shannon GROUP

2016 ANNUAL REPORT AND ACCOUNTS

WORKING TOGETHER–BUILDING OUR FUTURE

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shannon GROUP

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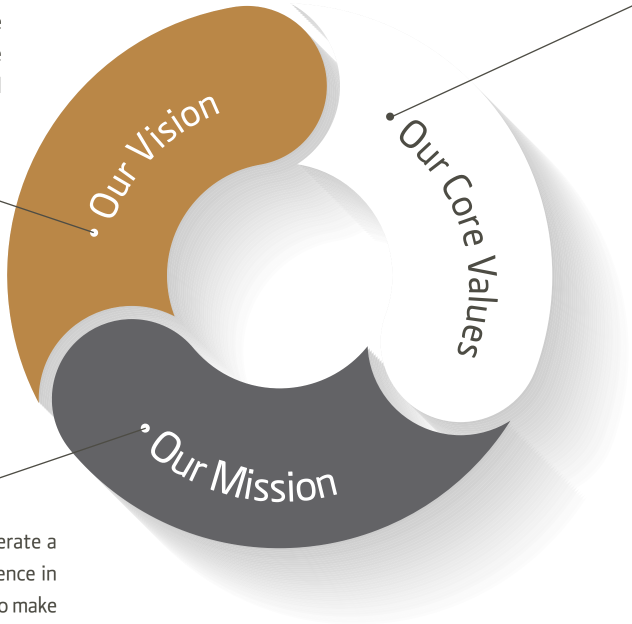
ABOUT SHANNON GROUP PLC

shannon GROUP

Our Vision is to be a customer and value driven success story making a real difference by attracting more and more people and businesses to our region.



Our Core Values demonstrate the standards and principles that define what we do and how we do it, central to these are:

- Integrity
- Customer Focus
- Teamwork
- Innovation
- Responsibility
- Community Engagement

Our Mission is to manage and develop our aviation, tourism and property assets, to generate a sustainable commercial return, to drive excellence in safety standards and service to customers and to make a difference to the communities we serve.

Shannon Group plc is a commercial semi-state group, comprising three companies, focused on delivering economic benefits for the West of Ireland and the wider national economy. The Group brings together Shannon Airport Authority DAC ('Shannon Airport'), Shannon Commercial Enterprises DAC ('Shannon Commercial Properties') and Shannon Castle Banquets & Heritage Limited ('Shannon Heritage').

The Group was formally established on 5 September 2014 following the enactment of the State Airports (Shannon Group) Act, 2014.

Shannon Group provides air transport and aviation services at Shannon Airport and its environs, supports the growing aviation cluster at Shannon through the IASC brand, harnesses its property and land assets owned by Shannon Commercial Properties, and offers visitors a range of heritage tourism options through Shannon Heritage. Today, Shannon Group employs over 680 people in high season.

Our position as a key economic driver and enabler for growth makes us a vital component in building a brighter, more sustainable future for the people of our region.

A well connected airport improves the economic attractiveness of the region as a place to live, work, visit and do business and every day we open up the world for the many leisure and business travellers who pass through our airport. Our heritage company provides visitor attractions to give people reasons to visit our region and stimulates significant annual spinoff tourism revenue. Our property company is providing key business infrastructure to create the environment to entice foreign direct investment and indigenous jobs to the area.

Shannon Group 2016

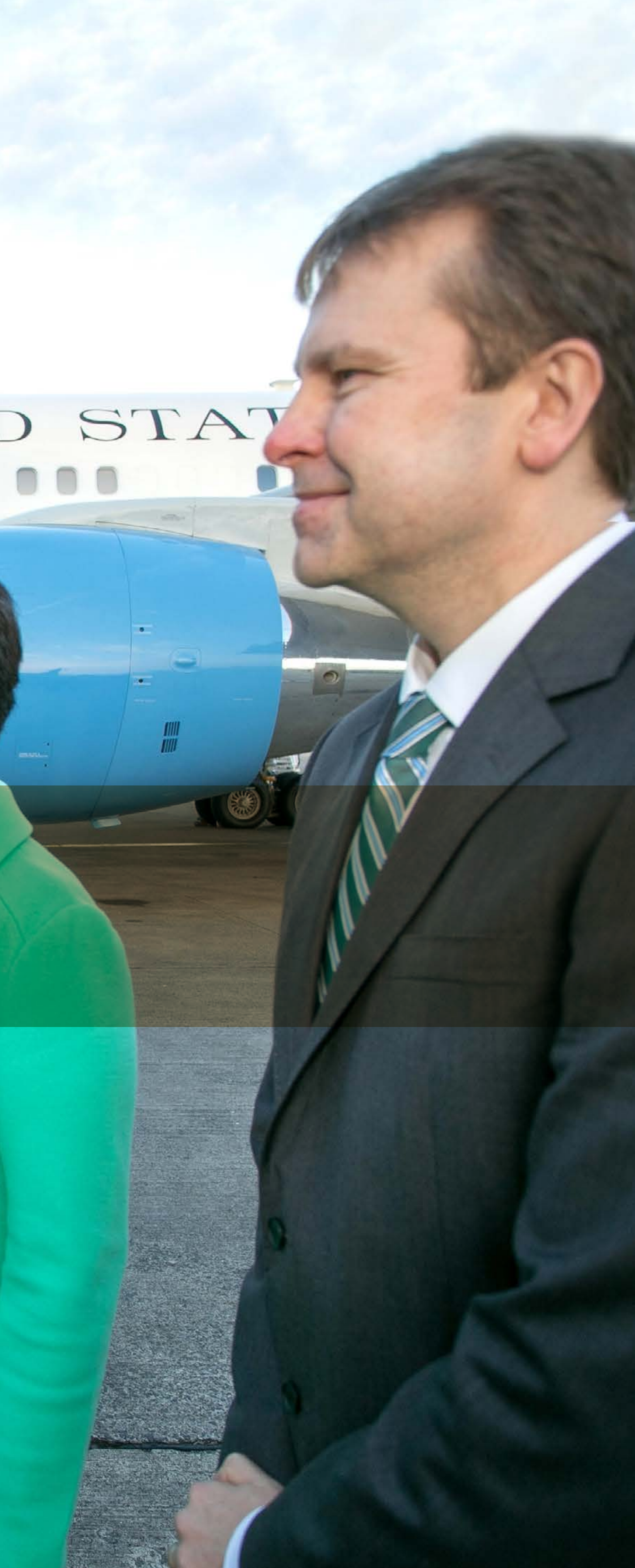
- Capital Expenditure
  €13.1 Million
- Profit before tax
  €7.3 Million
- Turnover
  €67.2 Million
- Passengers
  1.748 Million
- Shannon Heritage
  over **904,000** visitors
- Raised for charities **€76,000**

FINANCIAL OVERVIEW

	2016 €'000	2015 €'000
Revenue	**67,231**	65,561
Operating profit as reported (after exceptional items)	**7,093**	7,049
Investment properties revaluation gains	**(4,513)**	(3,611)
Other income (including gains on disposal of assets)	**(253)**	(1,102)
Exceptional items ^	**1,334**	901
Adjusted operating profit	**3,661**	3,237
Depreciation and amortisation	**3,916**	3,649
EBITDA (before exceptional items and investment property revaluations)	**7,577**	6,886

^See page 63 for details of exceptional items


UNITE



CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE OFFICER'S REVIEW

CHAIRMAN'S STATEMENT
TOGETHER WE CAN ACHIEVE MORE

ANOTHER POSITIVE YEAR
2016 was another positive year for Shannon Group. We continued to deliver on our objectives to increase passengers at Shannon Airport, grow visitor numbers to our tourism heritage sites across Ireland and revitalise our business accommodation to entice investment and jobs to the region.

SHANNON GROUP – A CATALYST FOR GROWTH
The success of Shannon Group and the economic success of the West and Mid-West region are undeniably inter-linked.

Shannon Group is a catalyst for growth in the region. The airport provides vital access for tourists and businesses; Shannon Commercial Properties provides quality business accommodation to attract investment and jobs, and Shannon Heritage provides 'reasons to visit' for overseas visitors each year. The Group directly employs over 680 people in high season and though its activity stimulates employment right across the region.

It directly contributes to Ireland's economic prosperity and by continuing to deliver on our plans, we hope that we can further grow Shannon Group's impact to benefit even more people in the region.

NEW SHANNON GROUP CEO TO LEAD GROWTH STRATEGY
In June 2016, the Board appointed Matthew Thomas as CEO of Shannon Group plc. Matthew has over 20 years' experience and a deep knowledge of the aviation industry combined with significant commercial expertise. We are very fortunate to have secured a chief executive of Matthew's ability and proven international experience to lead our growth strategy.

IMPROVED BUSINESS PERFORMANCE
Shannon Group made steady progress in 2016 recording turnover of €67.2 million and EBITDA of €7.6 million, a 10% increase on 2015, reflecting a solid performance and positioning us for further growth.

For Shannon Airport, 2016 was a year of consolidation of the considerable gains made since 2013 when the airport became independent. Passenger numbers at the airport increased for the fourth consecutive year with over 1.748 million flying through the airport, a 2% increase on 2015. Since becoming independent the airport has recorded cumulative passenger growth of over 24%.

The importance of direct air connectivity to key markets to enable the business community deliver Foreign Direct Investment (FDI) cannot be overstated. It remains crucial for the development of the regional economy. We look forward to working with all of our stakeholders to continue the development of Shannon Airport and the wider region.

Shannon Heritage, the largest operator of day and night-time tourist attractions in Ireland, also saw significant growth in 2016. Visitor numbers at Shannon Heritage's portfolio of owned and managed day visitor attractions and evening entertainment venues in Clare, Limerick, Galway and Dublin grew by 30%.

In all, over 904,000 people visited the popular visitor attractions, which include Bunratty Castle and Folk Park, King John's Castle and Malahide Castle and Gardens. Also included in these figures, for the first time, is the Shannon Heritage managed GPO Witness History visitor centre, which opened in Dublin at the end of March 2016 and attracted over 160,000 visitors in its first 9 months.

While Shannon Group achieved a solid performance in 2016, further work is required to ensure continued business improvement by creating cost efficiencies across Group companies.

BUILDING FOR THE FUTURE
Much of Shannon Group's focus in 2016 centred on providing infrastructure to entice FDI and indigenous investment to the region, and improving our customer offering.

We continued our extensive capital programme, investing over €13 million across Group companies in 2016. Since the formation of Shannon Group in September 2014, we have invested almost €30 million across a wide range of projects.

In 2016, Shannon Airport undertook a significant capital investment programme to enhance the passenger experience at the historic terminal building. Over €6 million was invested in a range of airport initiatives including, customer service enhancements, apron reconstruction, fire compliance upgrades and energy efficiency projects.

In 2016, the Group's property company, Shannon Commercial Properties, which owns 2.6 million sq ft of building space, over 300 buildings and in excess of 1,600 acres of development land across counties Clare, Limerick, Tipperary, Offaly and Kerry, made significant progress delivering its €26 million phase one redevelopment of Shannon Free Zone. By the end of 2017, Shannon Commercial Properties will have developed over 200,000 sq ft of state-of-the-art advanced manufacturing, warehousing and office space. This new business accommodation will increase our ability to attract investment and jobs to the area.

Shannon Group continues to support and develop the International Aviation Services Centre cluster of over 50 aviation and aerospace businesses at Shannon. 2016 saw the award of funding from Enterprise Ireland towards an Enterprise and Incubation Centre, to be located at Shannon Airport House, in Shannon Free Zone, which will open in mid-2017.

COLLABORATION AND PARTNERSHIP ARE CRUCIAL
Looking at the current national and international landscape, it is clear that there are economic challenges ahead. We know that strong regions make for a strong national economy. Balanced

"With the continued commitment of all stakeholders working together, we can help shape a better future for the benefit of the people of this region."

regional development is critical to the economy of the region to enable it to unlock and reach its potential.

The Government is to be commended for having the foresight to introduce a number of very positive initiatives which will be very important in setting the landscape for focused economic growth nationally and in the region in the years ahead.

With the launch of the consultation of the National Planning Framework by An Taoiseach and led by Minister Coveney, a critical roadmap for the future development of the whole country is being created. It is important that we have a plan not just for the continued growth of Dublin, but also one that will enable the regions and cities outside the capital to achieve their full potential. This will require strategic thinking and planning and we must all play our part.

Shannon Group is looking forward to contributing positively and constructively to this consultation and is working with a range of stakeholders to highlight a series of initiatives to ensure that the region reaches its full economic potential for the benefit of its people.

The growth targets set out in the Action Plan for Jobs, where all regions are facilitated to achieve their economic and social potential, complements our Shannon Group vision of growth here in the Mid-West and are to be commended.

The launch of *'Realising our Rural Potential'*, the €60 million action plan for rural development, unveiled by Government in January 2017 is a key initiative designed to stimulate growth outside the capital. Our rural communities and regions are vital resources that need to be nurtured and supported. Shannon Group welcomes the action plan as it supports the work that is currently underway to build strong regions so that Ireland as a whole can flourish.

We have faced and overcome challenges in the past and I am confident that we can do so again if we work positively in partnership across the region. We are stronger together and together we can achieve more.

ACKNOWLEDGEMENTS

We realised our objectives for 2016, in particular with regard to delivering a programme of investment across the Group to benefit our stakeholders and I would like to pay tribute to our management and employees for their commitment and hard work. The initiatives they have undertaken during the year have helped us achieve our growth objectives.

I would like to acknowledge the support and encouragement of our shareholder, the Minister for Transport, Tourism and Sport, Mr. Shane Ross, TD, during the year. The support we received from his departmental officials during 2016 is very much appreciated and valued.

The skills and expertise of the Shannon Group Board have been vital in overseeing the realisation of our objectives. I would like to thank them for their insights and commitment in guiding and governing the Group during the year.

In May 2016, Mr. Pat Dalton made the decision, as a result of increased workload, to step down from the Board of Shannon Group. The Board and management of Shannon Group would like to thank Mr. Dalton for his time and dedication and we wish him well in his future business ventures. His contribution to Shannon Group, and prior to this on the Board of Shannon Airport, is considerable and his wealth of knowledge and expertise has been invaluable.

I would like to take this opportunity to thank all of our customers who have supported Shannon Airport, Shannon Heritage and Shannon Commercial Properties, whose loyalty is greatly appreciated.

We are passionate about realising our region's potential and while the future may hold many uncertainties, I am convinced that with the continued commitment of all stakeholders working together, we can help shape a better future for the benefit of the people of this region.

Rose Hynes
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

TOGETHER - MAXIMISING OUR POTENTIAL

OPENING A NEW CHAPTER AT SHANNON GROUP

I feel extremely privileged to have been given the opportunity to lead the next chapter in Shannon Group's evolution. Shannon Group, more than any other commercial entity in the region, has the potential to positively impact economic development. For the region to continue to flourish, we need more people living and working here and more tourists visiting the west coast.

Shannon has an iconic place in aviation history and I am excited to have come to Shannon and Ireland at this time of great opportunity.

It is encouraging that the latest IDA statistics show that the Mid-West was the fastest growing region outside of Dublin in 2016, with 16 companies who announced new or expanded operations citing the global connectivity provided by Shannon Airport as a key reason for basing themselves on the west coast.

Over 1,500 new jobs were generated as a result and the IDA estimates that for every 10 jobs generated by Foreign Direct Investment (FDI) directly, another seven are generated in the wider economy. Similarly, tourists arriving directly into Ireland through Shannon Airport stay longer on the west coast, spend more and stimulate more jobs in the local economy, underlining the importance of Shannon Group as an economic driver.

Through Shannon Group companies we are striving to provide more air connectivity, lead the development of commercial property to attract more companies to locate in the Mid-West and to deliver outstanding tourist facilities to encourage more visitors to the region.

MAXIMISING OUR POTENTIAL

Since joining Shannon Group I have had the opportunity to appreciate the diversity of each Group company and the natural synergies that exist between them. At the start of 2017, key management changes strengthened the ability of Shannon Group to act as a key driver of growth for the region. I was delighted to appoint Mary Considine as Deputy CEO of Shannon Group, Andrew Murphy as Managing Director of Shannon Airport and John Ruddle as New Business Development Director at Shannon Heritage. These appointments will help maximise the Group's potential and our contribution to growth in the region.

To enable us to further unlock the growth potential across Shannon Group we will continue to accelerate our ambitious capital investment programme. Since the establishment of the Group in September 2014, we have invested almost €30 million in a range of initiatives to deliver a better experience to our customers and create infrastructure to enable more people to work in the area.

Our five year capital investment programme includes further significant investment throughout the Group and will more than double our annual capital investment programme in 2017. More than €20 million will be invested in Shannon Airport to enhance facilities including the runway, restaurants, executive lounges and Shannon Duty Free shop.

PERFORMANCE REVIEW

Shannon Group plc is a self-financing, semi-state company employing over 680 people in high season. Our turnover in 2016 was €67.2 million. The Group returned a post-tax profit of €6.6 million by consolidating our revenue streams and continuing to focus on managing our cost base. The Group remains long-term debt free and our year-end cash deposits totalled €25.7 million.

