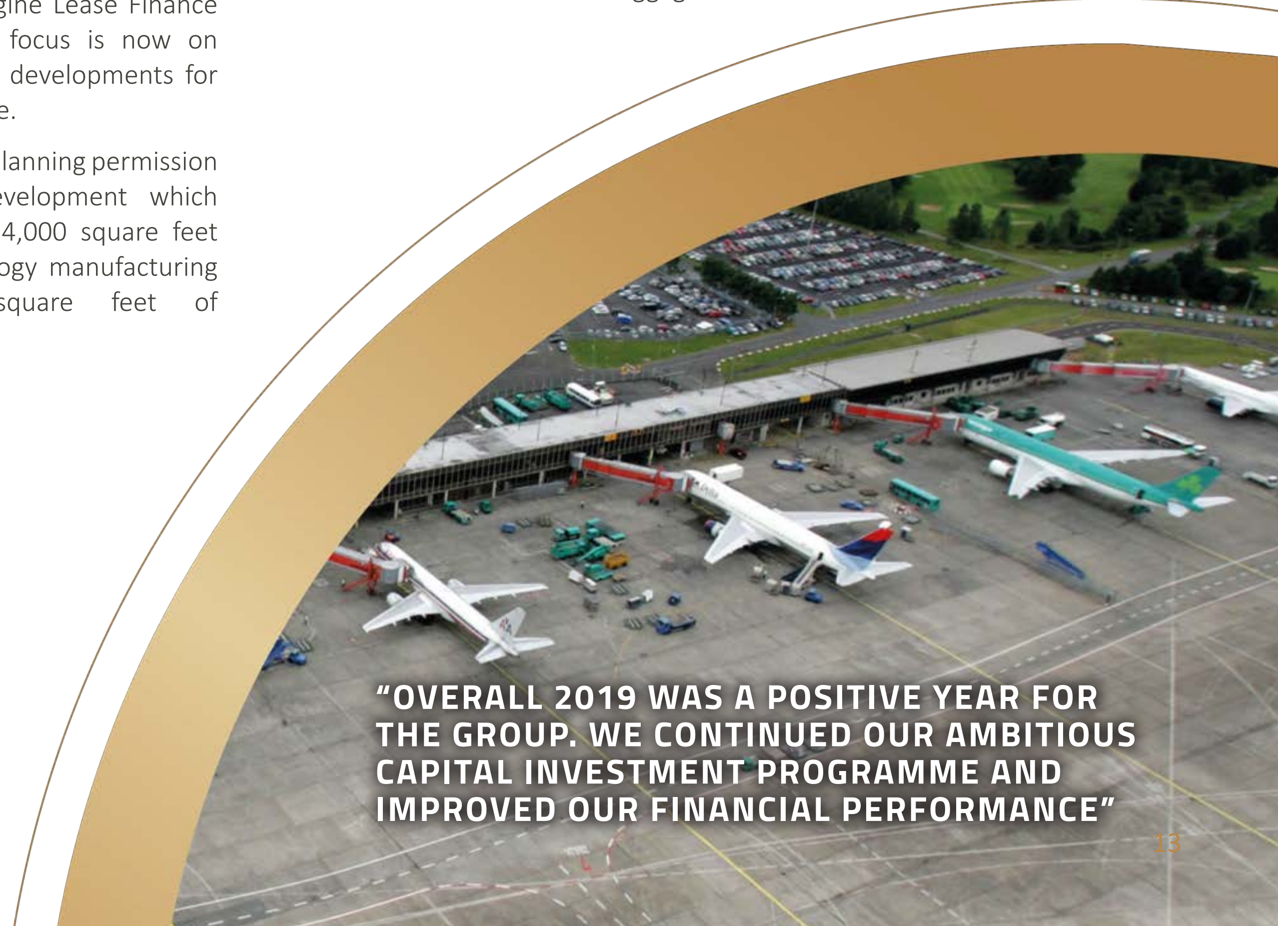
We continued to drive operational improvements and in 2019 we completed a €2.5 million investment in fire safety measures at the Airport, taking delivery of two new state-of-the-art High Reach Extendable Turret (HRET) fire tenders, the first airport in Ireland to do so, and developing a special fire ground training area. We also commenced the development of a new €11 million hold baggage screening system in order to comply with new regulatory requirements for airports.

ENHANCING THE VISITOR EXPERIENCE

In 2019, over 963,000 people visited our Shannon Heritage portfolio of eight visitor attractions, an increase of 4% in total visitor numbers.

During 2019 we were delighted to secure a new visitor attraction when Shannon Heritage was awarded a contract from Fingal County Council to operate the new Casino Model Railway Museum in Malahide, Co. Dublin.

Over 85,000 visitors attended our annual calendar of seasonal Easter, Halloween and Christmas events organised at our visitor sites in 2019. This is a 16% increase on 2018, cementing the company's position as Ireland's leading developer of seasonal family fun events. We look forward to welcoming them back to our sites once the COVID-19 crisis abates.



"OVERALL 2019 WAS A POSITIVE YEAR FOR THE GROUP. WE CONTINUED OUR AMBITIOUS CAPITAL INVESTMENT PROGRAMME AND IMPROVED OUR FINANCIAL PERFORMANCE"

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

FOCUSING ON SUSTAINABILITY

Sustainability is at the core of all our Group's activities. We are determined to incorporate it into all of our business practices. We are committed to reducing our carbon footprint and ensuring our operations are environmentally responsible. Our intention is to deliver a reduction in energy consumption, increase water conservation, minimise waste and increase recycling across the Group's activities. We have established a Group-wide team, led by our employees, to look at how we can achieve these aims and build on our achievements to date.

For example, two of our new Grade A commercial properties in the Shannon Free Zone have been awarded the LEED Gold certification. At our Airport campus, we are working with the ESB to replace an entire suite of older indoor and outdoor lighting systems with LEDs, and to explore how to make greater use of renewable energy such as solar PV panels.

We are also excited to partner with the Future Mobility Council Ireland on their Connected Autonomous Vehicles (CAV) test bed project located in the Shannon Free Zone. This new infrastructure in Shannon will create one of the most expansive real-world test beds globally for this cutting-edge technology.

OUR PEOPLE

We are fortunate to have talented and committed employees throughout Shannon Group. I am very conscious of the impact on them and their families of the difficult measures we have had to take during this crisis and we thank them for their support.

OUR PARTNERS

We work with a range of local, national and international business partners to help us achieve shared goals of maximising growth for the region. We believe partnership is crucial to success and we are very appreciative of the support of all our stakeholders.

Indeed, we are delighted with the level of support we have from people across the region. We don't take it for granted and are very conscious that their support is vital so we can continue to deliver for our region.

LOOKING FORWARD

We are living through unprecedented times where we will be defined by the actions we have taken and the leadership we have shown. Like other businesses around the globe, we have had to make difficult but necessary decisions to protect our business against the current commercial reality and to ensure the sustainability of our operations.

Once the world has come through this crisis, which it will, Shannon Group's role as a driving force for economic growth in our region will be more important than ever, and we are committed to redoubling our efforts to support our employees, our stakeholders and our region as we manage our way through.

Mary Considine
Chief Executive Officer

SHANNON GROUP 2019 FINANCIAL OVERVIEW

	2019 €'000	2018 €'000
Revenue	**79,120**	77,837
Operating Profit as reported (after exceptional items)	**24,856**	16,231
Investment properties revaluation gains	**(16,552)**	(15,062)
Other income/expense (including gains/losses on disposal of assets)	**(309)**	(416)
Exceptional items^	**-**	5,822
Adjusted operating profit	**7,995**	6,575
Depreciation and amortisation	**6,561**	6,167
EBITDA (before exceptional items and investment property revaluations)	**14,556**	12,742

^ See page 69 for details of exceptional items in 2018

THE BOARD OF DIRECTORS OF SHANNON GROUP PLC

ROSE HYNES, CHAIRMAN

Rose Hynes was appointed as Chairman of Shannon Group Board on its incorporation on 29th August 2014. She chairs Shannon Group's Remuneration Committee. She was appointed to the Board of Shannon Airport Authority as Chairman Designate in November 2012 and was appointed as Chairman in January 2013. Rose is also Chairman of Origin Enterprises plc and is a non-executive director of a number of other companies in various sectors including Total Produce plc, IPL Plastics plc and eir.