SHANNON AIRPORT

Shannon Airport currently operates services to 35 destinations in 11 countries. In a very competitive international market-place the airport delivered a fourth year of passenger growth since becoming independent. During the year we saw Shannon gain new routes including a new Edinburgh service, new winter routes to Fuerteventura and Malaga, additional flights to Lanzarote and additional capacity on existing routes.

2016 was a positive year in terms of new business development for the airport, with four airlines, Scandinavian Airlines, Lufthansa, Norwegian Air International and Kuwait Airways, all announcing operations at Shannon. This is the first time in 10 years that four carriers, new to the Shannon schedule, announced services in one year.

The UK, Shannon's biggest market, proved buoyant in 2016 with over 758,000 passengers, a 7% increase over the previous year. The US market again returned positive numbers, with over 396,000, a 4% increase on 2015, flying through Shannon to and from its five American destinations, JFK New York, Newark, Boston, Chicago and Philadelphia airports.

Shannon punches well above its weight in terms of US connectivity and the announcement by Norwegian Air International of two new services to New York and Boston in 2017 further cements its position as the transatlantic gateway to the west of Ireland. This latest announcement creates an unprecedented line-up to the USA from Shannon, with five airlines, seven destinations and eight services.

Achieving 24% passenger growth since 2013 is encouraging. We are very mindful however that for connectivity to continue to grow, we rely on the support of our loyal customers for new airlines and new routes from Shannon, acting as ambassadors for the Airport at every opportunity. Airlines constantly review the commercial viability of routes, therefore it is important that these routes are successful so we can ensure they are sustainable into the future. Shannon Airport faces significant and increasing competition for both existing and new airline routes.

We are committed to further improving the experience for our customers at Shannon

Airport and we completed a €3 million upgrade of our airport transit lounge and European departure gates in 2016. This project included the refurbishment of the transit lounge and the creation of a new catering facility and food court.

SHANNON HERITAGE

In 2016, Shannon Heritage, our tourism heritage company, welcomed over 904,000 visitors to its sites, representing a 30% increase over 2015 numbers. This is partly due to the addition of our new visitor attraction, GPO Witness History which opened in Dublin at Easter 2016 and was a major success, recording over 160,000 visitors in its first 9 months of operation.

Bunratty Castle and Folk Park in Co. Clare and King John's Castle in Limerick city continued to perform strongly, with visitor numbers increasing by 9% to over 352,000 and by 5.4% to almost 110,000 respectively.

The Company contributes significantly to the local economy in spin-off revenue annually and directly employs over 350 people in peak season. It also indirectly supports many more jobs in the wider region.

Bunratty Castle and Folk Park, one of our flagship tourist attractions, underwent a €1 million redevelopment in 2016 with a new retail store, café and new attractions around the Park being added. The development resulted in an extra 30 staff being employed at the site.

SHANNON COMMERCIAL PROPERTIES

In 2016, our property company Shannon Commercial Properties continued to invest in its portfolio and made significant progress on delivering the first phase of a major redevelopment programme at Shannon Free Zone at a projected cost of €26 million.

Already home to 150 companies employing in excess of 7,000 employees, Shannon Free Zone (SFZ) is one of the region's core assets and the investment programme underway will help deliver significant new advanced manufacturing, warehousing and office space solutions to support the IDA and Enterprise Ireland led drive for inward investment into the region.

Just over 12 months since the announcement of the redevelopment programme for Shannon Free Zone projects totalling over €8 million have been completed, with another €18 million set for completion by summer 2018.

"It is important that there is a plan… that will ensure the regions and cities outside the capital achieve their full potential"

CHIEF EXECUTIVE OFFICER'S REVIEW *(Continued)*

Among work completed in 2016 was a €6 million 67,000 sq. ft. advanced technology manufacturing facility extension to the existing GE Sensing building at Shannon Free Zone East (completed in April); a €1.3 million refurbishment of a 56,000 sq. ft. office and warehousing facility at the existing Magellan Aviation Services Ltd building at Shannon Free Zone West (completed in January); and a €1 million refurbishment of Universal House, a four-storey office block in Shannon Free Zone West (completed in November).

Other major Shannon Free Zone projects underway are: a €10 million 55,000 sq. ft. Grade A office block office, due for completion in May 2018; a €4 million 100,000 sq. ft. office space, engineering workshop and warehousing facility in what was formerly known as the Boart building, which will be completed by May 2017; and a €4 million 33,000 sq. ft. advance technology manufacturing unit at Shannon Free Zone West (Block E), with construction to be completed by April 2018.

These investments are a critical enabler of inward investment activity in the region. I am really encouraged by the level of commitment and support of the business community in the region and we are committed to working with all of our stakeholders on a shared vision to realise the potential of our region.

IASC

Shannon is home to the largest cluster of aerospace and aviation companies in Ireland, consisting of over 50 companies and over 1,600 staff, brought together under the brand of IASC, the International Aviation Services Centre.

Our mission is to make IASC a globally relevant aviation industry cluster by developing the cluster's capabilities and scale and by promoting it around the world. In this we work alongside Enterprise Ireland and IDA Ireland as well as pursuing our own marketing and business development activities.

As the promoter of the IASC cluster, Shannon Group works to develop the cluster, both by helping existing aviation and aerospace firms here to develop their business, and by attracting new overseas companies to the area.

In 2016, IASC secured Enterprise Ireland funding for the development of an Enterprise and Incubation Centre to facilitate small and medium sized enterprises (SME's) and start-ups in Shannon, with a particular focus on the aviation and aerospace sectors. This Centre will open in June 2017.

The aerospace and aviation strengths of Shannon and the Mid-West region are well recognised, and our continued development of IASC will build Ireland's aerospace capabilities and contribute to the national economy, while ensuring Ireland remains a global centre for this industry.

EFFECTIVE REGIONAL DEVELOPMENT IS CRITICAL

The National Planning Framework has the potential to positively impact the prosperity of people living outside the capital in a way that few other initiatives have done. It is important that there is a plan not just for the continued growth of Dublin but also one that will ensure the regions and cities outside the capital achieve their full potential.

We wholeheartedly welcome this process which provides the forum for discussing the infrastructure the regions will require in order to develop and deliver a more balanced economy across the island of Ireland. The development of this framework will be critical to the future development of our country. We need a plan which is developed through incredibly close co-operation regionally and nationally.

The west of Ireland has all the ingredients for the objectives of the planning framework to be realised. We have vibrant cities in Galway and Limerick, fantastic third level colleges producing an extremely talented pool of graduates, a plentiful supply of keenly priced housing, a portfolio of new business accommodation options and all in a wonderful location with the Wild Atlantic Way on its doorstep.

The objectives of the National Planning Framework regarding job creation and population growth for this region are predicated on attracting more FDI and nurturing competitive indigenous industry. The connectivity provided by Shannon Airport will continue to be a critically important asset for the region in attracting more FDI companies. As one of the single biggest catalysts for growth on the entire western seaboard, Shannon Group looks forward to contributing positively and constructively to this discussion.

COMMITTED TO OUR COMMUNITY

I am immensely proud of the Group's extensive Corporate Social Responsibility programme (CSR) and that it is important to our staff that we have a positive impact on the community where we live and work. The desire to give something back is strongly embedded in our corporate culture and is fundamental to the way we do business across our Group companies.

In addition to implementing measures to protect our environment, we are pleased to be working with a range of community groups to provide support in areas that are important to us both.

Coupled with this, we are committed to meeting the needs of our customers in every way we can. In 2016 we introduced an autism and special needs programme at Shannon Airport designed to make air travel easier for customers and their families and we are very pleased with the positive response.

PARTNERSHIP IS KEY

I am proud to lead a group of people who recognise the importance of Shannon Group to the region we serve and I would like to thank our management team and employees for their drive and enthusiasm. It is this commitment from every corner of our Group that will drive us forward and ensure our success in the future.

We are genuinely grateful for the tremendous support we receive from our all our stakeholders among them, IDA Ireland and Enterprise Ireland, Fáilte Ireland and Tourism Ireland, the City and County Councils, the Chambers of Commerce including the American Chamber of Commerce Ireland, our third level colleges and the business community in the Mid-West and Western counties. We look forward to continued positive and fruitful engagement in the years ahead.

The outlook for the Group is positive, however, we need to continuously improve our competitiveness and with the implementation of the National Planning Framework and other Government measures to stimulate growth outside the Dublin region, we have a huge opportunity for all of Ireland to reach its full potential.

There are undoubtedly more challenges ahead, however, working in ever closer partnership with our stakeholders to promote the region as a premier location for tourism and industry, I believe we can realise the region's full potential.

Matthew Thomas
Chief Executive Officer

INVESTING IN OUR FUTURE

OUR SHANNON GROUP CAPITAL INVESTMENT PROGRAMME ACROSS ALL THREE COMPANIES CONTINUED APACE IN 2016 WITH A SPEND OF OVER €13 MILLION, BRINGING TOTAL INVESTMENT SINCE THE ESTABLISHMENT OF THE GROUP IN SEPTEMBER 2014 TO ALMOST €30 MILLION.

THIS IS JUST THE START OF OUR COMMITMENT AND IN 2017, THE GROUP PLANS TO MORE THAN DOUBLE ITS ANNUAL CAPITAL INVESTMENT PROGRAMME TO OVER €30 MILLION.

Among key projects progressed in 2016 were:

1 A €4 million 100,000 sq ft office space, engineering workshop and warehousing facility in what was formerly known as the Boart building at Shannon Free Zone. This Shannon Commercial Properties project is expected to be complete by May 2017. Pictured at the site inspecting progress are (l-r); Matthew Thomas, CEO, Shannon Group and Ray O'Driscoll, Managing Director, Shannon Commercial Properties. In addition to this Shannon Commercial Properties completed a €6 million 67,000 sq ft extension to the existing GE Sensing building at Shannon Free Zone East, a €1.3 million refurbishment of a 56,000 sq ft office and warehousing facility at the existing Magellan Aviation Services building, and a €1 million refurbishment of Universal House, a four-storey office block, both at Shannon Free Zone.

2 An extensive €3 million upgrade of the Shannon Airport transit lounge and European departure gates was undertaken during 2016. The enhancements included the total refurbishment of the transit lounge and restrooms, and the creation of a new catering facility and food court. Pictured inspecting work are (l-r); Rose Hynes, Chairman, Shannon Group, Niall Maloney, Airport Operations Director, Shannon Airport, and Mary Considine, Deputy CEO, Shannon Group.

3 Building on the spirit of innovation synonymous with Shannon, in 2016 the airport pioneered the world's first trial of a new airport passenger screening system which, if successful, could halve the time spent in security screening by millions of passengers in airports worldwide. This system merges both EU and US security measures into one location as part of an overall project called XP-DITE. Pictured at a demonstration of the new system are (l-r); Niall Maloney, Airport Operations Director, Shannon Airport, John Francis, Chief Security Officer, Shannon Airport and Dr Mike Kemp, ICONAL Technology Ltd.

4 A major €1 million upgrade at Bunratty Castle and Folk Park involving the development of a new retail store, café and new attractions around the visitor site, was officially opened in December 2016 by Minister Patrick O'Donovan TD, Minister of State for Tourism and Sport. The existing shop was replaced with the Shannon Irish Design Store, Ireland's newest retail brand, and a new concept in shopping which has doubled the size of the original retail space. The development has resulted in an extra 30 staff being employed at the site. Over 100 businesses from around Ireland are now being given an opportunity to showcase their products at the store. Pictured at the opening are Rose Hynes, Chairman, Shannon Group, Minister Patrick O'Donovan and Matthew Thomas, CEO, Shannon Group.

5 Sisters Fiadh Ruddy, aged 3 (left) and Siofra Ruddy, aged 4, from Oranmore, Co. Galway, are pictured enjoying a cuppa at the newly opened Mr. O'Regan's café at Bunratty Castle and Folk Park in County Clare.

2.

1.

€3 Million

UPGRADE OF THE SHANNON AIRPORT TRANSIT LOUNGE AND EUROPEAN DEPARTURE GATES WAS UNDERTAKEN DURING 2016

5.

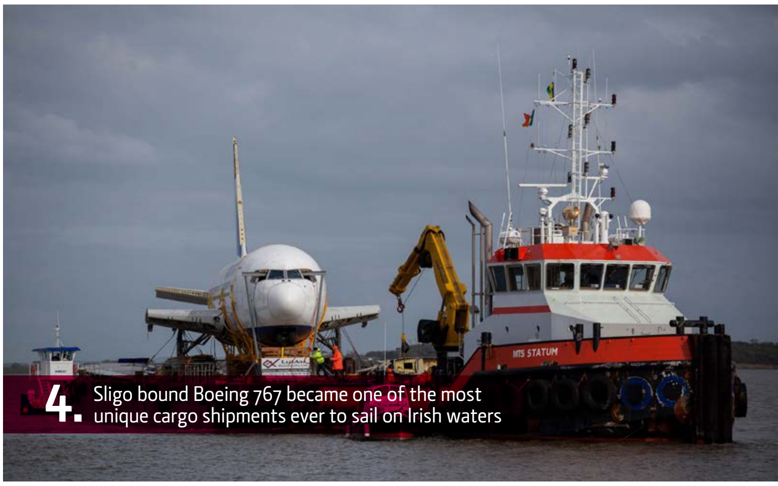
3.

4.

1. Scandinavian Airlines (SAS) announced a new Shannon to Stockholm service

2. Shannon's connectivity received a boost with the return of the Stobart Air operated Aer Lingus Regional service to Edinburgh

3. Shannon welcomes its 6 millionth passenger since becoming independent in 2013



4. Sligo bound Boeing 767 became one of the most unique cargo shipments ever to sail on Irish waters

5. 30th anniversary for Delta in Ireland

6. Lufthansa launches Shannon to Frankfurt service

7. Kuwait Airways began operating a new transit service to Shannon Airport

SHANNON AIRPORT 2016 AVIATION HIGHLIGHTS

2016 was an exciting year for aviation development at Shannon. Passenger numbers at the airport continued to climb with the airport recording 1.748 million passengers for the first time since 2010. Shannon Airport provides a key supporting role to the region from a tourism and business perspective. Since 2013, when the airport became independent, it has seen a reversal in declining passenger numbers and has grown them by a remarkable 24%. The focus in 2016 was on consolidation and bedding down these gains. During the year the airport worked to highlight its services to 35 destinations in 11 countries and give airlines and customers more reasons to choose Shannon as their gateway for business and pleasure.

1 In October, Scandinavian Airlines (SAS) announced a new Shannon to Stockholm service in 2017 from 1 August until 7 October, operating twice a week. Pictured with 'ABBA' at the announcement are (from left); Andrew Murphy, MD Shannon Airport, Declan Power, Head of Aviation Development, Shannon Airport, Matthew Thomas, CEO, Shannon Group and Isabel Harrison, Manager, Aviation Development, Shannon Airport.

2 In March, Shannon's connectivity received a boost with the return of the Stobart Air operated Aer Lingus Regional service to Edinburgh, one of Europe's most popular weekend destinations. The service provided over 35,000 seats for Shannon Airport in 2016, rising to 45,000 per annum from 2017. Pictured at the launch of the new route are (from left): Aer Lingus Regional cabin crew Amy Scott, Mary Considine, Deputy CEO, Shannon Group, Aer Lingus Regional cabin crew member Calvin Long, CBS Sexton Street Limerick Pipe Band member Aoife McDarby, and 2 year old Clodagh Purcell from Limerick.

3 In September, Shannon welcomed its 6 millionth passenger since becoming independent in 2013. Aer Lingus helped celebrate the milestone by offering one lucky passenger, Emmet Keary from Galway, return tickets to New York. Pictured (from left) are; Sarah O'Grady, Aer Lingus Cabin Crew, Andrew Murphy, MD Shannon Airport, Yvonne Muldoon, Aer Lingus Director of Sales, Emmet Keary, Matthew Thomas, CEO, Shannon Group and Jenny Rafter, Head of Business Development-Leisure Aer Lingus.

4 On 4 May, a decommissioned Boeing 767 became one of the most unique cargo shipments ever to sail on Irish waters. It was 'all hands on deck' at Shannon as airport staff helped with the mammoth task to get the 159-foot long aircraft, weighing 50 tonnes, ready for its maiden voyage. The aircraft was loaded onto a barge for a 36 hour journey by sea from Shannon Airport to its destination in Enniscrone, Co. Sligo, where it is to get a new lease of life as part of a unique glamping experience.

5 On 3 May, US airline, Delta Air Lines, marked the 30th anniversary of its presence in Ireland, and an increase in capacity of almost 40% on the Shannon-New York route, with a celebratory event at Shannon Airport. Since its inaugural flight from Shannon on 8 May 1986, Delta has transported nearly 1.7 million passengers on this route. Pictured at the anniversary event are (l-r); David Alan Gilliland, Delta Air Lines pilot, Audrey Murray and Caroline Collins, Delta Air Lines and Mary Considine, Deputy CEO, Shannon Group.