Rose is a lawyer and was a member of the senior management team in GPA for many years. GPA was one of the world's largest lessors and financiers of aircraft. She is also a former Chairman of Bord Gais/Ervia and former non-executive director of Bank of Ireland, Fyffes plc and Aer Lingus. She is a law graduate of University College Dublin and is a native of County Clare.

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 the former Airport Director and led the successful separation of Shannon Airport from daa in 2012 leading to Shannon Airport becoming independent on 31st December 2012. 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.

She is a member of the Governing Authority of Mary Immaculate College and she is the current President of Shannon Chamber of Commerce.

KATHRYN O'LEARY HIGGINS

Kathryn O'Leary Higgins was appointed to the Board of Shannon Group on its incorporation on 29th August 2014. She chairs Shannon Group's Health, Safety, Security and Environment Committee. Kitty is a public policy consultant and transport expert based in the USA and President of the Higgins Company, a government relations firm.

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 managing director of Clare FM and Tipp FM and is also a director and Vice Chairman of Independent Radio Sales in Dublin. Liam also sits on the Board of Tipperary Invests. 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.

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.

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KEVIN MCCARTHY

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

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 31 years initially in Shannon Duty Free in 1987, and worked in St. Petersburg at the duty free shop there. 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.

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.

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.

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 senior level since 2007. He is currently CEO of UK based Doncasters Group, a leading international manufacturer of high-precision alloy components. Doncasters Group serves, among others, the aerospace and automotive markets worldwide, with manufacturing plants in the UK, US and Germany. He is former CEO of both Ervia and Bord Na Mona and was Chief Operating Officer of WElink Energy, a global renewables company. Prior to these roles, Mr. Quinn was group vice president of Precision Castparts airframe segment, a US Aerospace manufacturing company. He previously held senior management roles in Tellabs, Stryker and Lufthansa Technik Turbine Shannon.

Mr. Quinn holds a degree in Applied Physics and Electronics from Dublin City University, a Post Graduate Diploma in Project Management from the University of Limerick.

THE BOARD OF DIRECTORS OF SHANNON GROUP PLC (CONTINUED)

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STANDING: Ambrose Loughlin | Stephen Rae | Rose Hynes | Mary Considine | Liam O'Shea | Tom Kelly | Linda Tynne
SEATED: Kevin McCarthy | Kathryn O'Leary Higgins
[Mike Quinn joined the Board of Shannon Group on 2nd of March after this photo was taken]

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 2019.

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 tourism, leisure and entertainment 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.

[1]Group EBITDA is calculated as follows (before exceptional items 2018) - €'000

	2019	2018
Operating profit before other income/(expenses)	7,995	6,575
Depreciation and amortisation of intangible assets	6,909	6,515
Amortisation of capital grants	(348)	(348)
EBITDA	**14,556**	**12,742**

In addition to information directly included in this report, detailed commentaries on performance for the year ended 31 December 2019 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 Chairman's Statement and the Chief Executive Officer's Review.

RESULTS FOR THE YEAR

The directors are satisfied with the performance of the Group for the year. The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss on page 45 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)
Profit before tax
Profit after tax
Net cash position
Capital expenditure
Proceeds from capital sales

The Group recorded a consolidated profit of €21.6 million (post-tax) (2018: €15.1 million) and consolidated turnover for the year was €79.1 million (2018: €77.8 million). Airport passenger numbers for the year were 1.71 million (2018: 1.86 million) and Heritage sites welcomed over 963,000 visitors in the year (2018: 924,000).

Group EBITDA[1] for the year is €14.6 million (2018: €12.7 million, before exceptional items). This result is considered satisfactory and reflects a continuing focus on both revenue generation and cost control across all Group companies.

During 2018 the Group incurred an exceptional charge of €5.8 million in respect of a group-wide voluntary severance scheme, as described in Note 3 to the financial statements. No such exceptional charge was incurred in 2019.

The Group has cash reserves to meet its operating and recurring short-term capital expenditure needs, with total cash deposits of €33.3 million at the year end date (2018: €16.0 million). During 2019 the Group obtained external funding of €13.2 million (2018: €7.8 million) to partially fund the Group's capital expenditure programme. This brings total external bank loans to €31.2 million at the year end date (2018: €21.6 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 €30.5 million for capital projects across the Group in the year (2018: €21.9 million). In addition, the Group realised proceeds of €4.1 million on capital disposals in the year (2018: €2.7 million).

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 28.

DIRECTORS AND SECRETARY AND THEIR INTERESTS

The names of the persons who were directors during the year are set out on page 34. The directors and secretary who held office at 31 December 2019 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.

RESEARCH AND DEVELOPMENT

The Group does not undertake research and development activities.

GOING CONCERN

On 31 January 2020, the World Health Organisation ("WHO") announced COVID-19 as a global health emergency. On 11 March 2020, the WHO declared it to be a pandemic in recognition of its rapid spread across the globe. This has had a significant negative impact on air traffic volume and tourism as governments have imposed travel restrictions and airlines have grounded fleets. This is resulting in a significant reduction in revenue for the Group and there is 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 considered, and started to implement, 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 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.

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.

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.

DIRECTORS' REPORT (CONTINUED)

ADDITIONAL COMPLIANCE OBLIGATIONS

(Continued)

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 2019 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

On 31 January 2020, the World Health Organisation ("WHO") announced COVID-19 as a global health emergency. On 11 March 2020, the WHO declared it to be a pandemic in recognition of its rapid spread across the globe. The COVID-19 pandemic has had a material financial impact on the Group's results subsequent to the year end date, as outlined further in the "Going concern" paragraph above.

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

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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

Rose Hynes Mary Considine

Rose Hynes
Chairman

Mary Considine
Director

26 March 2020

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 risk of sickness to the Group's staff and customers, the COVID-19 pandemic has had a material impact on the Group's results subsequent to the year end date as outlined in the directors' report. This is an unprecedented and evolving situation and it is difficult to anticipate with certainty the full impact on the Group's businesses.

Strategic Priority

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

Impact

Potential sickness of group staff, airport passengers, heritage visitors and/or contractors engaged on behalf of the Group. The impact of 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 travel bans 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.

Mitigation

- Strong working relationships and protocol in place with the Health Service Executive to deal with infectious diseases and public health threats.
- Immediate cessation of all discretionary operating expenditure.
- Deferral of non-essential/un-committed capital expenditure.
- Temporary lay-off of front-line staff in closed Heritage sites.
- Group wide reduction in payroll costs, with all staff moving to reduced hours.
- Seeking access to Government emergency business supports for the aviation and tourism sectors.

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 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.
- 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 the implementation of the key measures outlined in the National Aviation Policy and 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 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 grow 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.
- The Group continuously reviews its customer product offerings to ensure they remain relevant, engaging and value for money.

RISK AND GOVERNANCE REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Economic

A significant change in the current cycle of economic growth arising as a result of geopolitical or economic changes leading to a sustained economic slowdown e.g. COVID-19 or the global grounding of the Boeing 737 MAX Jet fleet.

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 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.

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, the operation of the Common Travel Area and regulatory divergence.

Mitigation

- Implications for various Brexit scenarios are actively being assessed as part of the Group's risk management process.
- Shannon Group is a member of a number of national fora which assess the impact of Brexit and insofar as possible, influence public and private sector industry, national responses and policy during the transition period.
- 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.

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.
- The Group's strategic plan and related funding strategy sets out key performance ratios and tolerances within which the Group manages its liquidity, profitability and gearing.
- 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 in line with its Strategic Plan. 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 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 in the short to longer term.
- The Group ensures compliance with its existing debt 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 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.

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.

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, Tourism and Sport on this matter.
- The Group also engages with other external organisations that provide advice and training on these matters to management.

RISK AND GOVERNANCE REPORT (CONTINUED)

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 2019. 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 ten 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 2019.

Director

Rose Hynes (Chairman)
Mary Considine (Chief Executive Officer)
Tom Kelly
Ambrose Loughlin
Kevin McCarthy
Kathryn O'Leary Higgins
Liam O'Shea
Mike Quinn
Stephen Rae
Linda Tynne

Company Secretary

Rachael Leahy

Mary Considine resigned as Company Secretary on 7 November 2019 and Rachael Leahy was appointed as Company Secretary on the same date.

Ambrose Loughlin and Stephen Rae were appointed to the Board on 15 May 2019, and Mary Considine was appointed to the Board on her appointment as Chief Executive Office on 18 October 2019.

Mike Quinn was appointed to the Board on 2 March 2020.

Matthew Thomas resigned from the Board with effect from 14 June 2019. The period of office of Liam O'Shea and Rose Hynes expired with effect from 28 August 2019 and both directors were re-appointed to the Board, with effect from this date.

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 Chairman 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 Chairman facilitates the effective contribution of directors, ensures that directors receive accurate, timely and clear information, and manages effective communication with the Minister for Transport, Tourism and Sport (the "Minister").

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 Chairman, 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 10 directors.
- The Minister for Transport, Tourism and Sport 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 2 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 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. 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 Chairman.

During 2019, the Board undertook an evaluation of Board performance.

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.

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 2019 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. Rose Hynes is a director of the Governing Authority of the University of Limerick. Mary Considine is a member of the Governing Authority of Mary Immaculate College. Linda Tynne is an employee of Shannon Airport and Kevin McCarthy was an employee of Shannon Airport until 12 October 2019.

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 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.

RISK AND GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY AND ACCESS TO PROFESSIONAL ADVICE

The Company Secretary is appointed by the Board.

Mary Considine served as Company Secretary until 7 November 2019. Rachael Leahy was appointed Company Secretary on that date and to the date of approval of the financial statements.

Patricia Culligan resigned as Assistant Company Secretary on 28 June 2019. Rachael Leahy was appointed as Assistant Company Secretary on that date and held this role until the date of her appointment as Company Secretary.

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.

Attendance at scheduled Board meetings is set out below:

Director	Board meetings attended	Maximum number of meetings
Rose Hynes (Chairman)	8	8
Mary Considine (Chief Executive Officer)	2	2
Matthew Thomas (former Chief Executive Officer)	4	4
Tom Kelly	8	8
Ambrose Loughlin	5	5
Kevin McCarthy	8	8
Kathryn O'Leary Higgins	8	8
Liam O'Shea*	6	7
Stephen Rae	5	5
Linda Tynne	8	8

*The period of office of Liam O'Shea expired with effect from 28 August 2019. He was re-appointed to the Board on 11 October 2019 and was effective from 29 August 2019.

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 comprises three independent non-executive Board members. The Committee has defined terms of reference under which authority is delegated to it by the Board.

Tom Kelly serves as the chairman of the Audit and Risk Committee. Rose Hynes stepped down from this Committee on 30 May 2019, following the appointment of Ambrose Loughlin to the Committee on the same date.

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
Rose Hynes	1	1
Liam O'Shea	4	4
Ambrose Loughlin	3	3

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.

RISK AND GOVERNANCE REPORT (CONTINUED)

AUDIT AND RISK COMMITTEE *(CONTINUED)*

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.

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 chairman 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 comprises four non-executive members. The Committee has defined terms of reference under which authority is delegated to it by the Board. Rose Hynes serves as chairman of the Remuneration Committee. Stephen Rae was appointed to this committee during the year, following his appointment as a director of the Board.

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	3	3
Tom Kelly	3	3
Liam O'Shea	3	3
Stephen Rae	1	1

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 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

The Health, Safety, Security and Environmental Committee comprises four members, including two non-executive members. The Committee has defined terms of reference under which authority is delegated to it by the Board.

Kathryn O'Leary Higgins serves as chairman of the Health, Safety, Security and Environmental Committee. Matthew Thomas stepped down from the Committee upon his resignation from the Board. Kevin McCarthy was re-appointed to the Committee on 31 January 2019. Stephen Rae was appointed to the Committee on 28 June 2019.

Joe Buckley was re-appointed as a member of the Committee by the Shannon Group Board following the expiration of his period of office as a director of the Board in 2018 and remained a member of the committee for the full year in 2019.

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	4	4
Joe Buckley	4	4
Kevin McCarthy	3	3
Stephen Rae	1	1
Matthew Thomas	2	2

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 with an annual budget which is subject to approval by 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;

RISK AND GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL AND RISK MANAGEMENT *(CONTINUED)*

- 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.

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 Chairman of the Board reports to the Minister for Transport, Tourism and Sport on compliance with the Code of Practice for the Governance of State Bodies in respect of the financial period under review.

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 2019, as required by the Code of Practice for the Governance of State Bodies (2016) and agreed with the Department of Transport, Tourism and Sport.

Travel and subsistence costs charged to the profit and loss account for the year amounted to €0.25 million (national) (2018: €0.25 million) and €0.19 million (international) (2018: €0.21 million). Hospitality and staff wellbeing costs charged to the profit and loss account amounted to €0.07 million (2018: €0.07 million) (employee) and €0.04 million (2018: €0.05 million) (customer). Professional services costs incurred and charged to the profit and loss account amounted to €0.69 million (2018: €0.53 million).

Termination payments arising under approved restructuring programmes in 2018 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. There were no legal and settlement payments for concluded and settled legal cases in 2019 or 2018. Amounts relating to staff costs charged to the profit and loss account are set out in Note 6 to the financial statements.

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 2019.

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

	Number of employees in band	
€	**2019**	**2018**
50,000 - 74,999	126	139
75,000 - 99,999	58	49
100,000 - 124,999	6	10
Over 125,000	10	10

[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

Rose Hynes
Chairman

Mary Considine
Director

26 March 2020

Rose Hynes

Mary Considine

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

1 REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Shannon Group plc ('the Company') for the year ended 31 December 2019, 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 Parent Company as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent 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.

EMPHASIS OF MATTER – COVID-19

We draw attention to Note 1.3 to the financial statements concerning the COVID-19 situation that exists and continues to develop at the date of approval of these financial statements and the related impact on the going concern basis of preparation. 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 Parent Company 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.

2 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 41, 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 Parent 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)

2 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

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the year ended 31 December 2019

	Note	**Total 2019 €'000**	Total pre exceptional items 2018 €'000	Exceptional items (Note 3) 2018 €'000	Total 2018 €'000
Revenue	2	**79,120**	77,837	-	77,837
Cost of sales		**(12,576)**	(13,300)	-	(13,300)
Gross profit		**66,544**	64,537	-	64,537
Administrative expenses		**(58,549)**	(57,962)	(5,822)	(63,784)
		7,995	6,575	(5,822)	753
Other income	4	**16,968**	15,478	-	15,478
Other expense	4	**(107)**	-	-	-
Operating profit	5	**24,856**	22,053	(5,822)	16,231
Finance income	7	**30**	30	-	30
Finance expense	7	**(819)**	(554)	-	(554)
Profit before tax		**24,067**	21,529	(5,822)	15,707
Income tax expense	8	**(2,430)**	(614)	-	(614)
Profit for the year		**21,637**	20,915	(5,822)	15,093

All operations are continuing.

The notes on pages 53 to 104 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	Total 2019 €'000	Total 2018 €'000
Profit for the year		**21,637**	15,093
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension liability	24	**(82)**	185
Related deferred tax credit/(charge)	13	**10**	(23)
Other comprehensive income, net of tax		**(72)**	162
Total comprehensive income attributable to equity holder		**21,565**	15,255

The notes on pages 53 to 104 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Intangible assets	9	**884**	1,149
Property, plant and equipment	10	**80,940**	63,952
Right of use assets	26	**2,027**	-
Investment properties	11	**129,726**	109,709
Finance lease receivable	12	**282**	291
Deferred tax assets	13	**72**	70
Non-current assets		**213,931**	175,171
Finance lease receivable	12	**32**	32
Inventories	14	**2,358**	2,395
Current tax assets		**580**	1,018
Trade and other receivables	15	**8,661**	16,665
Other investments	17	**9,248**	230
Cash and cash equivalents	18	**24,013**	15,725
Current assets		**44,892**	36,065
Total assets		**258,823**	211,236
Equity			
Share capital	19	**38**	38
Capital contribution reserve	19	**112,275**	112,275
Retained earnings		**60,577**	39,012
Total equity		**172,890**	151,325
Liabilities			
Loans and borrowings	23	**31,145**	18,389
Deferred income	21	**2,473**	2,815
Provisions	22	**3,109**	2,536
Deferred tax liability	13	**1,059**	-
Employee benefits	24	**580**	563
Non-current liabilities		**38,366**	24,303
Trade and other payables	20	**43,422**	28,281
Loans and borrowings	23	**2,082**	3,167
Deferred income	21	**348**	354
Provisions	22	**1,715**	3,806
Current liabilities		**47,567**	35,608
Total liabilities		**85,933**	59,911
Total equity and liabilities		**258,823**	211,236

The notes on pages 53 to 104 form an integral part of these consolidated financial statements.