6 In November, in another vote of confidence for Shannon Airport, Lufthansa one of the world's largest airlines, announced its first ever scheduled air service from Shannon to Frankfurt. Starting in 2017, the service will operate weekly from 29 April to 28 October, using an A319 aircraft. The addition of the new Frankfurt Main service will be a boost for the Irish tourism industry providing German holidaymakers with a gateway to the heart of the Wild Atlantic Way and Irish holidaymakers with an opportunity to explore a wonderful part of Germany. Pictured at the announcement are Matthew Thomas, CEO, Shannon Group, Declan Power, Head of Aviation Development, Shannon Airport and Andrew Murphy, MD, Shannon Airport.

7 On 24 June, Kuwait Airways began operating a new transit service to Shannon Airport on its Kuwait to New York/JFK route. The service operates three times a week with a Boeing 777-200 aircraft and marks the first Kuwait Airways service in Ireland. Pictured taking a selfie to mark the occasion are (from left) Senior First Officer Abdullah Alali, Andrew Murphy, MD, Shannon Airport and Declan Power, Head of Aviation Development, Shannon Airport.

WE ARE WORKING TO BECOME IRELAND'S FAVOURITE AIRPORT, A CATALYST FOR ECONOMIC GROWTH, WHERE THE WILD ATLANTIC WAY MEETS THE WORLD.

Shannon Airport Authority DAC is an international airport company with over 260 employees. The Company's principal activity is the day-to-day management of Shannon Airport. It is the home of Shannon Duty Free, the world's first duty free shop. The airport operates a 24 hour service with no curfews, slots or noise restrictions. At 3,199 metres in length, the airport has the longest runway in Ireland and is capable of handling all aircraft types. Shannon Airport operates a fire and rescue service to Category 9.

The airport campus comprises approximately 855 hectares of land of which 493 hectares are used for the operation of the airport. It has its own fuel storage farm with hydrant delivery systems and its own water supply facilities.

Shannon was the first airport in Europe to offer US CBP preclearance (customs and immigration) facilities for scheduled services. It was also the first airport in the world to offer US CBP preclearance facilities for business jets and remains the only airport in Europe and the Middle East offering such services to business jets.

Continuing the spirit of innovation synonymous with Shannon, in 2016 the airport pioneered the world's first trial of a new airport passenger screening system which, if successful, could halve the time spent in security screening by millions of passengers in airports worldwide. This system merges both EU and US security measures into one location as part of an overall project called XP-DITE.

Shannon Airport, in providing daily access to the US, UK and Europe, is a key economic driver for a region that stretches from the south up to the northwest of Ireland. In 2016, the airport handled 1.748 million passengers. Commercial terminal flights at Shannon increased by 5.5% with an average of 45 commercial daily movements. From Shannon you can fly to 35 destinations in 11 countries.

The airport is committed to enhancing facilities to meet passenger needs and in 2016 a major €3m refurbishment programme was completed in both our departure lounge and European departure gates area. In addition we launched a new customer care programme to assist people with autism and special needs. Shannon Airport is committed to the delivery of a safe, secure and customer focused airport operation. This is achieved through its commitment in delivering its services to the highest national and international standards and best practice.

For further information please visit www.shannonairport.ie

shannon COMMERCIAL PROPERTIES

WE ARE WORKING TO BECOME THE LEADING PROPERTY DEVELOPER IN THE WEST OF IRELAND, ENABLING MORE PEOPLE TO LIVE AND WORK ON THE WEST COAST.

Shannon Commercial Properties is a commercially focused property development company, managing and developing an extensive commercial property portfolio in the wider Shannon region.

Shannon Commercial Properties owns and manages eight business and technology parks and has over 2.6 million sq ft of building space, 300 buildings and over 1,600 acres of development land across counties Clare, Limerick, Tipperary, Offaly and Kerry. It also manages the Shannon Airport property portfolio which includes the airport terminal, nine aircraft hangars and a range of warehouse and logistic facilities. Shannon Commercial Properties works with the airport and the International Aviation Services Centre (IASC) to plan for future aviation development requirements. The continued development of the aviation cluster and other sectors will have an obvious positive effect on the property portfolio of Shannon Group.

The Company's portfolio ranges from prime office buildings and multi-let technology parks to engineering, manufacturing, warehousing and logistics facilities. In addition, Shannon Commercial Properties has a portfolio of fully serviced sites available for sale and development.

Shannon Free Zone (SFZ) is the largest business park in the Company's portfolio and is one of the largest multi-sector business parks in Ireland. This 600 acre business park contains over 150 companies. It is also home to a cluster of 50 globally recognised aviation and aerospace companies. Other sectors in the business park include ICT, pharma, financial services, engineering, manufacturing and logistics.

A key priority for Shannon Commercial Properties is to regenerate its property assets at Shannon Free Zone and the Company is undertaking a major redevelopment programme there.

The initial five-year investment programme involves the construction of Grade A advance manufacturing units and office blocks as well as the upgrade of some of its existing core assets. The investment is focused on delivering a stock of high quality advanced manufacturing, warehousing and office space solutions which will assist IDA Ireland and Enterprise Ireland in attracting new business and jobs to the airport and Shannon Free Zone. In the last eighteen months, Shannon Commercial Properties has completed 200,000 sq ft of new or upgraded facilities in Shannon Free Zone. It is planned to complete a further 225,000 sq ft over the next two years.

The Shannon region has a number of major advantages as a business location, including an international airport with ample adjacent development land. The combined land banks of Shannon Airport and Shannon Free Zone total over 1,100 hectares and together represent a superb asset for development. A pro-business environment and a good road network combined with the availability of a highly skilled, educated, English-speaking workforce, makes the Shannon region a highly attractive location to do business.

For further information please visit www.shannonproperties.ie

shannon HERITAGE

Weaving Tales of History and Myth

Shannon Heritage is one of Ireland's largest visitor experience operators, complete with six castles and a variety of other day and evening visitor attractions in Clare, Limerick, Galway and Dublin.

- BUNRATTY CASTLE & FOLK PARK
- CRAGGAUNOWEN - THE LIVING PAST
- KNAPPOGUE CASTLE
- MALAHIDE CASTLE & GARDENS
- KING JOHN'S CASTLE
- DUNGUAIRE CASTLE
- GPO WITNESS HISTORY

For more information please visit **shannonheritage.com**

OUR AMBITION IS TO BE THE LEADING OPERATOR OF HERITAGE ATTRACTIONS, RESPONSIBLE FOR PRESERVING AND SHOWCASING IRELAND'S RICH HERITAGE.

Shannon Heritage is one of Ireland's largest operators of heritage tourism attractions, complete with six castles and a variety of other day attractions and evening entertainment options in Clare, Limerick, Galway and Dublin.

The Company manages a total of seven day visitor attractions including its flagship Bunratty Castle & Folk Park, the refurbished King John's Castle in Limerick and Malahide Castle and Gardens in north Dublin. It also has interests in many other world famous sites such as the Cliffs of Moher, where the Company manages a retail operation.

In early 2016, Shannon Heritage added a new visitor attraction to its portfolio, GPO Witness History, which it manages on behalf of An Post. GPO Witness History is a permanent immersive visitor experience in Dublin's iconic GPO building in O'Connell Street and opened at Easter 2016 to commemorate the centenary of the 1916 Easter Rising.

In 2016, Shannon Heritage also invested significantly in its Bunratty Castle and Folk Park attraction, adding a new retail and café experience, a new fairy village and revamping many heritage elements at the site.

Shannon Heritage was one of the first companies in Ireland to develop and run heritage attractions and evening entertainments. Beginning with its first medieval banquet at Bunratty Castle in 1963, the Company's portfolio of attractions has grown over the years.

The spirit of innovation of those early days has left a lasting legacy. The enduring success of Bunratty Castle and its medieval banquets has served as a model, one which has been imitated, but not equalled, in other parts of the world. Shannon Heritage is dedicated to creating excellent visitor experiences and presenting Ireland's heritage in an exciting and unique way.

Over 350 people are employed at Shannon Heritage sites in the peak tourist season, which has a positive economic impact, benefiting a range of local businesses.

Shannon Heritage visitor numbers continued to grow in 2015 and 2016, with an increase in numbers year on year and attendance figures at a level not seen since 2007. In 2016, the Company welcomed over 904,000 visitors across its sites, representing a 30% increase over 2015 numbers and including, for the first time, the GPO Witness History visitor attraction. The increase in access and number of additional passengers coming through Shannon Airport were undoubtedly major factors in this increase.

SHANNON HERITAGE VISITOR ATTRACTIONS AND EVENING ENTERTAINMENTS

- Bunratty Castle & Folk Park
- Bunratty Castle Medieval Banquets
- King John's Castle
- Knappogue Castle Banquets
- Craggaunowen visitor attraction
- Dunguaire Castle
- Dunguaire Castle Banquets
- Malahide Castle & Gardens
- GPO Witness History visitor centre
- Traditional Irish Night at Bunratty Folk Park

For further information please visit www.shannonheritage.com

SHANNON GROUP WELCOMES...

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THE WARMTH OF THE IRISH WELCOME IS RENOWNED THE WORLD OVER AND AT SHANNON IN PARTICULAR, WORLD LEADERS, MOVIE STARS, AND CELEBRITIES ARE ASSURED OF A WARM RECEPTION. DURING 2016, SHANNON GROUP CONTINUED THIS TRADITION AND WELCOMED A HOST OF PEOPLE, AMONG THEM:

1 In November, the West of Ireland had a real opportunity to grow its ties with Canada when the Canadian Ambassador to Ireland, Kevin Vickers, visited Shannon Airport and Bunratty Castle and Folk Park. Ambassador Vickers met with Shannon Group representatives, including Chairman Rose Hynes and CEO Matthew Thomas, as well as the Minister for Employment and Small Business, Pat Breen TD.

2 In April, an official accord for economic cooperation between Shannon Free Zone and a Chinese equivalent, the China (Shanghai) Pilot Free Trade Zone (SHFTZ) was signed. The Memorandum of Understanding provides a basis for exploring opportunities of mutual economic benefit between the two free trade zones, including encouraging companies in both zones to look at the other as a potential investment base.

3 On Saturday 9 July explorer, adventurer, historian and writer Tim Severin made a rare visit back to Craggaunowen, Co. Clare, where the Brendan Boat is housed, to mark the 40th anniversary of the legendary Brendan Voyage. In 1976 Tim and four crew undertook an epic journey from Brandon Creek, Co. Kerry, to re-enact the voyage of St. Brendan and prove that the saint and his monks could have discovered America 500 years before Columbus.

4 Shannon Airport staff member Jackie Connolly had a dream day at the office as she got to meet one of her icons, the elegant British actress Joanna Lumley, at Shannon Duty Free in August.

5 Shannon Airport added another famous name to its 'Wall of Fame' after one of the world's most famous TV chat show hosts, Sir Michael Parkinson, touched down at the airport in September. His photograph, taken at Shannon, was mounted on the wall of fame with over 60 other famous Shannon passengers who have flown in and out of the airport over the past 70 years. Many of Sir Michael's 2,000 plus interviewees are also on the 'Wall of Fame',


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including Mohammed Ali, Gene Kelly, Nelson Mandela, Marlon Brando, Bob Hope, Richard Burton and Mick Jagger.

6 Shannon Airport, which has a long history of welcoming some of the best known people on the planet through its doors, welcomed Michael Flatley in May. The 'Lord of the Dance' was in a relaxed mood after landing at Shannon and is pictured here with Mary Considine, Deputy CEO, Shannon Group and Nandi O'Sullivan, Head of Communications, Shannon Group.

7 Two of Ireland's most special Gardaí got the surprise of their lives when they inspected Shannon Airport's VIP room in August. Gardaí Ceejay McArdle and Jordan Perez, a duo with their own heroic stories, got an insight into how it's possible to meet just about anyone at the airport, including their hero, Munster and Ireland rugby legend CJ Stander.

8 The Shannon region's links with China were reaffirmed in September as the Ambassador to Ireland, H.E. Dr. Yue Xiaoyong, paid an official visit to Shannon Airport. Ambassador Yue, who was appointed in July, met with a Shannon delegation led by Shannon Group Chairman Rose Hynes. The delegation discussed a number of matters including the potential for development of economic ties between Shannon and China.

9 Ukraine President Poroshenko pictured at Shannon Airport in March 2016 with Rose Hynes, Chairman, Shannon Group and Mary Considine, Deputy CEO, Shannon Group.

10 In June, Ryan Tubridy broadcast his popular RTE morning radio show live from Bunratty Castle and Folk Park to help announce new enhancements at the popular visitor attraction. A €1 million investment at the site has just been completed resulting in the development of a new retail store, café and admissions building.

THE BOARD OF DIRECTORS OF SHANNON GROUP PLC

1. ROSE HYNES, CHAIRMAN

Rose Hynes was appointed as Chairman of the Shannon Group Board on its incorporation on the 29 August 2014. She chairs Shannon Group's Remuneration Sub-Committee and Property and Investment Sub-Committee. 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 and One Fifty One plc. 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 Clare.

2. MATTHEW THOMAS, CHIEF EXECUTIVE OFFICER

Matthew Thomas is the CEO of Shannon Group and was appointed to the Board of Shannon Group on the 20 June 2016. Before moving to Shannon, Matthew was based in Manhattan, leading the $4bn privatisation of La Guardia Airport in his role as Chief Commercial Officer of Vantage Airport Group. He was involved in the majority of Vantage's thirty airport projects across four continents, as well as being a director of a number of airports in the Vantage portfolio including Nassau, Bahamas, Montego Bay, Jamaica and Santiago in Chile. Matthew has also held senior management positions at Vancouver Airport (voted the best airport in North America six years running), Liverpool John Lennon Airport (where he was CEO), Larnaca and Paphos in Cyprus, Sydney, Copenhagen and Newcastle airports.

3.TONY BRAZIL

Tony Brazil was appointed to the Board of Shannon Group on its incorporation on the 29 August 2014. He chairs the Shannon Group Sales and Marketing Advisory Group and sits on the Audit and Risk Sub-Committee. He was Managing Director of Limerick Travel for over 40 years. He is a member of the Board of Governors of LIT, Chairman of the Shannon Sports and Conference Bureau and a Board member of the Limerick and Clare Educational and Training Board.

4. JOE BUCKLEY

Joe Buckley was appointed to the Board of Shannon Group on its incorporation on the 29 August 2014 as an Employee Representative. He sits on the Health, Safety, Security and Environment Sub-Committee. He is currently the Business Relations Manager, Shannon Airport.

5. TOM COUGHLAN

Tom Coughlan was appointed to the Board of Shannon Group on its incorporation on the 29 August 2014. He chairs the Shannon Group Audit and Risk Sub-Committee and he sits on the Remuneration Sub-Committee. He is the former Chief Executive of Clare County Council.

6. MICHAEL LEYDON

Michael Leydon was appointed to the Board of Shannon Group on its incorporation on the 29 August 2014. He sits on the Property and Investment and the Health, Safety, Security and Environment Sub-Committees. Michael worked in Shannon Development for 33 years from 1979 to 2012 and prior to his retirement he was Shannon Development's Property and Infrastructure Director and the Energy Department Manager. Michael currently works as an international consultant on Economic Development activities.

7. KEVIN McCARTHY

Kevin McCarthy was appointed to the Board of Shannon Group on its incorporation on the 29 August 2014 as an Employee Representative. He sits on the Health, Safety, Security and Environment Sub-Committee. Kevin has spent 37 years working in Shannon Airport's Police and Fire Service.

8. KATHRYN O'LEARY HIGGINS

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

9. LIAM O'SHEA

Liam O'Shea was appointed to the Board of Shannon Group on its incorporation on the 29 August 2014. He sits on the Audit and Risk, and Remuneration Sub-Committees and also sits on the Sales and Marketing Advisory Group. Liam is currently MD of both Clare FM and Tipp FM and is a former Chairman of both Spin South West and of Clare FM. He was inducted into the PPI Radio Hall of Fame in 2013. Liam has recently been appointed to the Board of Invest Tipperary.

1. ROSE HYNES

2. MATTHEW THOMAS

3. TONY BRAZIL

4. JOE BUCKLEY

5. TOM COUGHLAN

6. MICHAEL LEYDON

7. KEVIN McCARTHY

8. KATHRYN O'LEARY HIGGINS

9. LIAM O'SHEA

SHANNON GROUP EXECUTIVE TEAM

BACK ROW FROM LEFT TO RIGHT

NIALL MALONEY
Airport Operations Director
Shannon Airport

CHRIS O'DONOVAN
HR Director
Shannon Group plc

PATRICK EDMOND
Managing Director IASC
Group Strategy Director
Shannon Group plc

JOHN RUDDLE
Director – New Business Development
Shannon Heritage

RAY O'DRISCOLL
Managing Director
Commercial Properties
Shannon Group plc

FRONT ROW FROM LEFT TO RIGHT

MATTHEW THOMAS
Chief Executive Officer
Shannon Group plc

MARY CONSIDINE
Deputy CEO, Finance & Corporate Services
Shannon Group plc

ANDREW MURPHY
Managing Director
Shannon Airport


shannon AIRPORT
INNOVATORS
31

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Our CSR Activities and Contributions to date

At Shannon Group, we are committed, through our Corporate Social Responsibility (CSR) programme, to investing in individuals and communities right across our region. CSR is fundamental to the way we do business across our Group companies.

To us, CSR is simply about doing the right thing and this ethos is deep-rooted in our core values. It is important to us that we have a positive impact on the communities we serve, the markets in which we conduct our business and the environment in which we operate.

Our CSR programme is integral to what we do and the desire to "give something back" is strongly embedded in our corporate culture. We aim to facilitate our employees to contribute positively to our society by actively encouraging them to participate in environmental, community and fundraising initiatives.

Our sustainability strategy supports our corporate strategy and reflects our determination to build a successful business in the long-term as we move to improve our energy efficiency and reduce our carbon footprint.

During 2016, Shannon Group continued to make a significant contribution to the needs of the wider community.

OUR CORPORATE SOCIAL RESPONSIBILITY PROGRAMME AT A GLANCE:

1. PROTECTING OUR ENVIRONMENT

Shannon Airport continued to drive improvements in its energy efficiency to help it achieve its target of improving overall energy efficiency by 33% up to 2020. The airport has already achieved a 22.8% in energy savings since the baseline year of 2009. It has done this through a combination of energy efficiency projects, monthly monitoring of energy consumption and an airport energy conservation awareness programme.

During the year we invested in projects designed to reduce our energy consumption including rain water harvesting. We continued to implement our energy consumption reduction programme with further investment in lamp replacement to energy efficient LED technology and the replacement of existing fan motors to IE3 energy efficient motors with VSD control.

We continue to operate the aerodrome in harmony with the relevant statutory bodies including the Department of Arts, Heritage and the Gaeltacht and the National Parks and Wildlife Service (NPWS), who oversee the management of the Special Protection Area (SPA) for birds on the estuary, and also the Special Areas of Conservation (SAC) located on airport and adjacent estuarine lands. The airport's environmental management programme incorporating air quality, water quality (drinking and surface) and waste water treatment, continues to be closely monitored and licensed by the local authority and the Environmental Protection Agency (EPA).

Shannon Group continues to oversee a sustainable waste management programme by supporting the recovery and recycling of packaging materials and waste electrical and electronic equipment (WEEE). During 2016 Shannon Group recycled almost 39 tonnes of cardboard/packaging waste and 4.179 tonnes of WEEE including cabling, CPU's, servers and mixed hazardous waste.

2. COMMUNITY ENGAGEMENT

Our community engagement programme aims to contribute to our communities across a diverse range of activities. Examples of projects undertaken in 2016 include the following:

- At Shannon Airport we continue to focus on the needs of all of our customers and look at innovative ways to excel in customer care. In 2016, we developed and implemented a customer care programme for people with Autism and special needs. Airport staff

1.

PROTECTING OUR ENVIRONMENT IS IMPORTANT TO US AND AT SHANNON AIRPORT WE MADE STRIDES IN REDUCING OUR ENERGY CONSUMPTION

were trained to assist people with additional needs and their families to make their airport experience as easy and stress free as possible. Special wristbands and baseball caps are provided to allow staff identify people who may require assistance. In addition, advanced airport tours for passengers and their families are available and an instructional video and brochure can be accessed on our website.

- We were delighted to support Limerick Suicide Watch in their efforts to secure new premises by supplying the group of 30 plus volunteers with a new operating base at the Tait Centre in Limerick city, which is owned by our property company Shannon Commercial Properties. The volunteers do invaluable work in patrolling the bridges of Limerick City at night to help people in distress and we were delighted to recognise and support their contribution in a real and tangible way.
- In June, Shannon Heritage hosted a launch event for Mental Health Awareness Week. The event took place at King John's Castle to promote positive mental health in the community.
- Our Santa Flights proved hugely popular again this year with the airport receiving an astounding 100,000 applications for the 2,200 seats available. The selection was done by lottery with selected flights reserved for special needs groups.
- During the year Shannon Commercial Properties provided facilities to local community groups rent-free, among them the Order of Malta (Ambulance storage at Childers Road, Limerick) and Shannon Musical Society (rehearsal space at Shannon Free Zone).
- We were delighted to once again sponsor the Clare Garda Youth Awards designed to acknowledge the outstanding civic awareness and contribution of young people in the community.

3. SUPPORTING OUR BUSINESS COMMUNITY

Shannon Group is committed to supporting the business community and was involved in a number of initiatives during the year:

- To demonstrate our commitment to the Galway business community, Shannon Airport sponsored the 2016 Galway Chamber Business Awards which acknowledged and showcased a range of outstanding business entrepreneurs from around the county.
- Airports by their nature are hubs for business and tourism activity and during the year we were happy to host a number of events to support our business community among them: an event for the Irish Exporters Association; a Bank of Ireland start-up initiative and a networking event for Fáilte Ireland.
- The airport supported an IDA Ireland and Regional Skills Mid-West initiative in their bid to bring skills home to the Mid-West. Signage promoting this message was displayed in the airport arrivals hall targeting passengers travelling home for Christmas.
- The 2016 Network North Tipperary Women in Business Awards in June provided an opportunity to acknowledge the entrepreneurial skills of Tipperary business women and Shannon Airport was delighted to support this event.
- The airport once again provided a 'Welcome Desk' for the University of Limerick overseas students.
- In a bid to assist St John's Hospital, Limerick in their efforts to recruit staff, Shannon Airport facilitated an information desk in the airport terminal building.

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RTE CELEBRITY MARTY MORRISSEY LAUNCHING THE NEW SHANNON AIRPORT AUTISM AND SPECIAL NEEDS AWARENESS AND CUSTOMER CARE PROGRAMME IS PICTURED WITH MARY CONSIDINE, SHANNON GROUP, GEAROID MANNION, WHOSE TWO CHILDREN ATTEND THE ÁBALTA SCHOOL IN GALWAY FOR CHILDREN WITH AUTISM, AND NIALL MALONEY, SHANNON AIRPORT

MATTHEW THOMAS, CEO, SHANNON GROUP (FAR RIGHT) AT THE 2016 GALWAY CHAMBER BUSINESS AWARDS PRESENTATION WHICH WAS SPONSORED BY SHANNON AIRPORT

3.

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

4. FUNDRAISING AND SUPPORTING LOCAL CHARITIES

We believe in supporting charities in real tangible ways and each year Shannon Group employees select charities and undertake initiatives to raise funds for them. In 2016, Shannon Group employees championed the Irish Children's Arthritis Network (iCAN) and Ábalta Special School for students with autism in Galway. Through a range of initiatives our employees raised over €76,000 for these charities during the year. Since the Group's formation in 2014, employees have raised almost €160,000 for charities across the region. Below are some of the other initiatives undertaken in 2016:

- In June, our Shannon Group employees, supported by Aer Lingus, got on their bikes to undertake a 110km cycle challenge from Shannon to Galway for our chosen charities.
- We were delighted to support awareness for a range of charities with 'Light Up' campaigns at the airport and across our heritage sites. Among the charities supported were Suicide Awareness and Childhood Cancer.
- In March, Shannon Heritage supported an initiative to raise funds for Childline with an event staged at King John's Castle which was attended by over 50 companies.
- Shannon Airport was delighted to support the aid agency Bóthar by becoming their official aviation partner for a special Bóthar Ark airlift from the airport. In October live cargo of 40 in-calf dairy cows, 260 pigs, 200 dairy goats and 1,000 chicks departed Shannon for a new life in Rwanda. This historic flight marked the 25th anniversary of the first Bóthar flight from Shannon Airport.
- Enable Ireland information sessions and tours were facilitated by the airport to raise awareness of this charity which provides free services to over 5,000 children and adults with physical, sensory and intellectual disabilities in 14 counties across Ireland.
- Our employees hosted a fashion show in the airport terminal building to raise funds for our Shannon Group charities. The event provided a showcase opportunity for fashion designers and boutiques across the region.
- Shannon Airport assisted a very special group of 150 children from Belarus who landed at Shannon Airport on 24 June as part of a 30th Anniversary airlift by Adi Roche's Chernobyl Children International (CCI) to take children out of the Chernobyl affected regions for respite care in Ireland.
- During the year Shannon Heritage supported a 'Yoga in the Park' charity fundraising event at their Malahide Castle and Gardens visitor attraction which raised additional funds for CCI and also the Laura Lynn Foundation.

5. FOSTERING EDUCATION AND INNOVATION

Shannon Group is committed to fostering education and innovation and undertook the following in 2016:

- Over 700 students from across the country came together at Shannon Airport in April for the second ITLG Young Innovators competition. The aim of the event is to challenge young people to devise business ideas for a world 50 years from now. We were delighted to host this event for a second time at the airport.
- Shannon Group employees continued their partnership with Business in the Community and fifth year students from Ennis Community College, to encourage these students to remain in education. Our employees provided an insight into careers in aviation and tourism. The students had site visits to the airport and its fire station and to King John's Castle, in Limerick, as well as career talks from Shannon Group personnel.
- Throughout the year the airport facilitated complimentary airport tours for schools, scouts and special needs groups.
- Shannon Group employees organised a site visit to the airport for students from Scariff Community College and gave them career advice.
- The airport facilitated visits for LIT Business Studies Travel & Tourism students and University of Limerick graduates in Aeronautical Science and Airworthiness.
- The Group provides a dedicated business education and work experience programme for transition year students from schools around the region.
- Shannon Heritage is part of the networking committee for the Limerick Lifelong Learning Festival organised by Limerick City and County Council and the Paul Partnership. The week long initiative took place in April 2016 with King John's Castle hosting a number of events. The Festival is the culmination of work by various partners in promoting learning for all ages in Limerick.

6. SUPPORTING PUBLIC ART AND CULTURE

Shannon Group managed a Public Arts and Culture programme in 2016:

- Shannon Airport was proud to sponsor Fleadh Cheoil na hÉireann Inis 2016, the world's largest Irish traditional music festival. The event, held in August, attracted over 400,000 visitors and was viewed around the world. It was a wonderful vehicle to promote Ennis, Co. Clare and its rich traditional Irish music culture to a national and international audience.
- The airport was pleased to host a photo exhibition by John Kelly, an award winning photographer with the Clare Champion newspaper, during the year.
- The airport added to its growing 'Wall of Fame' in the airport transit lounge which hosts a permanent exhibition of photos capturing some of the golden moments and world famous faces that visited Shannon Airport over the decades. The exhibition is proving very popular with passengers. Among photos added in 2016 were those of US Secretary of State John Kerry and the Ukraine President during their visits to Shannon Airport.
- During the year local school bands from Clare and Limerick were given an opportunity to perform in front of a live audience at Shannon Airport.
- In a bid to promote Irish music and dance, members of Comhaltas Ceoltóirí Éireann and local dance groups performed for passengers at Shannon Airport during the year.
- Shannon Heritage hosted a Limerick Ceramic Artists exhibition at King John's Castle throughout August.

7. SPORTS SPONSORSHIP

We recognise the importance of sport in terms of physical health and wellbeing and undertook the following in 2016:

- In January, Shannon Airport was delighted to assist Ireland's most successful women's club rugby team, UL Bohemian, by sponsoring their team jerseys. The team went on to win the Women's Munster Senior Rugby Cup.
- As part of our continued support for sport during the year we sponsored a number of local GAA, rugby, athletics and swimming events throughout the region.
- The third Bank of Ireland Midnight Runway Run, held in June, gave participants a unique opportunity to run on the Shannon Airport runway. Due to popular demand the number of participants was increased to 2,500 and a new 7.5km challenge was added in addition to the popular 5km challenge.
- During the year Shannon Airport and Shannon Commercial Properties were delighted to facilitate the Clare Stages Rally.
- Shannon Heritage hosted one of the Live 95FM radio's charity cycles in aid of CARI and the Children's Ark with over 100 cyclists gathering in the Courtyard of King John's Castle for hospitality before leaving on their 70 mile journey.

4\. SHANNON GROUP EMPLOYEES ARE PICTURED AT THE PRESENTATION OF €76,000 TO THEIR CHOSEN STAFF CHARITIES FOR 2016, CHILDREN'S ARTHRITIS NETWORK (ICAN) AND ÁBALTA SPECIAL SCHOOL FOR STUDENTS WITH AUTISM IN GALWAY

5\. OVER 700 STUDENTS FROM ACROSS THE COUNTRY PICTURED AT SHANNON AIRPORT DURING THE ITLG YOUNG INNOVATORS COMPETITION

6\. AT THE ANNOUNCEMENT OF SHANNON AIRPORT'S SPONSORSHIP OF FLEADH CHEOIL NA HÉIREANN INIS 2016

7\. IRISH RUGBY CAPTAIN AND UL BOHS SCRUM HALF NIAMH BRIGGS AND UL BOHS SECOND ROW SARA HARTIGAN PICTURED AT SHANNON AIRPORT IN JANUARY 2016 AS THE AIRPORT SPONSORED THEIR NEW KIT.


AIRPORT
FIRE AND RESCUE

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 2016.

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 Group. Shannon Castle Banquets & Heritage Limited (trading as "Shannon Heritage") is a subsidiary of Shannon Commercial Properties. SAA Pension Corporate Trustee DAC and Shannon Airport Authority Financial Service 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 semi-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 and property and on its shareholding in subsidiary companies.

Matthew Thomas was appointed Chief Executive Officer ("CEO") of Shannon Group plc in June 2016. Mary Considine served as Acting CEO from March to June 2016.

In addition to information directly included in this report, detailed commentaries on performance for the year ended 31 December 2016 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 2016 are set out in the Consolidated Statement of Profit or Loss on page 47 and in the related notes.

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

- Airport passenger numbers
- Shannon Heritage visitor numbers
- Turnover
- EBITDA (earnings before interest, tax, depreciation and amortisation)
- Profit before Tax
- Profit after Tax
- Net cash position
- Capital expenditure
- Proceeds from Capital Sales

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

	2016	2015
Operating profit before other income/(expenses)	3,661	3,237
Depreciation and amortisation of intangible assets	4,271	4,003
Amortisation of capital grants	(355)	(354)
EBITDA	**7,577**	**6,886**

The Group recorded a consolidated profit of €6.6 million (post-tax) (2015: €7.3 million) and consolidated turnover for the year was €67.2 million (2015: €65.6 million). Airport passenger numbers for the year were 1.75 million (2015: 1.71 million) and Heritage sites welcomed over 904,000 visitors in the year (2015: 692,000).

Group EBITDA[1] for the year is €7.6 million, before exceptional items (2015: €6.9 million). This result is considered satisfactory and reflects continuing focus on both revenue generation and cost control across all Group companies.

During 2016 the Group incurred an exceptional charge of €1.3 million in respect of the first phase of a group-wide voluntary severance scheme, as described in Note 3 to the financial statements. This scheme was launched in November 2016 and was communicated to all eligible employees, with formal applications received from staff members who wish to avail of this scheme.

During 2015 the Group incurred a net exceptional charge of €0.9 million, comprising an exceptional gain of €1.24 million, arising from the disposal of its interest in a financial asset, and an exceptional charge of €2.14 million following successful negotiations regarding the closure of the Irish Airlines (General Employees) Superannuation Scheme.

The Group has cash reserves to meet its operating and recurring short term capital expenditure needs. The Group is debt free at 31 December 2016 and 2015, with total cash deposits of €25.7 million (2015: €30.3 million).

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 spent €14.8 million on capital projects in the year (2015: €11.5 million). In addition the Group realised proceeds of €1.5 million on capital disposals in the year (2015: €9.4 million).

RESEARCH AND DEVELOPMENT

The Group does not undertake research and development activities.

RISK MANAGEMENT

The Group has in place an appropriate risk management process that identifies critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. 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 maintained and updated quarterly and 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.

PRINCIPAL RISKS AND UNCERTAINTIES

A summary of the principal risks and uncertainties identified that could materially and adversely affect the Group's future operating profits or financial position and 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 to the Audit and Risk Committee, the Health, Safety, Security and Environmental Committee and the Board significant changes in the business and external environment, which affect the significant risks and uncertainties identified.

I. STRATEGIC/COMMERCIAL RISKS

Competition

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

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 continually 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 and the West of Ireland under review.
- A continued 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 balanced regional development 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.

Impact

Increased competition, reduced consumer demand and the impact of further economic austerity measures 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.

Investments and capacity

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

Impact

While recognising our obligation to stakeholders, there is a risk that investments made in respect of aeronautical and other regulated activities, upgrades 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 professional evidence-based inputs and are subject to Board approval.
- Consistent preventative repairs and maintenance programmes to ensure properties are maintained to an appropriate standard.

Reliance on core customers

The prospect of future air traffic movements at Shannon Airport and future visitor numbers at Shannon Heritage sites are dependent, to a significant extent, on the future strategies and financial strengths of core airline customers and core tour operator customers respectively.

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 or tour operators could have a material impact on the Group's financial performance.

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Reliance on core customers *(continued)*

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 and tourism industries 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 27.

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.
- Counterparty exposures are regularly monitored by management and reported to the Board as required.