On behalf of the Board

Rose Hynes Mary Considine

Rose Hynes
Chairman

Mary Considine
Director

26 March 2020

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Financial assets	16	**112,275**	112,275
Intangible assets	9	**10**	**-**
Property, plant and equipment	10	**75**	38
Non-current assets		**112,360**	112,313
Current tax assets		**7**	-
Trade and other receivables	15	**832**	507
Cash and cash equivalents	18	**709**	578
Current assets		**1,548**	1,085
Total assets		**113,908**	113,398
Equity			
Share capital	19	**38**	38
Capital contribution reserve	19	**112,275**	112,275
Retained earnings		**103**	-
Total equity		**112,416**	112,313
Liabilities			
Trade and other payables	20	**1,292**	1,085
Provisions	22	**200**	-
Total current liabilities		**1,492**	1,085
Total equity and liabilities		**113,908**	113,398

The notes on pages 53 to 104 form an integral part of these financial statements.

On behalf of the Board

Rose Hynes
Chairman

Mary Considine
Director

26 March 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2018	38	112,275	23,757	136,070
Profit	-	-	15,093	15,093
Other comprehensive income	-	-	162	162
Total comprehensive income	-	-	15,255	15,255
At 31 December 2018	38	112,275	39,012	151,325
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**

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

The notes on pages 53 to 104 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2018	38	112,275	-	112,313
Profit	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2018	38	112,275	-	112,313
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**

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

The notes on pages 53 to 104 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Cash flow from operating activities			
Profit for the year		**21,637**	15,093
Adjustments for:			
Amortisation of capital grants		**(348)**	(348)
Amortisation of intangible assets		**356**	418
Depreciation of property, plant and equipment		**6,219**	6,097
Depreciation of right of use assets		**334**	-
Change in fair value of investment properties		**(16,552)**	(15,062)
Gain on disposal of investment properties		**(416)**	(412)
Loss/(gain) on disposal of property, plant and equipment		**107**	(4)
Finance income		**(30)**	(30)
Finance expense		**819**	554
Tax charge		**2,430**	614
		14,556	6,920
Changes in:			
- Trade and other receivables		**8,004**	(9,369)
- Inventories		**37**	131
- Trade and other payables		**(4,277)**	9,490
- Provisions		**(1,518)**	4,216
- Employee benefits		**(77)**	(77)
- Finance lease receivable		**9**	10
Cash generated from operating activities		**16,734**	11,321
Interest received and similar income		**30**	30
Interest paid		**(730)**	(643)
Taxation paid		**(925)**	(1,677)
Net cash from operating activities		**15,109**	9,031
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(22,283)**	(6,645)
Purchases of investment properties		**(8,185)**	(15,214)
Proceeds from sale of property, plant and equipment		**18**	29
Proceeds from sale of investment properties		**4,078**	2,693
Non-refundable capital deposits received		**19,134**	-
(Purchase of)/proceeds from disposal of other investments	17	**(9,018)**	8,806
Net cash used in investing activities		**(16,256)**	(10,331)
Cash flows from financing activities			
Proceeds from loans and borrowings		**13,162**	7,811
Repayment of loans and borrowings		**(3,356)**	(575)
Payment of lease liabilities		**(371)**	-
Net cash from financing activities		**9,435**	7,236
Net increase in cash and cash equivalents		**8,288**	5,936
Cash and cash equivalents at the beginning of the year		**15,725**	9,789
Cash and cash equivalents at the end of the year	18	**24,013**	15,725

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Cash flow from operating activities			
Profit for the year		**103**	-
Adjustments for:			
Depreciation of property, plant and equipment		**20**	3
		20	3
Changes in:			
- Trade and other receivables		**(325)**	(479)
- Trade and other payables		**207**	1,085
- Provisions		**200**	-
Cash generated from operating activities		**205**	609
Taxation paid		**(7)**	-
Net cash from operating activities		**198**	609
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(67)**	(41)
Net cash used in investing activities		**(67)**	(41)
Cash flows from financing activities		**-**	-
Net increase in cash and cash equivalents		**131**	568
Cash and cash equivalents at the beginning of the year		**578**	10
Cash and cash equivalents at the end of the year	18	**709**	578

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 26 March 2020.

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

On 31 January 2020, the World Health Organisation ("WHO") announced COVID-19 as a global health emergency. On 11 March 2020, the WHO declared it to be a pandemic in recognition of its rapid spread across the globe. This has had a significant negative impact on air traffic volume and tourism as governments have imposed travel restrictions and airlines have grounded fleets. This is resulting in a significant reduction in revenue for the Group and there is 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.

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NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.3 Going concern (continued)
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 considered, and started to implement, 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 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 Basis of preparation
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 2019.

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 Change in accounting policy – Leases
The Group initially applied IFRS 16 *Leases* from its effective date of 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

As the Group has adopted the modified retrospective approach on transition, this policy does not apply to the comparative period commencing 1 January 2018 i.e. information previously reported, under IAS 17 Leases, related interpretations and disclosure requirements are not restated. The details of the changes and quantitative impacts are set out below and in Note 26.

(a) Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease. Under the new standard, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in the accounting policy below.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases, therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee
The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for its operating leases i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17
On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17; in particular:
- did not reassess whether a contract is, or contains, a lease on transition where a contract was not previously identified as a lease under IAS 17;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term; and
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Leases classified as finance leases under IAS 17
For these finance leases, the carrying amount of the right-of-use asset was determined at the carrying amount of the lease asset under IAS 17 at 31 December 2018. There was no change made to the lease liability.

(c) As a lessor
The Group leases out its investment properties under operating leases (see Note 11). IFRS 16 has not had a significant impact on leases in which the Group is a lessor as the Group is not required to make any adjustments on transition for leases in which it is a lessor.

(d) Impact of adopting IFRS 16
On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

Impact on Transition	**1 January 2019 €'000**
Right of use asset	2,361
Lease liability	
Other interest-bearing loans and borrowings (current)	(291)
Other interest-bearing loans and borrowings (non-current)	(2,070)
Retained earnings	-

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.5 Change in accounting policy – Leases *(continued)*

When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rates applied ranged from 2.2% to 5.4%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Group's financial statements and the lease liabilities recognised at 1 January 2019:

	2019 €'000
Operating lease commitments at 31 December 2018 (as disclosed under IAS 17)	3,183
Discounted using the incremental borrowing rate at 1 January 2019	(928)
Extension options reasonably certain to be exercised	106
Lease liabilities recognised at 1 January 2019	**2,361**

Leases held by the Group include leases on retail units at Heritage sites which are an integral part of the Group's strategic plans. Therefore it is considered reasonably certain that extension options in these leases will be exercised.

The Group is lessor for a number of investment properties. The accounting for these properties has not changed, but additional disclosures have been presented in Note 11.

Accounting policy applicable from 1 January 2019

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 1 January 2019.

(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'.

The accounting policies applicable to the Group as a lessor in the comparative period under IAS 17 were not different from IFRS 16.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.5 Change in accounting policy – Leases *(continued)*

Policy applicable prior to 1 January 2019

The following was the Group's accounting policy for leases in the comparative period under IAS 17.

Finance lease obligations

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired 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 depreciation and less accumulated impairment losses.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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 liability. Contingent rents are charged as expenses in the period in which they are incurred.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense.

Assets held for rent under operating leases are included in property, plant and equipment at cost less accumulated depreciation and in investment properties at fair value. The rental income earned from the leasing of these assets is accounted for as income in the Statement of Profit or Loss in accordance with the revenue recognition criteria in 1.6 of the Accounting Policies.

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.

1.6 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.6 Revenue *(continued)*
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.

1.7 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.

1.8 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.

1.9 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.

1.10 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 1.9.

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.

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.

1.11 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

1.12 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").

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.12 Impairment of non-financial assets *(continued)*
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.

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.

1.13 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 and external independent valuations of a portion of the portfolio, 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.

1.14 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.

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.

<u>Defined contribution schemes</u>
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.