Funding

The Group has plans to make significant capital investment in line with its approved 5 year Business Plan. The ability to deliver this investment plan is contingent on funding from a number of sources, namely 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.

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.

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.

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 and terrorism. Disruption to operations could also arise due to internal or third party industrial action.

Impact

Disruptions to operational and commercial activities could result in a significant financial and/or reputational impact on the Group.

Mitigation

- The Group seeks to eliminate the risk of discontinuity of services by having robust systems and well developed 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.

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.

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.

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 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.

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.

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.

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.

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 who provide advice and training on these matters to management.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of Corporate Governance. Shannon Group plc and its subsidiaries have put in place appropriate measures to comply with the Code of Practice for the Governance of State Bodies 2009 (the "Code") for the year ended 31 December 2016. 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 and senior management 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.

Appropriate processes and procedures are currently being put in place to ensure compliance with the revised Code of Practice for the Governance of State Bodies (2016).

THE BOARD OF DIRECTORS

The nine 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 2016.

DIRECTOR

Rose Hynes (Chairman)
Matthew Thomas (Chief Executive Officer)
Tony Brazil
Joe Buckley
Tom Coughlan
Michael Leydon
Kevin McCarthy
Kathryn O'Leary Higgins
Liam O'Shea

Mary Considine *(Company Secretary)*

Matthew Thomas was appointed to the Board with effect from 20 June 2016. Pat Dalton resigned from the Board with effect from 31 May 2016. Neil Pakey resigned from the Board with effect from 10 June 2016.

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.

DIRECTORS' REPORT *(Continued)*

THE BOARD OF DIRECTORS *(continued)*

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 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 sub-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 ("the Minister") 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 directors have a blend of skills and experience in areas of aviation, property, tourism, retail and leisure, heritage management, finance and accountancy, economics, law, marketing, business development, operations, safety and security, change management and industrial relations. These skills bring the necessary competence to the Board to address the challenges facing the Group. Directors draw on their experience and knowledge in the development of strategy and use their diverse range of skills to constructively challenge matters of strategic importance to the Group. The Board is satisfied that its members have the appropriate blend of skills and experience relevant to the requirements of the Group.

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.

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 a number of sub-committees as follows:

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

INDEPENDENCE OF DIRECTORS

The directors and secretary who held office at 31 December 2016 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. Tom Coughlan was Chief Executive of Clare County Council until his retirement during 2016. Joe Buckley and Kevin McCarthy are employees of Shannon Airport.

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

The Board has put procedures in place to deal with potential conflicts of interest. In accordance with the provisions of the Code and the Shannon Group Act, all directors must disclose any interests and absent themselves from Board discussions where they have a direct or indirect interest.

COMPANY SECRETARY AND ACCESS TO PROFESSIONAL ADVICE

The Company Secretary is appointed by the Board. Mary Considine served as Company Secretary for the full year and to the date of approval of the financial statements. Patricia Culligan served as Assistant Company Secretary for the full year and to the date of approval of the financial statements.

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 nine times during the year. In addition, there were a number of committee meetings.

Attendance at scheduled Board meetings is set out below:

Director	Board meetings attended	Maximum number of meetings
Rose Hynes (Chairman)	9	9
Matthew Thomas (Chief Executive Officer)	4	4
Neil Pakey (outgoing Chief Executive Officer)	2	5
Joe Buckley	9	9
Tony Brazil	7	9
Tom Coughlan	8	9
Pat Dalton	3	4
Michael Leydon	9	9
Kevin McCarthy	9	9
Kathryn O'Leary Higgins	9	9
Liam O'Shea	9	9

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, the Health, Safety, Security and Environmental Committee and the Property and Investment 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 Coughlan serves as chairman of the Audit and Risk Committee, replacing Pat Dalton who served as chairman until his resignation from the Shannon Group Board. The Committee met five times during the year and attendance at the Committee meetings is set out in the table below:

Member	Sub-committee meetings attended	Maximum number of meetings
Tom Coughlan	3	3
Pat Dalton	2	2
Tony Brazil	5	5
Liam O'Shea	5	5

The regular attendees at the Audit and Risk Committee meetings included the Chief Executive Officer, the Company Secretary, the out-sourced 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 financial control;
- reviewing and making a recommendation on the Group's statement on internal financial 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;
- 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 2016 annual financial statements before recommending their approval to the Board. The Committee considered, and discussed with the Chief Executive 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

AUDIT AND RISK COMMITTEE *(continued)*

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

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

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

The Committee approved the remuneration and terms of engagement of KPMG, the independent statutory auditor. The Committee reviewed and approved 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 does 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 three 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. The Committee met four times during the year and attendance at the Committee meetings is set out in the table below:

Member	Sub-committee meetings attended	Maximum number of meetings
Rose Hynes	4	4
Liam O'Shea	4	4
Tom Coughlan	4	4

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 ongoing 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 29 (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. The Committee met four times during the year and attendance at the Committee meetings is set out in the table below:

Member	Sub-committee meetings attended	Maximum number of meetings
Kathryn O'Leary Higgins	4	4
Joe Buckley	4	4
Michael Leydon	3	4
Kevin McCarthy	4	4

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.

It 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.

PROPERTY AND INVESTMENT COMMITTEE

The Property and Investment Committee comprises three members, including two non-executive members. The Committee has defined terms of reference under which authority is delegated to it by the Board. Matthew Thomas was appointed to this sub-committee during the year. Pat Dalton served as a member of this sub-committee until his resignation from the Shannon Group Board.

Rose Hynes serves as chairman of the Property and Investment Committee. The Committee met nine times during the year and attendance at the Committee meetings is set out in the table below:

Member	Sub-committee meetings attended	Maximum number of meetings
Rose Hynes	9	9
Pat Dalton	4	4
Michael Leydon	9	9
Matthew Thomas	5	5

The main responsibilities of the Committee during the year were to review all strategic property and capital decisions, evaluation of new development opportunities and review property investment, acquisitions, disposals and commercial agreements.

It reports to the Board and ensures that new developments, opportunities and asset acquisitions and disposals optimise the return for the Group on its land and property and on its shareholding in any subsidiary company.

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 considered by the Board on a monthly basis. 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. Large capital projects require the approval of the Board, and are closely monitored on an ongoing basis by the Property and Investment sub-committee of the Board;
- Risk management process which enables identification and assessment of risks that could impact the achievement of agreed business objectives and ensures that appropriate mitigating measures and controls are put in place. This process is led by the Chief Risk Officer with regular reports to the Audit and Risk, and Health, Safety, Security and Environmental sub-committees of the Board;
- Code of ethics that requires senior management and employees to maintain the highest ethical standards in conducting business;
- Responsibility by management at all levels for internal control over their respective business functions;
- 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 sub-committee of the Board, 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;
- 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 throughout the financial period under review.

The Board is satisfied that the Group's system of internal financial 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.

COMPLIANCE STATEMENT

The directors confirm that the Company has been in compliance with the Code of Practice for the Governance of State Bodies (2009) for the year ended 31 December 2016. Appropriate processes and procedures are currently being put in place to ensure compliance with the revised Code of Practice for the Governance of State Bodies (2016).

DIRECTORS' REPORT *(Continued)*

GOING CONCERN

The directors, having reviewed the Group's budget and projections and existing bank facilities, have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the 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 books of account 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 also meets its obligations under other legislation including the Disability Act 2005, the Regulation of Lobbying Act 2015 and the Safety, Health and Welfare at Work Act 2005.

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

The Group is also committed to protecting the rights and privacy of individuals in accordance with the Data Protection Acts 1988 and 2003 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 Shannon Airport. The Airport'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 Airport 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. In the current year, substantially all payments were made within the appropriate credit period as required.

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, during the financial year, of the arrangements and structures that have been put in place to secure the Company's compliance with its relevant obligations.

SUBSEQUENT EVENTS

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

AUDITOR

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

On behalf of the Board

Rose Hynes

Rose Hynes
Chairman

Matthew Thomas
Director

29 March 2017

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

The directors are responsible for preparing the Annual 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 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 Company and of the Group's profit or loss for that year. In preparing each of the Group and 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 they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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 Company and enable them to ensure that the Group and Company financial statements 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 Company 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 disclosure in the Directors' report reflects the Group's compliance with the Code of Practice for the Governance of State Bodies 2009.

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

On behalf of the Board

Rose Hynes	**Matthew Thomas**
Chairman	*Director*

29 March 2017

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

We have audited the Group and Company financial statements ("financial statements") of Shannon Group plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Profit or Loss, 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 the related notes. 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, and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

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 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.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, 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.

The Code of Practice for the Governance of State Bodies ("the Code") requires that we report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report on page 43 does not reflect the Group's compliance with paragraph 13.1 (iii) 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.

BASIS OF OUR REPORT, RESPONSIBILITIES AND RESTRICTIONS ON USE

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

Laura Gallagher
for and on behalf of
KPMG
Chartered Accountants,
Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2016

	Note	Total pre exceptional items 2016 €'000	Exceptional items (Note 3) 2016 €'000	Total 2016 €'000	Total pre exceptional items 2015 €'000	Exceptional items (Note 3) 2015 €'000	Total 2015 €'000
Revenue	*2*	67,231	-	67,231	65,561	-	65,561
Cost of sales		(10,741)	-	(10,741)	(10,009)	-	(10,009)
Gross profit		56,490	-	56,490	55,552	-	55,552
Administrative expenses		(52,829)	(1,334)	(54,163)	(52,315)	(2,141)	(54,456)
		3,661	(1,334)	2,327	3,237	(2,141)	1,096
Other income	*4*	4,766	-	4,766	4,871	1,240	6,111
Other expense	*4*	-	-	-	(158)	-	(158)
Operating profit	*5*	8,427	(1,334)	7,093	7,950	(901)	7,049
Finance income	*7*	205	-	205	266	-	266
Finance expense	*7*	(37)	-	(37)	(26)	-	(26)
Profit before tax		8,595	(1,334)	7,261	8,190	(901)	7,289
Income tax (expense)/credit	*8*	(636)	-	(636)	6	-	6
Profit		7,959	(1,334)	6,625	8,196	(901)	7,295

All operations are continuing.

The notes on pages 55 to 91 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Note	**Total 2016 €'000**	Total 2015 €'000
Profit		**6,625**	7,295
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension liability	*26*	**(212)**	314
Related deferred tax credit/(charge)	*14*	**27**	(39)
Other comprehensive income, net of tax		**(185)**	275
Total comprehensive income attributable to equity holder		**6,440**	7,570

The notes on pages 55 to 91 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Intangible assets	9	**721**	116
Property, plant and equipment	10	**51,346**	47,294
Investment properties	11	**66,155**	58,485
Available-for-sale financial assets	17	-	333
Loan receivable	12	-	430
Finance lease receivable	13	**308**	316
Deferred tax assets	14	**136**	92
Non-current assets		**118,666**	107,066
Available-for-sale financial assets	17	**68**	135
Finance lease receivable	13	**32**	32
Inventories	15	**2,441**	1,878
Trade and other receivables	16	**4,859**	8,075
Other investments	19	**21,032**	10,016
Cash and cash equivalents	20	**4,710**	20,326
Current assets		**33,142**	40,462
Total assets		**151,808**	147,528
Equity			
Share capital	21	**38**	38
Capital contribution reserve	21	**112,275**	112,275
Retained earnings		**14,339**	7,899
Total equity		**126,652**	120,212
Liabilities			
Deferred income	23	**3,513**	3,987
Provisions	24	**1,592**	1,505
Finance lease liability	25	-	80
Employee benefits	26	**1,084**	738
Non-current liabilities		**6,189**	6,310
Trade and other payables	22	**15,824**	18,405
Deferred income	23	**474**	639
Provisions	24	**1,943**	1,823
Finance lease liability	25	**80**	93
Current tax liabilities		**646**	46
Current liabilities		**18,967**	21,006
Total liabilities		**25,156**	27,316
Total equity and liabilities		**151,808**	147,528

The notes on pages 55 to 91 form an integral part of these consolidated financial statements.

On behalf of the Board

Rose Hynes
Chairman

Matthew Thomas
Director

29 March 2017

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Financial assets	*18*	**112,275**	112,275
Non-current assets		**112,275**	112,275
Trade and other receivables	*16*	**28**	28
Cash and cash equivalents	*20*	**10**	10
Current assets		**38**	38
Total assets		**112,313**	112,313
Equity			
Share capital	*21*	**38**	38
Capital contribution reserve	*21*	**112,275**	112,275
Retained earnings		-	-
Total equity		**112,313**	112,313
Liabilities			
Trade and other payables		-	-
Total current liabilities		-	-
Total equity and liabilities		**112,313**	112,313

The notes on pages 55 to 91 form an integral part of these financial statements.

On behalf of the Board

Rose Hynes
Chairman

Matthew Thomas
Director

29 March 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2015	38	112,275	329	112,642
Profit	-	-	7,295	7,295
Other comprehensive income	-	-	275	275
Total comprehensive income	-	-	7,570	7,570
At 31 December 2015	38	112,275	7,899	120,212
At 1 January 2016	**38**	**112,275**	**7,899**	**120,212**
Profit	-	-	**6,625**	**6,625**
Other comprehensive income	-	-	**(185)**	**(185)**
Total comprehensive income	-	-	**6,440**	**6,440**
At 31 December 2016	**38**	**112,275**	**14,339**	**126,652**

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

The notes on pages 55 to 91 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2015	38	112,275	-	112,313
Profit	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2015	38	112,275	-	112,313
At 1 January 2016	**38**	**112,275**	-	**112,313**
Profit	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2016	**38**	**112,275**	-	**112,313**

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

The notes on pages 55 to 91 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Cash flow from operating activities			
Profit		**6,625**	7,295
Adjustments for:			
Amortisation of capital grants		**(355)**	(354)
Amortisation of intangible assets		**37**	37
Depreciation of property, plant and equipment		**4,234**	3,966
Change in fair value of investment properties		**(4,513)**	(3,611)
Gain on disposal of investment properties		**(67)**	(800)
Reversal of impairment of loan receivable		**(96)**	-
Impairment of available-for-sale financial assets		**-**	158
Gain on disposal of available-for-sale financial assets		**(90)**	(440)
Gain on disposal of interest in financial assets		**-**	(1,240)
Gain on disposal of property, plant and equipment		**-**	(20)
Finance income		**(205)**	(266)
Finance expense		**37**	26
Tax charge/(credit)		**636**	(6)
		6,243	4,745
Changes in:			
- Trade and other receivables		**3,216**	(1,244)
- Inventories		**(563)**	(128)
- Trade and other payables		**(1,286)**	(109)
- Deferred income		**(284)**	-
- Provisions		**207**	(1,321)
- Employee benefits		**111**	(4)
- Loan receivable		**430**	170
- Finance lease payable		**(93)**	173
- Finance lease receivable		**8**	8
Cash generated from operating activities		**7,989**	2,290
Interest received and similar income		**205**	266
Interest paid		**(14)**	(2)
Taxation paid		**(53)**	(118)
Net cash from operating activities		**8,127**	2,436
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(8,597)**	(5,461)
Purchases of investment properties		**(6,167)**	(6,087)
Proceeds from sale of property, plant and equipment		**44**	20
Proceeds from sale of investment properties		**1,503**	9,371
Proceeds from sale of available-for-sale financial assets		**490**	952
Proceeds on disposal of interest in financial assets	*3*	**-**	1,240
Purchase of other investments	*19*	**(11,016)**	(10,016)
Net cash used in investing activities		**(23,743)**	(9,981)
Cash flows from financing activities		**-**	-
Net decrease in cash and cash equivalents		**(15,616)**	(7,545)
Cash and cash equivalents at the beginning of the year		**20,326**	27,871
Cash and cash equivalents at the end of the year	*20*	**4,710**	20,326

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Cash flow from operating activities			
Profit		-	-
Changes in:			
- Trade and other receivables		-	10
- Trade and other payables		-	(216)
Net cash from operating activities		-	(206)
Cash flows from financing activities		-	-
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		-	(206)
Cash and cash equivalents at the beginning of the year		**10**	216
Cash and cash equivalents at the end of the year	*20*	**10**	10

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 29 March 2017.

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 Act 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;
- the defined benefit plan liability is recognised as fair value of plan assets less the present value of the defined benefit plan obligations; and
- available-for-sale financial assets are measured at fair value.

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

1.3 Basis of consolidation
The Group financial statements consolidate the financial statements of Shannon Group and all of its subsidiaries as detailed in Note 18. 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 Castle Banquets & Heritage Limited ("Shannon Heritage"), and Shannon Airport Authority DAC's subsidiary companies, SAA Pension Corporate Trustee DAC and Shannon Airport Authority Financial Services DAC, for the year ended 31 December 2016.

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.

1.4 Going concern
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. For this reason, the Directors continue to adopt the going concern basis in preparing these financial statements.

1.5 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.

1.6 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.

1. ACCOUNTING POLICIES *(Continued)*

1.6 Business combinations *(Continued)*

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 in accordance with IFRS 3 "Business Combinations", 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.

1.7 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, profit or loss on disposals of assets or operations, impairment of assets, 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.

1.8 Revenue

Revenue represents the fair value of goods and services, net of discounts and rebates, delivered to external customers in the accounting period excluding value added tax.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognised when those services are delivered. Where the provision of a service is delivered over a time period, turnover is recognised proportionately to the time elapsed.

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

Aeronautical revenue
Aeronautical revenue is recognised net of rebates and discounts 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 recognised on departure, aircraft parking charges based on combination of time parked and area of use and other charges which are recognised when services are rendered.

Direct retail and concession fee income
Direct retailing and retail/catering concessions comprise direct retail revenue, which is recognised when the customer takes delivery of the goods, and concession fee income which, in general, is a percentage of turnover which may be subject to certain minimum contracted amounts and is recognised in the period to which it relates.

Rental income
Rental income from investment properties and property, plant and equipment is recognised on a straight-line basis over the term of the rental period.

Other commercial activities
Other commercial activities include usage charges for the Airport operational systems (e.g. check-in desks), which are recognised as each service is provided, throughput fee for fuel delivery, recognised when fuel is delivered to aircraft, and car park income, which is recognised at the time of exiting the car park.

Admission and banqueting revenue
Admission and banqueting revenue is recognised on the provision of service to the customer.

Management fee income
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 acts in the capacity of an agent rather than as the principal in respect of these arrangements 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.

Other income
Other income is recognised in accordance with the general provisions above, that is when a service is provided and it is probable that revenue will flow to the Group.

1.9 Property, plant and equipment

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

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

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

Any 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.

1. ACCOUNTING POLICIES *(Continued)*

1.9 Property, plant and equipment *(Continued)*

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:

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.

1.10 Intangible assets

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

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

Computer software	3 – 6 years

1.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (carried at lower of cost and net realisable value), investment property (measured at fair value), available-for-sale financial assets (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 is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit ("CGU") 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.

1.12 Investment properties

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

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

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

Management values 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.

1.13 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. ACCOUNTING POLICIES *(Continued)*

1.14 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.

1.15 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.

For 2016, under Section 229A (3) of the Taxes Consolidation Act 1997, where the Group's subsidiary company, Shannon Commercial Enterprises DAC, is chargeable to tax under Case V of Schedule D in respect of relevant profits or gains, the relevant profits or gains shall be reduced by an amount equal to two-thirds of those relevant profits or gains.

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

1.16 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, then they are discounted to their present value.

Retirement benefit obligations

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

Defined contribution schemes

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

1. ACCOUNTING POLICIES *(Continued)*

1.16 Employee benefits *(Continued)*

Up to 31 December 2014, Shannon Airport Authority ("Shannon Airport") ("the Company") participated in the Irish Airlines (General Employees) Superannuation Scheme ("IASS"), with the majority of the Company's employees members of this scheme. As this scheme was a multi-employer scheme, the scheme was accounted for by Shannon Airport and Shannon Group as a defined contribution scheme.

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 employees of Shannon Airport Authority DAC 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.

1.17 Leases

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 obligations

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 on the accruals basis.

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. ACCOUNTING POLICIES *(Continued)*

1.18 Financial assets and liabilities

Loans and receivables at amortised cost

Loans receivable

Loans receivable are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and short-term deposits with a maturity of less than 90 days at inception.

Other investments

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If payments are received from customers in advance of when these amounts are recognised in revenue the difference is presented as deferred income.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in Other Comprehensive Income and accumulated in the Fair Value Reserve. Where a decrease in fair value is deemed to be an impairment in value it is recognised in the Statement of Profit or Loss. When these assets are derecognised the gain or loss accumulated in equity is reclassified to profit or loss.

1.19 Impairment of financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.20 Capital contribution

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

1.21 Deferred income

Deferred income comprises customer advances and capital grants.

Customer advances

Customer advances represent payments received from customers in advance of the related goods/services being delivered. These are initially recognised as deferred income and recorded as revenue on ultimate delivery of the goods/services to the customer.

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.

1.22 Investment in subsidiaries (Company only)

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

1. ACCOUNTING POLICIES *(Continued)*

1.23 New Standards and Interpretations

New standards adopted in the current year

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

Standard	IASB effective date (periods beginning)	EU companies effective date (periods beginning)
Amendments to IFRS 11: *Accounting for acquisitions of interests in Joint Operations*	1 January 2016	1 January 2016
Amendments to IAS 16 and IAS 38: *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016	1 January 2016
Amendments to IAS 16: *Property, Plant and Equipment and* IAS 41 *Bearer Plants*	1 January 2016	1 January 2016
Amendments to IAS 27: *Equity method in Separate Financial Statements*	1 January 2016	1 January 2016
Amendments to IAS 1: *Disclosure Initiative*	1 January 2016	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment entities – exception to consolidation*	1 January 2016	1 January 2016

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

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 2016, and have not been applied in preparing these financial statements. 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*	1 January 2016	Not endorsed
Amendments to IAS 7: *Disclosure Initiative*	1 January 2017	Not endorsed, expected to be endorsed Q2 2017
Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses*	1 January 2017	Not endorsed, expected to be endorsed Q2 2017
IFRS 15: *Revenue from contracts with customers (May 2014) including amendments to IFRS* 15: Effective date of IFRS 15	1 January 2018	1 January 2018 (early adoption permitted)
IFRS 9: *Financial Instruments*	1 January 2018	1 January 2018 (early adoption permitted)
Clarifications to IFRS 15: *Revenue from Contracts with Customers*	1 January 2018	Not endorsed, expected to be endorsed H1 2017
Amendments to IFRS 2: *Classification and measurement of share-based payment transactions*	1 January 2018	Not endorsed, expected to be endorsed Q3 2017
Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*	1 January 2018	Not endorsed, expected to be endorsed Q3 2017
Annual Improvements to IFRS 2014 -2016 Cycle	1 January 2017/ 1 January 2018	Not endorsed, expected to be endorsed Q3 2017
IFRIC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018	Not endorsed, expected to be endorsed Q3 2017
Amendments to IAS 40: *Transfers of Investment Property*	1 January 2018	Not endorsed, expected to be endorsed Q3 2017
IFRS 16: *Leases*	1 January 2019	Not endorsed, expected to be Q4 2017
Amendments to IFRS 10 and IAS 28: *Sale or contribution of assets between an investor and its associate or joint venture*	Deferred indefinitely	Endorsement postponed

The Group is reviewing these upcoming changes to determine the extent of their impact.

1. ACCOUNTING POLICIES *(Continued)*

1.24 Critical accounting estimates and judgements

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

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

- The valuation of investment properties requires a high degree of management judgement, see further detail in Note 11.

2. REVENUE

	2016 €'000	2015 €'000
Aeronautical and commercial activities	**37,376**	37,760
Commercial property rental, management and development	**14,473**	14,224
Tourism activities	**15,382**	13,577
Total revenue – continuing activities	**67,231**	65,561

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.

Shannon Group plc has availed of the exemption contained in IFRS 8 "Operating Segments" not to disclose segmental information as the Group does not have equity or debt securities which are publicly traded.

3. EXCEPTIONAL ITEMS

In accordance with the Group's accounting policy, the following items have been presented as exceptional items on continuing operations for the year ended 31 December 2016.

	2016 €'000	2015 €'000
Provision for voluntary severance scheme (i)	**1,334**	-
Payment in settlement of IASS pension scheme (ii)	-	2,141
Proceeds on disposal of interest in financial asset (iii)	-	(1,240)
Net exceptional charge	**1,334**	901

(i) Provision for voluntary severance scheme

In November 2016 Shannon Group plc launched a group-wide voluntary severance scheme offer which was communicated to all eligible employees. Formal applications have been received from staff who wish to avail of this scheme and a provision of €1,334,000 has been recorded, which represents management's best estimate, as at 31 December 2016, of the expenditure required to meet the Group's obligations in respect of its employees, and this has been reflected as an exceptional charge in the year (Note 24). Additional charges are expected to arise in 2017 in respect of a further phase of this scheme.

(ii) Payment in settlement of IASS pension scheme

In 2015 the Group was party to successful negotiations regarding the closure of the Irish Airlines (General Employees) Superannuation Scheme ("IASS") (Note 26). A final payment of €2,141,000, in addition to the amount provided at 31 December 2014, was made during 2015 and reflected as an exceptional charge in the year.

(iii) Proceeds on disposal of interest in financial asset

The Group disposed of its interest in a financial asset whereby it held rights to a percentage return on income which accrued from the development of office buildings (Note 17). Included in the proceeds received was €1,240,000 in respect of the disposal of this right, which was reflected as an exceptional gain in 2015.

4. OTHER INCOME/(EXPENSE)

	2016 €'000	2015 €'000
Net increase in fair value of investment property (Note 11)	**4,513**	3,611
Reversal of impairment of loan receivable (Note 12)	**96**	-
Gain on disposal of:		
- Available-for-sale financial assets (Note 17)	**90**	440
- Property, plant and equipment (Note 10)	-	20
- Investment properties (Note 11)	**67**	800
Other income	**4,766**	4,871
Exceptional income		
Proceeds on disposal of interest in financial asset (Note 3)	-	1,240
Total other income	**4,766**	6,111
Impairment in value of available-for-sale financial assets (Note 17)	-	(158)
Total other expense	-	(158)

5. STATUTORY AND OTHER INFORMATION

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

	2016 €'000	2015 €'000
Depreciation	**4,234**	3,966
Amortisation of intangible assets	**37**	37
Amortisation of capital grants	**(355)**	(354)
Operating lease rentals	**378**	388
Auditor's remuneration		
- audit of Group financial statements	**13**	13
- audit of Company financial statements	-	-
- other audit services	**82**	97
- tax advisory services fees	**35**	20
- other non-audit services	-	-
	130	130

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

6. EMPLOYEE BENEFIT EXPENSE

Group staff numbers and costs

	2016	2015
	€'000	€'000
Wages and salaries	**23,416**	23,122
Social welfare costs	**2,587**	2,467
Termination benefits (Note 3)	**1,334**	-
Post-employment benefits (Note 26):		
Defined benefit pension charge/(credit)	**111**	(4)
Defined contribution pension expense	**1,536**	1,470
Other compensation costs	**450**	972
	29,434	28,027

The average number of group employees during the year was as follows:

	2016	2015
Operations and administration	**432**	402
Commercial	**39**	48
Property	**28**	31
	499	481

Included in the above average numbers are 34 (2015: 16) full-time equivalents, who are employed by a subsidiary company, whose cost is fully reimbursed to the Group.

The Company has no employees.

Directors' remuneration

	2016	2015
	€	€
Directors' remuneration for the year:		
Fees for services as director	**111,375**	109,800
Other emoluments (including pension contribution)	**399,535**	399,782
	510,910	509,582

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.

6. EMPLOYEE BENEFIT EXPENSE *(Continued)*

Amounts paid to directors disclosed in accordance with the Code of Practice for the Governance of State Bodies (2009) and Section 305 of the Companies Act 2014, are provided below.

The following directors served on the board during the year ended 31 December 2016.

	2016	2015
	€	€
Fees for the year		
Rose Hynes	**21,600**	21,600
Joe Buckley	**12,600**	12,600
Tony Brazil	**12,600**	12,600
Tom Coughlan	**8,925**	-
Pat Dalton	**5,250**	12,600
Michael Leydon	**12,600**	12,600
Kevin McCarthy	**12,600**	12,600
Kathryn O'Leary Higgins	**12,600**	12,600
Liam O'Shea	**12,600**	12,600
Neil Pakey	-	-
Matthew Thomas	-	-
For services as director during the year	**111,375**	109,800
Other emoluments		
Salary (including benefit-in-kind)	**342,868**	327,494
Pension contributions		
• Defined contribution scheme	**35,792**	11,038
• Defined benefit scheme	**20,875**	61,250
	399,535	399,782
Total directors' remuneration for the year	**510,910**	509,582

Pat Dalton resigned from the Board on 31 May 2016 and the fees above represent the fees paid to that date. He served as a director for the full year ended 31 December 2015.

Neil Pakey resigned from the Board on 10 June 2016. Matthew Thomas was appointed as director on 20 June 2016. All other directors served for the full years ended 31 December 2015 and 2016.

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 (2009), totalling €17,479 (2015: €20,713).

Directors' expenses above do not include expenses of the Chief Executive Officer, which are separately disclosed below.

6. EMPLOYEE BENEFIT EXPENSE *(Continued)*

The remuneration of the Chief Executive Officer, 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.

	2016	2015
	€	€
Emoluments:		
• Basic salary	**170,503**	174,530
• Other taxable benefits	**28,919**	19,896
Total emoluments	**199,422**	194,426
Pension contributions	**43,750**	61,250
	243,172	255,676

The remuneration above represents the total remuneration of the CEO Matthew Thomas and the former CEO Neil Pakey for the respective periods they were in office in 2016. Total business expenses amounted to €19,209 (2015: €7,800), 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 2016 or 2015.

7.FINANCE INCOME/(EXPENSE)

	2016	2015
	€'000	€'000
Interest receivable on short term bank deposits and loan receivable	**179**	239
Finance lease income receivable (Note 13)	**26**	27
Finance income	**205**	266
Bank interest payable	**(12)**	-
Net interest expense on defined pension scheme (Note 26)	**(23)**	(24)
Finance lease expense (Note 25)	**(2)**	(2)
Finance costs	**(37)**	(26)

8. INCOME TAX EXPENSE/(CREDIT)

	2016 €'000	2015 €'000
Current tax:		
Current tax on profits for the year	**646**	54
Adjustments in respect of prior period	**7**	(58)
Total current tax	**653**	(4)
Deferred tax (Note 14):		
Origination and reversal of temporary differences	**(17)**	(2)
Total deferred tax	**(17)**	(2)
Income tax expense/(credit)	**636**	(6)

Reconciliation of effective tax rate

	2016 €'000	2015 €'000
Profit before tax	**7,261**	7,289
Profit before tax multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5%	**908**	911
Tax effect of:		
Tax exempt income	**(1,117)**	(491)
Expenses not deductible for tax purposes	**583**	157
Income taxed at a higher rate	**1,030**	168
Gains/(losses) in profit or loss impacting on unrecognised deferred tax	**(775)**	(693)
Adjustment in respect of prior periods	**7**	(58)
Tax expense/(credit)	**636**	(6)

For 2016, under Section 229A (3) of the Taxes Consolidation Act 1997, where the Group's subsidiary company, Shannon Commercial Enterprises DAC, is chargeable to tax under Case V of Schedule D in respect of relevant profits or gains, the relevant profits or gains shall be reduced by an amount equal to two-thirds of those relevant profits or gains.

Income from other sources is liable for Corporation Tax.

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

	Computer software €'000	Work in Progress €'000	Total €'000
Computer software			
Cost			
At 1 January 2015	256	-	256
Acquisitions	11	-	11
At 31 December 2015	267	-	267
At 1 January 2016	**267**	-	**267**
Acquisitions	-	**642**	**642**
At 31 December 2016	**267**	**642**	**909**
Accumulated Amortisation			
At 1 January 2015	114	-	114
Charge for year	37	-	37
At 31 December 2015	151	-	151
At 1 January 2016	**151**	-	**151**
Charge for year	**37**	-	**37**
At 31 December 2016	**188**	-	**188**
Net book value			
At 31 December 2016	**79**	**642**	**721**
At 31 December 2015	116	-	116
At 31 December 2014	142	-	142

All intangible assets arise from purchased computer software.

10. PROPERTY, PLANT AND EQUIPMENT

	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 2015	10,527	16,886	22,471	19,588	13,840	3,006	86,318
Additions	-	-	440	-	71	5,195	5,706
Disposals	-	-	-	(2,423)	-	-	(2,423)
Transfer to investment properties	-	-	-	-	-	(338)	(338)
Transfers	1,301	599	101	583	2,129	(4,713)	-
At 31 December 2015	**11,828**	**17,485**	**23,012**	**17,748**	**16,040**	**3,150**	**89,263**
At 1 January 2016	11,828	17,485	23,012	17,748	16,040	3,150	89,263
Additions	-	-	1,968	-	-	6,362	8,330
Disposals	-	-	-	(60)	(689)	-	(749)
Transfer to investment properties	-	-	(346)	-	-	-	(346)
Transfers	4,138	220	184	579	2,610	(7,731)	-
At 31 December 2016	**15,966**	**17,705**	**24,818**	**18,267**	**17,961**	**1,781**	**96,498**
Accumulated Depreciation							
At 1 January 2015	1,287	1,637	17,691	14,092	5,719	-	40,426
Charge for year	540	903	421	449	1,653	-	3,966
Disposals	-	-	-	(2,423)	-	-	(2,423)
At 31 December 2015	**1,827**	**2,540**	**18,112**	**12,118**	**7,372**	-	**41,969**
At 1 January 2016	1,827	2,540	18,112	12,118	7,372	-	41,969
Charge for year	758	923	587	520	1,446	-	4,234
Disposals	-	-	-	(60)	(645)	-	(705)
Transfer to investment properties	-	-	(346)	-	-	-	(346)
At 31 December 2016	**2,585**	**3,463**	**18,353**	**12,578**	**8,173**	-	**45,152**
Net book value							
At 31 December 2016	**13,381**	**14,242**	**6,465**	**5,689**	**9,788**	**1,781**	**51,346**
At 31 December 2015	10,001	14,945	4,900	5,630	8,668	3,150	47,294
At 31 December 2014	9,240	15,249	4,780	5,496	8,121	3,006	45,892

The carrying value of property plant and equipment was reviewed in 2014 on incorporation of the Group. Management have considered the carrying value of property, plant and equipment at 31 December 2016 and are satisfied that the carrying value remains appropriate and no impairment indicators exist.