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NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

1.17 Employee benefits *(continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

1. ACCOUNTING POLICIES *(Continued)*

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.

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.

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 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.

1.22 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 2020, 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.
Amendments to references to Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
Amendments to IFRS 3: Definition of a Business (issued on 22 October 2018)	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)	1 January 2020	1 January 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	1 January 2022	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)
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019

For all changes to standards above the Group has changed its accounting policies accordingly. See 1.5 for details of impact of the adoption of IFRS 16 on the financial results and position of the Group. The adoption of the other standards listed above did not have a material impact on the financial results or financial position of the Group.

1.23 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 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

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.

	2019 €'000	2018 €'000
Major product/service lines		
Aeronautical and related revenue	**17,531**	18,289
Retail revenue	**17,185**	17,741
Tourism revenue	**12,637**	12,036
Commercial property revenue	**13,448**	10,888
Airport concession and rental revenue	**9,622**	9,991
Other commercial revenue	**8,697**	8,892
Total revenue	**79,120**	77,837
Timing of revenue recognition		
Performance obligation performed:		
- At a point in time	**58,619**	58,302
- Over time	**20,501**	19,535
Total revenue	**79,120**	77,837

Contract assets and contract liabilities

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

	2019 €'000	2018 €'000
Trade receivables (Note 15)	**3,890**	4,543
Contract assets	**84**	100
Contract liabilities	**(1,062)**	(641)

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.

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.

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3. EXCEPTIONAL ITEMS

In accordance with the Group's accounting policy, the following items have been presented as exceptional items on continuing operations.

	2019 €'000	2018 €'000
Provision for voluntary severance scheme	-	5,822
Exceptional charge	**-**	5,822

Provision for voluntary severance scheme

In November 2016 Shannon Group plc launched a group-wide voluntary severance scheme which was communicated to all eligible employees. The Group incurred exceptional costs of €1.3 million in 2016 and €0.6 million in 2017 in respect of this scheme.

A further phase of this scheme was agreed in 2018, with formal applications received from staff who wished to avail of this scheme, and an exceptional charge of €5.8 million was recorded in 2018, of which €5.7 million was provided at year end (Note 22).

No exceptional items were recorded in 2019.

4. OTHER INCOME/(EXPENSE)

	2019 €'000	2018 €'000
Net increase in fair value of investment property (Note 11)	**16,552**	15,062
Gain on disposal of investment properties (Note 11)	**416**	412
Gain on disposal of property, plant and equipment (Note 10)	**-**	4
Total other income	**16,968**	15,478
Loss on disposal of property, plant and equipment (Note 10)	**(107)**	-
Total other expense	**(107)**	-

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. STATUTORY AND OTHER INFORMATION

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

	2019 €'000	2018 €'000
Depreciation	**6,219**	6,097
Depreciation of right of use assets	**334**	-
Amortisation of intangible assets	**356**	418
Amortisation of capital grants	**(348)**	(348)
Operating lease rentals (Note 26)	**-**	363

	2019 €'000	2018 €'000
Auditor's remuneration		
- audit of Group financial statements	**82**	82
- audit of Company financial statements	**-**	-
- other audit services	**15**	15
- tax advisory services fees	**-**	20
- other non-audit services	**195**	-
	292	117

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

6. EMPLOYEE BENEFIT EXPENSE

Group staff numbers and costs

	2019 €'000	2018 €'000
- Wages and salaries	**22,814**	22,602
- Overtime	**675**	776
- Allowances	**1,016**	899
Total wages and salaries	**24,505**	24,277
Social welfare costs	**2,595**	2,536
Termination benefits (Note 3)	**-**	5,822
Post-employment benefits (Note 24):		
Defined contribution pension expense	**1,567**	1,587
Other compensation costs	**182**	856
	28,849	35,078

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

	2019	2018
Operations and administration	**440**	430
Commercial	**43**	42
Property	**29**	27
	512	499

Included in the above average numbers are 10 (2018: 15) full-time equivalents, who are employed by a subsidiary company, whose cost is fully reimbursed to the Group.

Directors remuneration

	2019 €	2018 €
Directors' remuneration for the year:		
Fees for services as director	**100,384**	86,434
Other emoluments (including pension contribution)	**427,420**	363,597
	527,804	450,031

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, Tourism and Sport 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 below.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. EMPLOYEE BENEFIT EXPENSE *(Continued)*

The following directors served on the board during the year ended 31 December 2019

	2019 €	2018 €
Fees for the year		
Rose Hynes	**21,600**	21,600
Joe Buckley	**-**	8,298
Mary Considine	**-**	-
Tom Coughlan	**-**	8,298
Ambrose Loughlin	**7,892**	-
Tom Kelly	**12,600**	12,600
Kevin McCarthy	**12,600**	9,368
Kathryn O'Leary Higgins	**12,600**	12,600
Liam O'Shea	**12,600**	12,600
Stephen Rae	**7,892**	-
Matthew Thomas	**-**	-
Linda Tynne	**12,600**	1,070
For services as director during the year	**100,384**	86,434
Other emoluments		
Salary (including benefit-in-kind)	**243,436**	310,090
Termination benefits	**144,805**	-
Pension contributions		
- Defined contribution scheme	**39,179**	53,507
- Defined benefit scheme	**-**	-
	427,420	363,597
Total directors' remuneration for the year	**527,804**	450,031

Where a director resigned during the year or prior year the fees above represent the fees paid to the date of resignation.

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.

Joe Buckley, Tom Coughlan and Kevin McCarthy resigned as directors on 28 August 2018 on expiration of their terms of office. Kevin McCarthy was re-appointed as director on 1 December 2018. Linda Tynne was appointed as director on 1 December 2018.

All other directors served for the full years ended 31 December 2018 and 2019.

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 €6,500 *(2018: €7,800)*. 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:

	2019 €	2018 €
Emoluments:		
- Basic salary	**178,245**	175,000
- Other taxable benefits	**24,616**	24,596
Total emoluments	**202,861**	199,596
Pension contributions	**36,290**	43,750
	239,151	243,346

The remuneration above represents the total remuneration of the CEO for the year ended 31 December 2019 (including a period during the year 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 €9,142 *(2018: €13,448)*, 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 2019 or 2018.

7. FINANCE INCOME/(EXPENSE)

	2019 €'000	2018 €'000
Interest receivable on short term bank deposits	**-**	-
Finance lease income receivable (Note 12)	**30**	30
Finance income	**30**	30

	2019 €'000	2018 €'000
Interest expense on loans and overdrafts	**(728)**	(538)
Interest expense on lease liabilities (Note 26)	**(79)**	-
Net interest expense on defined pension scheme (Note 24)	**(12)**	(16)
Finance expense	**(819)**	(554)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

8. INCOME TAX EXPENSE

	2019 €'000	2018 €'000
Current tax:		
Current tax on profits for the year	1,613	775
Adjustments in respect of prior period	(250)	(169)
Total current tax	1,363	606
Deferred tax (Note 13):		
Origination and reversal of temporary differences	1,067	8
Total deferred tax	1,067	8
Income tax expense	2,430	614

Reconciliation of effective tax rate

	2019 €'000	2018 €'000
Profit before tax	24,067	15,707
Profit before tax multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5%	3,008	1,963
Tax effect of:		
Expenses not deductible for tax purposes	149	146
Income taxed at a higher rate	889	846
Gains in profit or loss which are not taxable or impact on unrecognised deferred tax	(264)	(2,172)
Recognition of previously unrecognised capital losses	(1,102)	-
Adjustment in respect of prior periods	(250)	(169)
Tax expense	2,430	614

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.

9. INTANGIBLE ASSETS

Group

	Computer software €'000	Work in Progress €'000	Total €'000
Computer software			
Cost			
At 1 January 2018	1,904	-	1,904
Acquisitions	-	359	359
Transfers	282	(282)	-
At 31 December 2018	2,186	77	2,263
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
Accumulated Amortisation			
At 1 January 2018	696	-	696
Charge for year	418	-	418
At 31 December 2018	1,114	-	1,114
At 1 January 2019	1,114	-	1,114
Charge for year	356	-	356
At 31 December 2019	1,470	-	1,470
Net book value			
At 31 December 2019	874	10	884
At 31 December 2018	1,072	77	1,149
At 31 December 2017	1,208	-	1,208

All intangible assets arise from purchased computer software.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

9. INTANGIBLE ASSETS *(Continued)*

Company

	Computer software €'000	Work in Progress €'000	Total €'000
Computer software			
Cost			
At 1 January 2019	-	-	-
Acquisitions	-	10	10
At 31 December 2019	**-**	**10**	**10**
Accumulated Amortisation			
At 1 January 2019	-	-	-
Charge for year	-	-	-
At 31 December 2019	**-**	**-**	**-**
Net book value			
At 31 December 2019	**-**	**10**	**10**
At 31 December 2018	-	-	-

All intangible assets arise from purchased computer software.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Terminal Complexes €'000	Lands and Airfields €'000	Tourism Buildings €'000	Other Property and General Infrastructure €'000	Plant, Fixtures and Fittings €'000	Work in Progress €'000	Total €'000
Cost							
At 1 January 2018	17,743	31,851	24,887	7,429	19,107	1,763	102,780
Additions	-	-	-	-	100	6,466	6,566
Disposals	-	-	-	-	(501)	-	(501)
Transfer from investment properties	-	-	-	486	-	-	486
Transfers	415	546	306	105	3,353	(4,725)	-
At 31 December 2018	**18,158**	**32,397**	**25,193**	**8,020**	**22,059**	**3,504**	**109,331**
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 to 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**
Accumulated Depreciation							
At 1 January 2018	3,662	4,722	19,026	2,464	9,884	-	39,758
Charge for year	1,196	1,899	674	472	1,856	-	6,097
Disposals	-	-	-	-	(476)	-	(476)
At 31 December 2018	**4,858**	**6,621**	**19,700**	**2,936**	**11,264**	**-**	**45,379**
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**
Net book value							
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
At 31 December 2017	14,081	27,129	5,861	4,965	9,223	1,763	63,022

Management have considered the carrying value of property, plant and equipment at 31 December 2019 by reference to the estimated value in use of assets within the Airport CGU and are satisfied that the carrying value remains appropriate.

The value in use of Airport assets is determined by calculating the net present value of estimated future cash flows arising from that income generating unit, discounted at an appropriate discount factor. The relevant cash flows are derived from the approved strategic plan. A reasonably possible change in the key assumptions does not result in impairment.

Property, plant & equipment includes a new hangar at the Airport which is reflected in Work in Progress at 31 December 2019. 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 1.10.

Certain of the Group's assets have been pledged as security against the Group's overdraft facility (Note 25). At 31 December 2019 the net carrying amount of these assets was €1,104,028 *(2018: €1,137,825)*.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Plant, Fixtures and Fittings €'000	Total €'000
Cost		
At 1 January 2018	-	-
Additions	41	41
At 31 December 2018	41	41
At 1 January 2019	41	41
Additions	57	57
At 31 December 2019	**98**	**98**
Accumulated Depreciation		
At 1 January 2018	-	-
Charge for year (i)	3	3
At 31 December 2018	3	3
At 1 January 2019	3	3
Charge for year (i)	20	20
At 31 December 2019	**23**	**23**
Net book value		
At 31 December 2019	**75**	**75**
At 31 December 2018	38	38
At 31 December 2017	-	-

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

11. INVESTMENT PROPERTIES

	2019 €'000	2018 €'000
Group		
At beginning of year	**109,709**	82,020
Additions	**6,787**	15,394
Disposals	**(3,662)**	(2,281)
Transfer to/(from) property, plant and equipment (Note 10)	**340**	(486)
Increase in fair value during the year	**16,552**	15,062
At end of year	**129,726**	109,709

During 2019 investment property rentals of €11,709,000 were included in Revenue *(2018: €9,141,000)*. Expenses relating to the leasing and maintenance of investment properties, included in administrative expenses, total €4,736,000 *(2018: €3,828,000)*.

During the year, the Group disposed of investment properties for proceeds of €4,078,000 *(2018: €2,693,000)* resulting in a gain on disposal of €416,000 *(2018: €412,000)*.

The Group's investment properties are stated at fair value as at 31 December 2019. 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 external valuations received and also to the relevant circumstances of the property including its location, type, size, use, existing tenancies and condition.

Management also engaged external, independent valuation experts to review a portion of the investment property portfolio. These experts have appropriate recognised professional qualifications and recent experience in the location and for the category of property being valued. The valuations obtained, 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. Management considered these external valuations as compared to their assessment.

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 2019.

Asset class	**Input**	**2019**	2018
Industrial and retail buildings	Range for values per sq. ft.applied[1]	**€5 - €42**	€4.20 - €39
	Weighted average annual rent per sq. ft.[2]	**€5.46**	€4.07
	Equivalent yield - range[2]	**9.25% - 12.5%**	9% - 13.5%
Office buildings	Range for values per sq. ft.applied[1]	**€4.50 - €195**	€10 - €63
	Weighted average annual rent per sq. ft.[2]	**€10.81**	€9.84
	Equivalent yield – range[2]	**7.5% - 12.5%**	8.75% - 13.0%
Warehouse buildings	Range for values per sq. ft.applied[1]	**€16 - €76**	€16 - €73
	Weighted average annual rent per sq. ft.[2]	**€5.62**	€5.36
	Equivalent yield - range[2]	**9.25% - 10%**	10% - 10.5%
Industrial land	Value per acre - range[1]	**€2,000 - €60,000**	€2,000- €55,000

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

11. INVESTMENT PROPERTIES *(Continued)*

[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 €4,483,000 in fair value, whilst a decrease of 5% would result in a fair value decrease of €4,483,000. This is further analysed by property class as follows:

	2019		2018	
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	**829**	**(829)**	843	(843)
Office buildings	**1,526**	**(1,526)**	968	(968)
Warehouse buildings	**358**	**(358)**	329	(329)
Industrial land	**1,770**	**(1,770)**	1,365	(1,365)
Total	**4,483**	**(4,483)**	3,505	(3,505)

12. FINANCE LEASE RECEIVABLE

Finance lease receivables are payable as follows:

	Future minimum lease payments receivable		**Interest receivable**		**Present value of minimum lease payments**	
	2019 €'000	2018 €'000	**2019 €'000**	2018 €'000	**2019 €'000**	2018 €'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	**377**	411	**202**	227	**175**	184
	548	582	**234**	259	**314**	323

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.

13. DEFERRED TAX ASSETS

(a) Recognised deferred tax

Group
Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
	2019 €'000	2018 €'000	**2019 €'000**	2018 €'000
Investment properties	**-**	-	**(2,396)**	-
Unutilised capital losses	**1,337**	-	**-**	-
Employee benefits	**72**	70	**-**	-
Tax assets/(liabilities)	**1,409**	70	**(2,396)**	-
Net of tax (liabilities)/assets	**(1,337)**	-	**1,337**	-
Net tax assets/(liabilities)	**72**	70	**(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.

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13. DEFERRED TAX ASSETS *(Continued)*

Movement in deferred tax during the year

	Assets 2019 €'000	2018 €'000	Liabilities 2019 €'000	2018 €'000
At 1 January	**70**	101	**-**	-
Credit/(charge) to other comprehensive income	**10**	(23)	**-**	-
Charge to Statement of profit or loss (Note 8)	**(8)**	(8)	**(1,059)**	-
At 31 December	**72**	70	**(1,059)**	-

(b) Unrecognised deferred tax

At 31 December 2019 the Group has unrecognised deferred tax assets arising as follows.

	2019 €'000	2018 €'000
Temporary differences on fair value of investment properties	**5,322**	4,936
Unutilised capital losses	**-**	1,102
Unutilised tax losses	**619**	717
Unutilised capital allowances	**3,367**	3,663
Other temporary differences	**65**	141
At end of year	**9,373**	10,559

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.

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	Deferred tax Asset €'000	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 properties (Note 13 (a))	**(1,440)**	**724**	**(716)**
Unutilised tax losses	**(98)**	**-**	**(98)**
Unutilised capital allowances	**(296)**	**-**	**(296)**
Other temporary differences	**(76)**	**-**	**(76)**
At 31 December 2019	**9,373**	**-**	**9,373**

	Deferred tax Asset €'000	Liability €'000	Net Asset €'000
At 1 January 2018	12,634	(347)	12,287
Movement in unrecognised deferred tax arising on:			
Unutilised capital losses and temporary differences on fair value of investment properties (i)	(1,349)	(377)	(1,726)
Unutilised tax losses	139	-	139
Unutilised capital allowances	(191)	-	(191)
Other temporary differences	50	-	50
At 31 December 2018	11,283	(724)	10,559

(i) The opening and closing deferred tax liability in 2018 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.