The carrying value of plant, fixtures and fittings held under finance leases is €90,000 (2015: €181,000) (Note 25).

Certain of the Group's assets have been pledged as security against the Group's overdraft facility (Note 27). At 31 December 2016 the net carrying amount of these assets was €1,825,134 (2015: €1,876,937).

11. INVESTMENT PROPERTIES

	2016	2015
	€'000	€'000
Group		
At beginning of year	**58,485**	57,020
Additions	**4,163**	6,087
Disposals	**(1,436)**	(8,571)
Transfer from loan receivable (Note 12)	**430**	-
Transfer from property, plant and equipment	-	338
Increase in fair value during the year	**4,513**	3,611
At 31 December	**66,155**	58,485

During 2016 investment property rentals of €7,851,000 were included in Revenue (2015: €7,760,100). Expenses relating to the leasing and maintenance of investment properties, included in administrative expenses, total €4,686,000 (2015: €5,144,000).

During the year, the Group disposed of investment properties for proceeds of €1,503,000 (2015: €9,371,000) resulting in a gain on disposal of €67,000 (2015: gain of €800,000).

The Group's investment properties are stated at fair value as at 31 December 2016. The valuation of investment properties requires a high degree of management judgement.

At 31 December 2016 management 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 in assessing 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.

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 27). The following table summarises the key unobservable inputs applied in the valuation of the Group's investment property at 31 December 2016.

Asset class	**Input**	**2016**	2015
Industrial buildings	Weighted average value per sq. ft.[1]	**€8.60**	€8.54
	Weighted average annual rent per sq. ft.[2]	**€4.37**	€4.39
	Equivalent yield - range [2]	**12.7%-14.0%**	12.7%-14.0%
Office buildings	Weighted average value per sq. ft.[1]	**€24.64**	€22.77
	Weighted average annual rent per sq. ft.[2]	**€10.24**	€9.98
	Equivalent yield – range [2]	**10.2%-13.0%**	10.2%-14.0%
Warehouse buildings	Weighted average value per sq. ft.[1]	**€14.93**	€14.05
	Weighted average annual rent per sq. ft.[2]	**€5.28**	€5.39
	Equivalent yield - range [2]	**12.7%**	12.7%
Industrial land	Value per acre - range[1]	**€3,000- €80,000**	€3,000 - €80,000

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

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

11. INVESTMENT PROPERTIES *(Continued)*

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 of comparable market transactions would result in an increase of €2,598,000 in fair value, whilst a decrease of 5% would result in a fair value decrease of €2,598,000. This is further analysed by property class as follows:

Asset class	2016 Increase of 5% in value €'000	2016 Decrease of 5% in value €'000	2015 Increase of 5% in value €'000	2015 Decrease of 5% in value €'000
Industrial buildings	**618**	**(618)**	643	(643)
Office buildings	**968**	**(968)**	716	(716)
Warehouse buildings	**146**	**(146)**	129	(129)
Industrial land	**866**	**(866)**	844	(844)
Total	**2,598**	**(2,598)**	2,332	(2,332)

12. LOAN RECEIVABLE

	2016 €'000	2015 €'000
Loan receivable (net of impairment)	-	430

The Company entered into a development arrangement with a third party whereby an interest bearing loan was advanced towards the development of a property. This arrangement included an option obliging the Company to purchase the developed property at a fixed price if called upon to do so by the other party. A provision was recognised also, representing the difference between the fixed price payable by the Company and the loan balance, representing the Company's obligation under this arrangement.

This option was exercised in December 2016 and the asset is now in the ownership of the Company and has been transferred to investment properties (Note 11). As part of this transaction €96,000 is recognised in other income as a reversal of the impairment of the loan receivable (Note 4).

13. FINANCE LEASE RECEIVABLE

Finance lease receivables are payable as follows:

	Future minimum lease payments receivable		**Interest receivable**		**Present value of minimum lease payments**	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'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	**475**	509	**274**	300	**201**	209
	646	680	**306**	332	**340**	348

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.

14. DEFERRED TAX ASSETS

Recognised deferred tax

Group	2016 €'000	2015 €'000
At beginning of year	**92**	129
Arising on changes in actuarial assumptions	**27**	(39)
Charge to Statement of Profit or Loss (Note 8)	**17**	2
At end of year	**136**	92

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

Unrecognised deferred tax

At 31 December 2016 the Group has unrecognised deferred tax assets arising as follows.

	2016 €'000	2015 €'000
Unutilised capital losses and temporary differences on fair value of investment properties (i)	**6,282**	3,279
Unutilised tax losses	**1,535**	1,403
Unutilised capital allowances	**4,246**	4,856
Other temporary differences	**290**	115
At end of year	**12,353**	9,653

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.

	Asset €'000	Deferred tax Liability €'000	Net Asset €'000
At 1 January 2015	8,457	(86)	**8,371**
Movement in unrecognised deferred tax arising on:			
Unutilised capital losses and temporary differences on fair value of investment properties (i)	1,216	(110)	**1,106**
Unutilised tax losses	1,121	-	**1,121**
Unutilised capital allowances	(722)	-	**(722)**
Other temporary differences	(223)	-	**(223)**
At 31 December 2015	9,849	(196)	**9,653**

14. DEFERRED TAX ASSETS *(Continued)*

	Asset	Deferred tax Liability	Net Asset
	€'000	€'000	€'000
At 1 January 2016	9,849	(196)	9,653
Movement in unrecognised deferred tax arising on:			
Unutilised capital losses and temporary differences on fair value of investment properties (i)	2,985	18	3,003
Unutilised tax losses	132	-	132
Unutilised capital allowances	(610)	-	(610)
Other temporary differences	175	-	175
At 31 December 2016	12,531	(178)	12,353

(i) The opening and closing deferred tax liability arises 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 is appropriate to offset the unrecognised deferred tax asset arising from such losses against the unrecognised deferred tax liability.

15. INVENTORIES

	2016	2015
Group	€'000	€'000
Finished goods for resale	2,275	1,662
Maintenance stock and consumables	166	216
	2,441	1,878

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

A total of €8,980,000 (2015: €7,142,000) was recognised as an expense and included in 'Cost of sales'. This includes a net Statement of Profit or Loss credit €44,000 (2015: charge of €53,000) 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.

16. TRADE AND OTHER RECEIVABLES

	2016	2015
	€'000	€'000
Group		
Trade receivables	2,812	5,358
Other receivables	2,047	2,717
	4,859	8,075

	2016	2015
	€'000	€'000
Company		
Other receivables	28	28
	28	28

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

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 €'000	2015 €'000
Group		
At beginning of year	**468**	1,138
Disposals during the year (ii)	**(400)**	(512)
Impairment of available-for-sale financial assets	-	(158)
At 31 December (i)	**68**	468
Current assets	**68**	135
Non-current assets	-	333
Total	**68**	468

(i) Financial assets

The Group's financial asset at 31 December 2016 arises from a financial asset arrangement whereby, in return for the investment of land, the Group has a right for a fixed period to a percentage of rental income. The fair value of these financial assets is based on Level 3 inputs – future cash flow projections discounted using a discount rate of 12.7% (2015: 12.7%). The impact of an increase/decrease in the underlying assumptions i.e. discount rate or future cash flow projections is not expected to be significant given the value of the asset.

(ii) Disposals during the year

The Group's subsidiary company, Shannon Commercial Properties, was party to the following financial arrangements, recognised as financial assets which were disposed of in 2016 and 2015 respectively;

(a) a financial asset arrangement whereby, in return for the investment of land, the Group had a right for a fixed period to a percentage of rental income. The Group disposed of this interest during 2016 for proceeds of €490,000, resulting in a gain of €90,000 (Note 4).

(b) a financial arrangement for the development of office buildings, whereby in return for the investment of land, Shannon Commercial Properties acquired a percentage return on the income which accrued from the development.

The Group disposed of this financial asset during 2015. Included in the total proceeds for this disposal was €952,000 relating to the disposal of the Group's proprietary rights in respect of the land and buildings, resulting in a gain of €440,000. The remaining proceeds of €1,240,000 related to the disposal of its right to future returns arising from this financial arrangement and is reflected as an exceptional gain in 2015 (Note 3).

18. FINANCIAL ASSETS

	2016 €'000	2015 €'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 Castle Banquets & Heritage Limited *(trading as Shannon Heritage)*	Operation of medieval 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

19. OTHER INVESTMENTS

	2016 €'000	2015 €'000
Group		
Other investments	**21,032**	10,016
	21,032	10,016

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

20. CASH AND CASH EQUIVALENTS

	2016 €'000	2015 €'000
Group		
Cash on hand	**4,710**	15,183
Short term deposits	-	5,143
	4,710	20,326
Company		
Cash on hand	**10**	10
	10	10

21. SHARE CAPITAL AND RESERVES

	2016 €'000	2015 €'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.

22. TRADE AND OTHER PAYABLES

	2016 €'000	2015 €'000
Group		
Trade payables	**1,531**	1,650
Accrued expenses	**12,927**	14,377
Social insurance	**1,050**	757
VAT	**316**	1,621
Current trade and other payables	**15,824**	18,405

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

23. DEFERRED INCOME

	2016 €'000	2015 €'000
Government grants (i)	**354**	354
Customer advances	**120**	285
Current deferred income	**474**	639
Government grants (i)	**3,513**	3,868
Customer advances	-	119
Non-current deferred income	**3,513**	3,987
Total deferred income	**3,987**	4,626

(i) Government grants

	2016 €'000	2015 €'000
Received		
At 1 January	**12,954**	12,954
Additions	-	-
At 31 December	**12,954**	12,954
Amortisation		
At 1 January	**8,732**	8,378
Amortisation	**355**	354
At 31 December	**9,087**	8,732
Net book value at 1 January	**4,222**	4,576
Net book value at 31 December (Note 30)	**3,867**	4,222

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.

24. PROVISIONS

	Onerous commitments €'000	Self-insurance provision €'000	Pension commitments €'000	Other provision €'000	Total €'000
Group					
At 1 January 2015	2,266	1,180	1,144	59	4,649
Provisions used during the year	(195)	(315)	(1,004)	(45)	(1,559)
Provisions made during the year	434	-	-	-	434
Provisions reversed during the year	-	(196)	-	-	(196)
At 31 December 2015	2,505	669	140	14	3,328
At 1 January 2016	**2,505**	**669**	**140**	**14**	**3,328**
Provisions used during the year	**(1,452)**	**(201)**	-	-	**(1,653)**
Provisions made during the year	**283**	**243**	-	**1,334**	**1,860**
At 31 December 2016	**1,336**	**711**	**140**	**1,348**	**3,535**
At 31 December 2015					
Current provisions	1,511	298	-	14	1,823
Non-current provisions	994	371	140	-	1,505
Total provisions	2,505	669	140	14	3,328
At 31 December 2016					
Current provisions	**238**	**357**	-	**1,348**	**1,943**
Non-current provisions	**1,098**	**354**	**140**	-	**1,592**
Total provisions	**1,336**	**711**	**140**	**1,348**	**3,535**

Onerous commitments

The Group has 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 represent management's best estimate of the expenditure required to settle the relevant obligations. The decrease in the provision reflects the settlement of the Group's obligation under a development arrangement (Note 12).

Self-insurance provision

Shannon Airport operates a self-insurance programme which recognises a provision for reported and potential claims. The amount provided at 31 December 2016 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.

Pension commitments

At 31 December 2014 a provision of €1,004,000 was recognised in respect of the Group's obligations arising from the closure of the IASS pension scheme. This matter was settled during 2015 and a payment was made in full and final settlement of this matter (Note 26).

The provision recognised at 31 December 2016 reflects management's best estimate of expenditure required to settle obligations of the Group arising from other pension matters.

Other provision

In November 2016 Shannon Group plc launched a group-wide voluntary severance scheme offer which was communicated to all eligible employees. Formal applications have been received from staff who wish to avail of this scheme and a provision of €1,334,000 has been recorded, which represents management's best estimate at 31 December 2016 of the expenditure required to meet the Group's obligations in respect of its employees (Note 3). These obligations are expected to be settled in the first half of 2017. Additional charges are expected to arise in 2017 in respect of a further phase of this scheme.

25. FINANCE LEASE LIABILITY

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2016	2015	**2016**	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Less than one year	**82**	95	**2**	2	**80**	93
Between one and five years	-	82	-	2	-	80
More than five years	-	-	-	-	-	-
	82	177	**2**	4	**80**	173

The Group entered into a finance lease during 2015 in respect of the purchase of IT server equipment.

26. 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 2016 and 2015:

a) Defined contribution scheme - Irish Airlines (General Employees) Superannuation Scheme
b) Defined benefit pension scheme – Aer Rianta Supplemental Superannuation Scheme
c) Other defined contribution schemes

a) Defined contribution scheme - Irish Airlines (General Employees) Superannuation Scheme

Up to 31 December 2014, Shannon Airport Authority ("Shannon Airport") ("the Company") participated in the Irish Airlines (General Employees) Superannuation Scheme ("IASS"), with the majority of the Company's employees members of this scheme. As this scheme was a multi-employer scheme, the scheme was accounted for by Shannon Airport and Shannon Group as a defined contribution scheme. This scheme is now frozen, as explained below.

The Trustees of the IASS, under Section 50 of the Pensions Act 1990, applied to the Pensions Authority with a funding proposal which involved the freezing of IASS for future service. This Section 50 application came into force on 31 December 2014.

During 2015 the Group was party to successful negotiations regarding a resolution to the funding of past service benefits for members of the IASS pension scheme and the manner in which pension benefits may be provided in respect of future service. A payment of €3,145,000 (including professional fees) was made in full and final settlement of this matter, of which €1,004,000 was provided at 31 December 2014 (Note 24). €2,141,000 was recognised as an exceptional charge in the Statement of Profit or Loss in 2015 (Note 3).

From 1 January 2015 Shannon Airport Authority began to operate an internally funded defined contribution pension scheme for certain employees, the "SAA Defined Contribution Retirement Savings Scheme". See details at part (c) of this note. Employees of the Company, who had previously been members of the IASS, have automatically been granted membership of the newly set up defined contribution pension scheme.

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

	2016	2015
	€'000	€'000
Group		
Net defined benefit liability	**(1,084)**	(738)

26. EMPLOYEE BENEFITS *(Continued)*

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

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

	2016	2015
	€'000	€'000
Contributions expected to be paid to the plan during the annual period beginning after the reporting date	**17**	20

An actuarial assessment of the scheme was carried out at 31 December 2015 and 2016 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**	
	2016	2015	**2016**	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Fair value at beginning of year	**2,422**	2,701	**(1,684)**	(1,669)	**738**	1,032
Included in Profit or Loss						
Expected return on plan assets	-	-	**(22)**	(38)	**(22)**	(38)
Current service cost	-	(4)	-	-	-	(4)
Past service cost	**(766)**	-	**877**	-	**111**	-
Interest cost	**45**	62	-	-	**45**	62
Curtailment gain	-	-	-	-	-	-
	(721)	58	**855**	(38)	**134**	20
Included in Other Comprehensive Income						
Remeasurement loss:						
Return on plan assets	-	-	**(88)**	(9)	**(88)**	(9)
Actuarial gain/(loss) arising from:						
Effect of changes in assumptions	**327**	(242)	-	-	**327**	(242)
Effect of experience adjustments	**(27)**	(63)	-	-	**(27)**	(63)
	300	(305)	**(88)**	(9)	**212**	(314)
Other						
Employer contributions	-	-	-	-	-	-
Members contributions	-	-	-	-	-	-
Benefits paid	-	(32)	-	32	-	-
Fair value at 31 December	**2,001**	2,422	**(917)**	(1,684)	**1,084**	738

26. EMPLOYEE BENEFITS *(Continued)*

Plan assets

Plan assets comprise the following:

	2016		2015	
	Plan assets €'000	**Percentage of plan assets - %**	Plan assets €'000	Percentage of plan assets - %
Equities	**530**	**57.8**	916	54.4
Bonds	**340**	**37.1**	670	39.8
Property	-	-	11	0.6
Cash	**2**	**0.2**	3	0.2
Other	**45**	**4.9**	84	5.0
	917	**100**	1,684	100

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.

	2016	2015
Discount rate	**2.0%**	2.70%
Rate of price inflation	**1.7%**	1.75%
Rate of increase in salaries	-	-

The discount rate of 2.0% 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:

	2016 Years	2015 Years
Longevity for a male member		
Current active members retiring at age 65 in 25 years' time	**25.8**	25.7
Longevity for a female member		
Current active members retiring at age 65 in 25 years' time	**27.9**	27.8

26. 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.