14. INVENTORIES

	2019 €'000	2018 €'000
Group		
Finished goods for resale	**2,109**	2,208
Maintenance stock and consumables	**249**	187
	2,358	2,395

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

A total of €10,738,000 *(2018: €11,070,000)* was recognised as an expense and included in 'Cost of sales'. This includes a net Statement of Profit or Loss charge of €51,000 *(2018: credit of €29,000)* 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

15. TRADE AND OTHER RECEIVABLES

	2019 €'000	2018 €'000
Group		
Trade receivables	**3,890**	4,543
Other receivables	**4,771**	12,122
	8,661	16,665

	2019 €'000	2018 €'000
Company		
Other receivables	**443**	202
Amounts due from subsidiary companies	**316**	245
VAT	**73**	60
	832	507

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

	2019 €'000	2018 €'000
Company		
Interest in subsidiary companies		
Shares at cost	**112,275**	112,275
	112,275	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

	2019 €'000	2018 €'000
Group		
Other investments	**9,248**	230
	9,248	230

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

18. CASH AND CASH EQUIVALENTS

	2019 €'000	2018 €'000
Group		
Cash on hand	**24,013**	15,725
	24,013	15,725

As security for its borrowings (Note 23) the Group's subsidiary company, Shannon Airport Authority, has granted its lender an assignment and charge over a bank account. The balance on the account at year end was €901,000 *(2018: €901,000)*.

Company		
Cash on hand	**709**	578
	709	578

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

19. SHARE CAPITAL AND RESERVES

	2019 €'000	2018 €'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

	2019 €'000	2018 €'000
Group		
Trade payables	**1,402**	806
Accrued expenses	**21,592**	16,806
Deferred income – non-refundable customer deposits	**19,134**	9,134
Social insurance	**729**	985
VAT	**565**	550
Current trade and other payables	**43,422**	28,281
Company		
Trade payables	**167**	130
Accrued expenses	**1,004**	749
Amounts owed to subsidiary companies	**38**	101
Social insurance	**83**	105
Current trade and other payables	**1,292**	1,085

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

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21. DEFERRED INCOME – CAPITAL GRANTS

	2019 €'000	2018 €'000
Government grants (i)	**348**	354
Current deferred income	**348**	354
Government grants (i)	**2,473**	2,815
Non-current deferred income	**2,473**	2,815
Total deferred income	**2,821**	3,169

	2019 €'000	2018 €'000
(i) Government grants		
Received		
At 1 January	**12,954**	12,954
Additions	**-**	-
At 31 December	**12,954**	12,954
Amortisation		
At 1 January	**9,785**	9,437
Amortisation	**348**	348
At 31 December	**10,133**	9,785
Net book value at 1 January	**3,169**	3,517
Net book value at 31 December (Note 28)	**2,821**	3,169

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
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22. PROVISIONS

Group	Onerous commitments €'000	Self- insurance provision €'000	Provision for severance scheme €'000	Provision for remedial works €'000	Other provision €'000	Total €'000
At 1 January 2018	1,016	776	280	-	54	2,126
Provisions used during the year	(1,016)	(220)	(415)	-	-	(1,651)
Provisions made during the year	-	12	5,822	-	33	5,867
At 31 December 2018	-	568	5,687	-	87	6,342
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 31 December 2018						
Current provisions	-	195	3,524	-	87	3,806
Non-current provisions	-	373	2,163	-	-	2,536
Total provisions	-	568	5,687	-	87	6,342
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**

Onerous commitments
At 31 December 2017 the Group had onerous lease and service charge commitments arising from its obligations to maintain certain common areas within business parks owned and operated by the Group. The amounts recorded represented management's best estimate of the expenditure required to settle the relevant obligations. These obligations were settled during 2018 and there were no such obligations at 31 December 2019.

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 2019 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
In November 2016 Shannon Group plc launched a group-wide voluntary severance scheme offer which was communicated to all eligible employees. A further phase of this scheme was agreed in 2018, with formal applications received from staff who wished to avail of this scheme and an exceptional charge of €5,822,000 was recorded during the year, with a provision of €5,687,000 recorded at year end.

Total payments of €2,587,000 were made in respect of this scheme during 2019, all of which was recorded at 31 December 2018.

The provision of €3,100,000 recorded at 31 December 2019 represents management's best estimate of the expenditure required to meet the Group's obligations in respect of its employees under this scheme. Obligations totalling €1,102,000 are expected to be settled in 2020.

Provision for remedial works
At 31 December 2019 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.

Other provision
At 31 December 2019 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.

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

Other provision
At 31 December 2019 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

23. LOANS AND BORROWINGS

	2019 €'000	2018 €'000
Group		
Secured bank loans	**31,157**	21,556
Lease liabilities	**2,070**	-
Total loans and borrowings	**33,227**	21,556

	2019 €'000	2018 €'000
Secured bank loans	**1,783**	3,167
Lease liability (Note 26)	**299**	-
Current loans and borrowings	**2,082**	3,167
Secured bank loans	**29,374**	18,389
Lease liability (Note 26)	**1,771**	-
Non-current loans and borrowings	**31,145**	18,389
Total loans and borrowings	**33,227**	21,556

			2019		2018	
	Currency	Term Years	Face value €'000	Carrying value €'000	Face value €'000	Carrying value €'000
Secured bank loan (a)	EUR	**>15**	**13,323**	**13,187**	13,725	13,725
Secured bank loan (b)	EUR	**7**	**7,744**	**7,677**	7,811	7,831
Secured bank loan (c)	EUR	**>10**	**10,461**	**10,293**	-	-
Lease liabilities (Note 26)	EUR	**>1**	**2,070**	**2,070**	-	-
Total interest-bearing liabilities (Note 25)			**33,598**	**33,227**	21,536	21,556

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 balance year end of €901,000 (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.

(b) During 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 long-term loans were converted to fixed interest rates during the year 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.

(c) During 2019 Shannon Airport Authority obtained a long-term bank loan to partially fund the cost of development of a new aircraft hangar which was under construction at year end. 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 nil balance at year end. Interest on the loan is being capitalised 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. Once the hangar is completed the long-term 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.

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 respective financial covenants at the year-end date.

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 2019 and 2018:

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

	2019 €'000	2018 €'000
Group		
Net defined benefit liability	**(580)**	(563)

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. EMPLOYEE BENEFITS *(Continued)*

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

	2019 €'000	2018 €'000
Contributions expected to be paid to the plan during the annual period beginning after the reporting date (i)	**22**	77

(i) Actual contributions paid in 2019 were €77,000 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 2020.

An actuarial assessment of the scheme was carried out at 31 December 2018 and 2019 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	
	2019 €'000	2018 €'000	**2019 €'000**	2018 €'000	**2019 €'000**	2018 €'000
Fair value at beginning of year	**1,715**	1,877	**(1,152)**	(1,068)	**563**	809
Included in Profit or Loss						
Expected return on plan assets	**-**	-	**(27)**	(25)	**(27)**	(25)
Interest cost	**39**	41	**-**	-	**39**	41
	39	41	**(27)**	(25)	**12**	16
Included in Other Comprehensive Income						
Remeasurement (gain)/loss:						
- Return on plan assets	**-**	-	**(184)**	18	**(184)**	18
Actuarial loss/(gain) arising from effect of:						
- changes in demographic assumptions	**-**	(140)	**-**	-	**-**	(140)
- changes in financial assumptions	**280**	(44)	**-**	-	**280**	(44)
- experience adjustments	**(14)**	(19)	**-**	-	**(14)**	(19)
	266	(203)	**(184)**	18	**82**	(185)
Other						
Employer contributions	**-**	-	**(77)**	(77)	**(77)**	(77)
Members contributions	**-**	-	**-**	-	**-**	-
Benefits paid	**(39)**	-	**39**	-	**-**	-
Fair value at year end	**1,981**	1,715	**(1,401)**	(1,152)	**580**	563

Plan assets

Plan assets comprise the following:

	2019		2018	
	Plan assets €'000	**Percentage of plan assets - %**	Plan assets €'000	Percentage of plan assets - %
Equities	**564**	**40.3**	417	36.2
Bonds	**779**	**55.6**	690	59.9
Property	**-**	**-**	-	-
Cash	**2**	**0.1**	1	0.1
Other	**56**	**4.0**	44	3.8
	1,401	**100.0**	1,152	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.