	2016	2015
	€'000	€'000
	Increase/(decrease)	Increase/(decrease)
Discount rate – 0.5% decrease	**294**	307
Inflation – 0.5% increase	**167**	152

c) 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 2016, the total expense recognised was €1,228,694 (2015: €1,110,774). The amount due at year end is €170,830 (2015: €14,813).

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 2016 and 2015, 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 2016, the total expense recognised was €164,000 (2015: €185,000), none of which was payable at year end (2015: 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 2016, the total expense recognised was €108,481 (2015: €111,436). The amount due at year end is €21,718 (2015: €27,855).

27. 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	
	2016	2015
Group	**€'000**	€'000
Trade receivables (Note 16)	**2,812**	5,358
Other receivables (Note 16)	**2,047**	2,717
Finance lease receivable (Note 13)	**340**	348
Loan receivable (Note 12)	-	430
Other investments (Note 19)	**21,032**	10,016
Cash and cash equivalents (Note 20)	**4,710**	20,326
Total	**30,941**	39,195
Company		
Cash and cash equivalents (Note 20)	**10**	10
Total	**10**	10

Trade receivables

The Group has procedures in place for monitoring and managing the credit risk related to its trade receivables based on experience and 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. The utilisation of credit limits is regularly monitored. Credit risk exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

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

	2016 €'000	2015 €'000
Gross trade receivables		
Republic of Ireland	**3,663**	6,788
United Kingdom	**601**	282
Rest of world	**139**	139
At 31 December	**4,403**	7,209

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

	2016 €'000	2015 €'000
Allowance for doubtful debts		
At the start of the year	**1,851**	2,524
Amounts charged to operating expenses	**80**	63
Trade receivables written off	**(340)**	(736)
At 31 December	**1,591**	1,851
Net trade receivables (Note 16)	**2,812**	5,358

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

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

	2016 €'000	2015 €'000
Within credit terms	**1,977**	4,355
0-30 days past due	**241**	768
31-60 days past due	**674**	233
61-90 days past due	**79**	63
Greater than 90 days past due	**1,432**	1,790
Total	**4,403**	7,209

Included in the Group's trade receivables are balances of €835,000 (2015: €1,003,000) which are past due but not impaired.

Trade receivables which are not past due or not impaired at the reporting date are expected to be fully recoverable.

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.

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Cash and cash equivalents and other investments

Cash and cash equivalents and other investments ("cash deposits") are invested with institutions having 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 (2015: Baa3 or above).

(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 is currently debt free. 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 €10 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 2016 however was not in use at year end. The overdraft facility was not used during 2015.

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. 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 2016						
Non-derivative financial liabilities						
Trade and other payables	**15,824**	**15,824**	**15,824**	**-**	**-**	**-**
Finance leases	**80**	**82**	**25**	**57**	**-**	**-**
Total	**15,904**	**15,906**	**15,849**	**57**	**-**	**-**

			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 2015						
Non-derivative financial liabilities						
Trade and other payables	18,405	18,405	18,405	-	-	-
Finance leases	173	177	25	70	82	-
Total	18,578	18,582	18,430	70	82	-

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 materially exposed to interest rate risk on its liabilities as it is currently debt free. The Group's 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 (2015: €0.3 million).

(ii) *Foreign exchange risk*

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

(iii) *Other price risk*

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

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.

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.

	Loans and receivables €'000	Available-for-sale financial assets €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
Group					
31 December 2016					
Available for sale financial assets	-	**68**	-	**68**	**68**
Finance lease receivable	**340**	-	-	**340**	-
Trade and other receivables	**4,859**	-	-	**4,859**	-
Other investments	**21,032**	-	-	**21,032**	-
Cash and cash equivalents	**4,710**	-	-	**4,710**	-
Total	**30,941**	**68**	-	**31,009**	
Trade and other payables	-	-	(15,824)	(15,824)	-
Finance lease payable	-	-	(80)	(80)	
Total	-	-	(15,904)	(15,904)	
31 December 2015					
Available for sale financial assets	-	468	-	468	468
Finance lease receivable	348	-	-	348	-
Loan receivable	430	-	-	430	-
Trade and other receivables	8,075	-	-	8,075	-
Other investments	10,016	-	-	10,016	-
Cash and cash equivalents	20,326	-	-	20,326	-
Total	39,195	468	-	39,663	
Trade and other payables	-	-	(18,405)	(18,405)	-
Finance lease payable	-	-	(173)	(173)	-
Total	-	-	(18,578)	(18,578)	

27. FINANCIAL RISK MANAGEMENT *(Continued)*

	Loans and receivables €'000	Available-for-sale financial assets €'000	Other financial liabilities €'000	Carrying value €'000	Fair value* €'000
Company					
31 December 2016					
Cash and cash equivalents	**10**	-	-	**10**	-
Total	**10**	-	-	**10**	
31 December 2015					
Cash and cash equivalents	10	-	-	10	-
Total	10	-	-	10	

*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 and payable 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.

Available-for-sale financial assets – measured at fair value in the Statement of Financial Position
Details of fair value are provided in Note 17. All available-for-sale financial assets carried at fair value have been measured by Level 3 valuation techniques, as explained above.

Finance leases receivable and payable – 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.

28. OPERATING LEASES

(a) Leases as lessee

The future minimum lease payments under non-cancellable leases were payable as follows:

	2016	2015
	€'000	€'000
Less than one year	**406**	301
Between one and five years	**1,599**	478
More than five years	**2,054**	1,420
	4,059	2,199

(b) Leases as lessor

The Group leases out its investment properties (see Note 11).

The future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2016	2015
	€'000	€'000
Less than one year	**6,958**	6,707
Between one and five years	**17,476**	14,316
More than five years	**14,039**	11,834
	38,473	32,857

29. 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.

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

During 2015 the business of the Shannon College of Hotel Management transferred to National University of Ireland, Galway ("NUI Galway"). No assets or liabilities of the Group were disposed of and no proceeds were received by the Group as a result of this transfer. Certain assets held by the Group are leased to NUI Galway on an arms' length basis. The Group and NUI Galway are under the common control of the Government.

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 both Clare Community Radio Holdings plc (trading as Clare FM) and County Tipperary Radio Limited (trading as Tipp FM), 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 2016 were €80,784 (2015: €42,978). The amount unbilled or billed and not yet paid by the Group at year-end was €7,393 (2015: €4,182).

(ii) Mr. Tony Brazil, who served as director of the Group during the year, is the former managing director of Limerick Travel Limited, a company which both provides travel services to the Group and receives tourism services from the Group. A connected party of Mr. Tony Brazil remains a director of this company.

Fees in respect of services provided by the above company to the Group in the normal course of business during the year ended 31 December 2016 were €12,651 (2015: €15,483). No fees were paid in respect of services provided by the Group to the company during the year ended 31 December 2016 (2015: €21,647). No amounts were unbilled or billed and not yet paid by the Group at year-end (2015: Nil).

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

Fees in respect of services provided by the above company to the Group in the normal course of business during the year ended 31 December 2016 were €18,274 (2015: €11,283). No amounts were unbilled or billed and not yet paid by the Group at year-end (2015: Nil).

Company

There have been no transactions between the company and its subsidiaries in the financial period.

(b) Key management compensation

Key management includes members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2016	2015
	€'000	€'000
Group		
Salaries and other short term employee benefits (including social welfare)	**1,645**	1,586
Post-employment benefits	**157**	152
	1,802	1,738

Company

The company does not have any employees. The remuneration of the directors of the Company is borne by subsidiary companies.

30. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

The value of capital work not completed at 31 December 2016 under contracts entered into by the Group is estimated at €6,058,265 (2015: €7,818,609). There was no grant aid secured to fund these capital commitments.

(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.

31. SUBSEQUENT EVENTS

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

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 29 March 2017.

FURTHER INFORMATION

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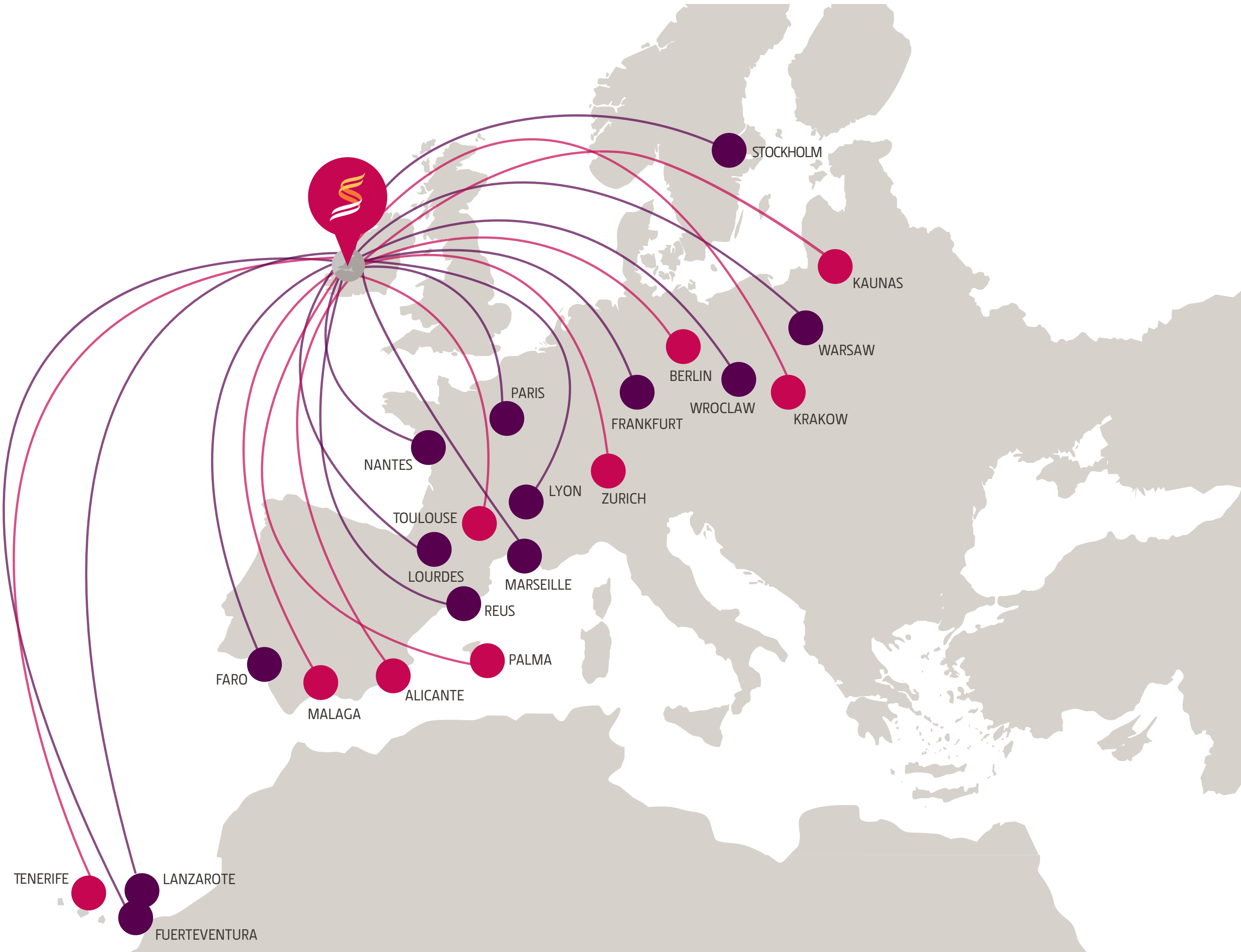
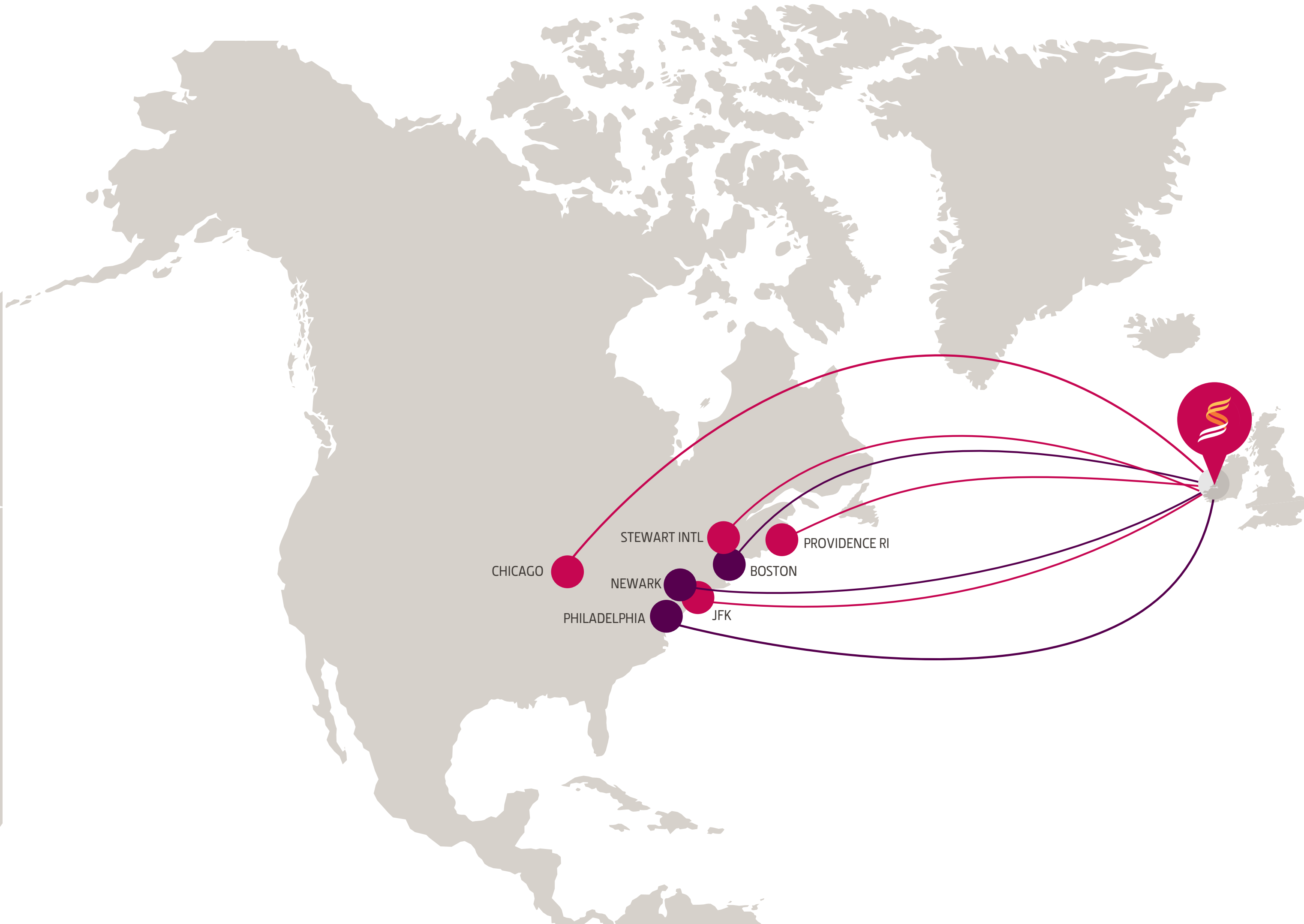
SHANNON TO UK FLIGHTS
Summer 2017

SHANNON TO EUROPE FLIGHTS
Summer 2017



SHANNON TO U.S.A. FLIGHTS
Summer 2017



SHANNON GROUP AWARDS

Shannon Group companies have won 28 regional, national and international awards since 2013, among the latest accolades are;

- The Shannon Heritage managed GPO Witness History visitor attraction in Dublin won the Best Cultural Experience for over 100,000 people and Shannon Heritage also won Best Leisure Tourism Innovation (City) for its King John's Castle visitor attraction in Limerick at the Irish Tourism Industry Awards (February 2017)
- Shannon Airport won the Airport Achievement Award at the Aviation Industry Awards (December 2016)
- The International Aviation Services Centre (IASC) won the Aviation Support Services award at the Aviation Industry Awards (December 2016)
- Shannon Group won Best Brand at the national InBUSINESS Chambers Ireland Recognition Awards (December 2016)
- Shannon Group won the Best Corporate Social Responsibility Business Award at the Limerick Chamber of Commerce Regional Business Awards (November 2016)
- Shannon Commercial Properties won an award for Shannon Free Zone at the Europe Global Free Zones of the Year Awards - the Best Free Zone in Western Europe and was highly commended for the all of Europe category (October 2016)
- Shannon Airport won the World Routes Marketing Award for airports under 4 million passengers at World Routes Awards which took place in China (September 2016)
- Shannon Heritage won two CIE Tours International Awards of Excellence for Malahide Castle & Gardens and King John's Castle Limerick (January 2016)


Irish Tourism Industry
Awards 2017
INNOVATION


Shannon Airport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SHANNON GROUP PLC 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