	2019	2018
Discount rate	**1.55%**	2.3%
Rate of price inflation	**1.4%**	1.7%
Rate of increase in salaries	**-**	-

The discount rate of 1.55% 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:

	2019 Years	2018 Years
Longevity at age 65 for current pensioners		
Males	**22.5**	22.4
Females	**24.4**	24.3
Longevity at age 65 for current members aged 45		
Males	**24.3**	24.2
Females	**26.2**	26.1

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.

	2019 €'000 Increase/(decrease)	2018 €'000 Increase/(decrease)
Discount rate – 0.5% decrease	**275**	236
Inflation – 0.5% increase	**126**	113

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 2019, the total expense recognised was €964,644 *(2018: €1,041,961)*, none of which was payable at year end *(2018: 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 2019 and 2018, 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 2019, the total expense recognised was €147,000 *(2018: €178,000)*, €29,000 of which was payable at year end *(2018: Nil)*.

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 2019, the total expense recognised was €104,751 *(2018: €110,922)*. The amount due at year end is €33,854 *(2018: €22,311)*.

Shannon Group plc operates a number of 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 2019, the total expense recognised was €231,693 *(2018: €217,799)*, none of which was payable at year end *(2018: 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	
	2019 €'000	2018 €'000
Group		
Trade receivables (Note 15)	**3,890**	4,543
Other receivables (Note 15)	**4,771**	12,122
Finance lease receivable (Note 12)	**314**	323
Other investments (Note 17)	**9,248**	230
Cash and cash equivalents (Note 18)	**24,013**	15,725
Total	**42,236**	32,943
Company		
Trade receivables (Note 15)	**-**	-
Other receivables (Note 15)	**443**	202
Amounts due from subsidiary companies (Note 15)	**316**	245
Cash and cash equivalents (Note 18)	**709**	578
Total	**1,468**	1,025

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.

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(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:

	2019 €'000	2018 €'000
Gross trade receivables		
Republic of Ireland	**4,439**	4,875
United Kingdom	**375**	593
Rest of world	**484**	552
At 31 December	**5,298**	6,020

At 31 December 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	2019 €'000	2018 €'000
Aeronautical customers	**1,643**	2,214
Tourism customers	**487**	564
Commercial property customers	**1,040**	1,234
Airport concession and rental customers	**1,212**	1,351
Other commercial customers	**916**	657
At 31 December	**5,298**	6,020

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

	2019 €'000	2018 €'000
Allowance for doubtful debts		
At the start of the year	**1,477**	1,576
Amounts (credited)/charged to operating expenses	**(17)**	40
Trade receivables written off	**(52)**	(139)
At 31 December	**1,408**	1,477
Net trade receivables (Note 15)	**3,890**	4,543

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

	2019 €'000	2018 €'000
Within credit terms	**2,291**	2,551
0-30 days past due	**623**	710
31-60 days past due	**715**	989
61-90 days past due	**92**	571
Greater than 90 days past due	**1,577**	1,199
Total	**5,298**	6,020

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

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	**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**

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 2018

	Weighted-average loss rate	Gross carrying amount €'000	Loss allowance €'000	Credit- impaired €'000
Within credit terms	7.1%	2,551	(182)	2,369
0-30 days past due	20.1%	710	(143)	567
31-60 days past due	23.9%	989	(236)	753
61-90 days past due	19.8%	571	(113)	458
Greater than 90 days past due	67.0%	1,199	(803)	396
Total		6,020	(1,477)	4,543

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 *(2018: 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 2019 and 2018, however was not in use at year end.

The Group has prepared a five-year strategic plan, which also includes the funding strategy of the Group over the five year term of the plan. Implementation of the Group's capital programme will require additional external borrowings. The Group's strategic plan and related funding strategy set out key performance ratios and tolerances within which the group manages its liquidity, profitability and gearing.

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 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**

		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 2018						
Non-derivative financial liabilities						
Trade and other payables	28,281	28,281	28,281	-	-	-
Secured bank loan	21,556	29,350	2,479	1,330	1,473	24,068
Total	49,837	57,631	30,760	1,330	1,473	24,068

(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 *(2018: €0.1 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.

Capital management
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 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 loans	-	-	**(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
31 December 2018					
Finance lease receivable	323	-	-	323	-
Trade and other receivables	16,665	-	-	16,665	-
Other investments	230	-	-	230	-
Cash and cash equivalents	15,725	-	-	15,725	-
Total	32,943	-	-	32,943	
Trade and other payables	-	-	(28,281)	(28,281)	-
Secured bank loan	-	-	(21,556)	(21,556)	-
Total	-	-	(49,837)	(49,837)	

	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)**	

	Amortised Cost €'000	Fair Value through Profit or Loss €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
Company					
31 December 2018					
Trade and other receivables	507	-	-	507	-
Cash and cash equivalents	578	-	-	578	-
Total	1,085	-	-	1,085	
Trade and other payables	-	-	(1,085)	(1,085)	-
Total	-	-	(1,085)	(1,085)	

*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 2020 to 2041. Prior to the adoption of IFRS 16 *Leases* on 1 January 2019, these were classified as operating leases.

The following table represents the future minimum lease payments under non-cancellable operating leases. No disclosure is provided for 2019 as from 1 January 2019, the distinction between finance and operating leases disappeared for lessees. The Group has recognised right-of-use assets for these leases under IFRS 16.

	2018 €'000
Less than one year	371
Between one and five years	851
More than five years	1,961
	3,183

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26. LEASES *(Continued)*

(a) Leases as lessee *(Continued)*

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**

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:

Leases under IFRS 16	**2019 €'000**
Interest expense on lease liabilities	**79**

Operating Leases under IAS 17	**2018 €'000**
Lease expense	363

Amounts recognised in the consolidated cashflow statement

Leases under IFRS 16	**2019 €'000**
Total cash outflow for leases	**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 €11,709,000 *(2018: €9,141,000)* was recognised as rental income by the Company. 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:

	2019 €'000
Operating leases under IFRS 16	
Less than one year	**10,766**
Between one and two years	**7,617**
Between two and three years	**6,370**
Between three and four years	**5,839**
Between four and five years	**5,314**
More than five years	**17,747**
	53,653

	2018 €'000
Operating leases under IAS 17	
Less than one year	8,644
Between one and five years	20,746
More than five years	20,505
	49,895

27. RELATED PARTY DISCLOSURES

(a) Related party transactions

Group

The beneficial 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 Managing Director 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 2019 were €49,321 *(2018: €69,926)*. No amounts were unbilled or billed and not yet paid by the Group at year-end *(2018: €4,982)*.

(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.

No fees were paid by the Group in respect of services provided to the Group in the normal course of business during the year ended 31 December 2019 *(2018: €3,836)*. No amounts were unbilled or billed and not yet paid by the Group at year-end *(2018: Nil)*.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

27. RELATED PARTY DISCLOSURES *(Continued)*

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

(b) Key management compensation
Key management includes 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:

	2019 €'000	2018 €'000
Group		
Salaries and other short-term employee benefits (including social welfare)	**1,237**	1,350
Post-employment benefits	**117**	124
	1,354	1,474

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 2019 under contracts entered into by the Group is estimated at €16,443,581 *(2018: €21,314,126)*. There was no grant aid secured to fund these capital commitments *(2018: €200,000)*.

(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.

29. SUBSEQUENT EVENTS

On 31 January 2020, the World Health Organisation ("WHO") announced COVID-19 as a global health emergency. On 11 March 2020, the WHO declared it to be a pandemic in recognition of its rapid spread across the globe. The COVID-19 pandemic has had a material financial impact on the Group's results subsequent to the year end date, as outlined further in Note 1.3 to the financial statements.

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 26 March 2020.

GENERAL BUSINESS INFORMATION

REGISTERED OFFICE	Shannon Airport Shannon Co. Clare
AUDITOR	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
BANKERS	Bank of Ireland Shannon Industrial Estate Shannon Co. Clare
REGISTERED NUMBER	548847

shannon GROUP

Aviation | Property | Tourism

ANNUAL REPORT AND ACCOUNTS | 2019

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