shannon GROUP

2017 ANNUAL REPORT AND ACCOUNTS

INVESTING IN OUR FUTURE

www.shannongroup.ie

shannon GROUP

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ABOUT SHANNON GROUP PLC

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 is a major economic asset and driver of the Irish economy, both at national and regional level. It brings together Shannon Airport Authority DAC ('Shannon Airport'), Shannon Commercial Enterprises DAC ('Shannon Commercial Properties') and Shannon Heritage DAC ('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 its tourism company Shannon Heritage. Today, Shannon Group employs over 680 people in high season.

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 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.

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 and Community Engagement.

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SHANNON GROUP ECONOMIC IMPACT

Shannon Group is a key economic engine for the West of Ireland.

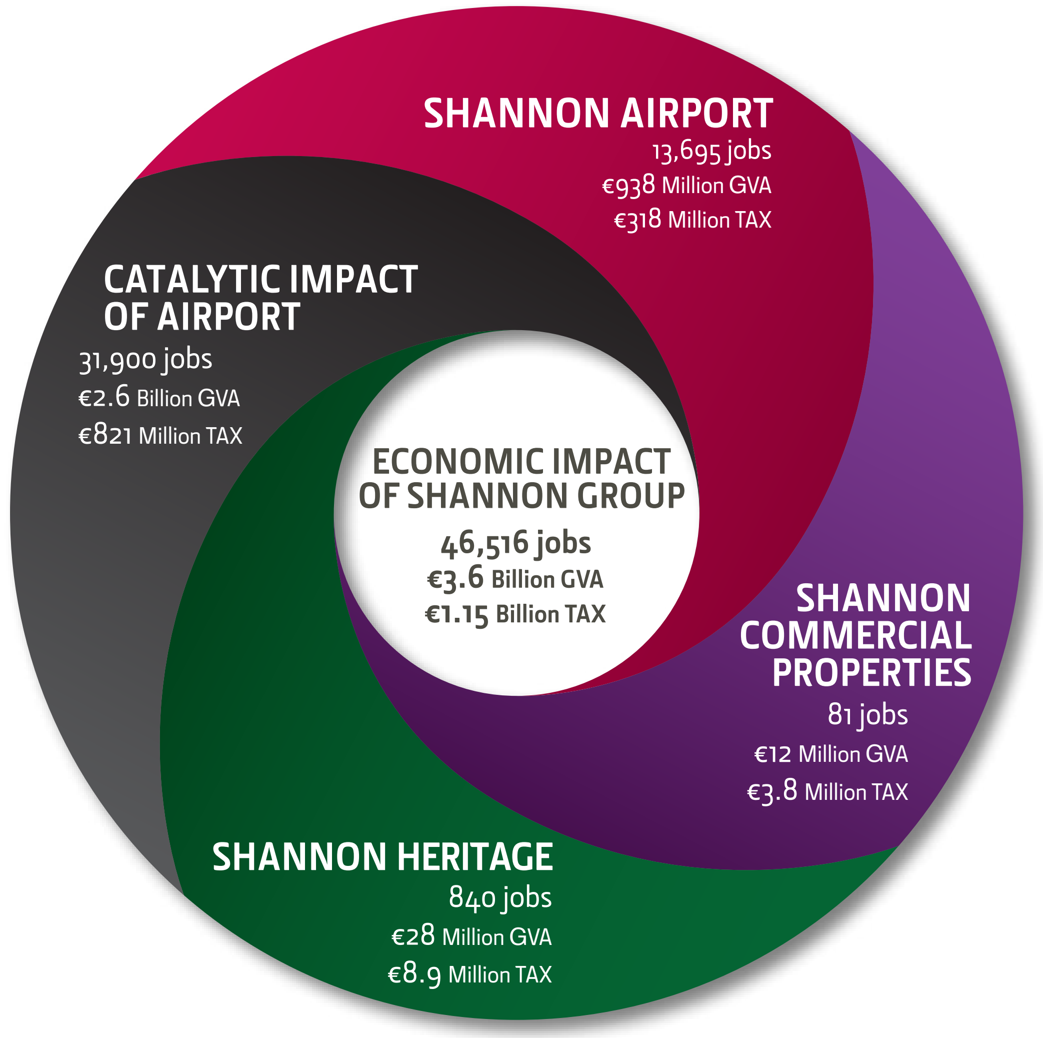
Shannon Group is a key economic engine for the West of Ireland. A recent study, undertaken by W2 Consulting, has calculated that Shannon Group generates €3.6 billion in GVA (Gross Value Added) each year, supporting over 46,500 jobs which contribute €1.15 billion in tax revenue to the Exchequer.

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 annual tourism revenue of over €40 million.

Our property company is providing key business infrastructure to create the environment to support IDA Ireland and Enterprise Ireland to entice foreign direct investment (FDI) and indigenous jobs to the area.

OVERALL ECONOMIC IMPACT OF SHANNON GROUP BY BUSINESS



shannon GROUP

CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE OFFICER'S REVIEW

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CHAIRMAN'S STATEMENT

A Strong Foundation for the Future

CONTINUED IMPROVEMENT IN FINANCIAL PERFORMANCE AND INVESTMENT IN OUR FUTURE

I am pleased to report that 2017 was Shannon Group's third consecutive year of growth since the establishment of the Group in 2014, with the Group delivering a strong financial performance. We continued to focus on delivering our commercial mandate and improving our overall profitability during the year. This has resulted in the Group recording a turnover of €72.2 million, up 7.4% on 2016 and a 23% increase in EBITDA to €9.3 million. This is a positive performance and creates a strong foundation for the future.

DELIVERING OUR GOALS

On the formation of Shannon Group, our initial focus was on reversing many years of decline and under-investment across the Group, which we have achieved. Building on this, our focus for 2017 was on improving and consolidating the positive performance of prior years, while also delivering an ambitious capital investment programme. I am pleased to say that we have also been successful in achieving these goals.

During the year Shannon Group invested significantly in key airport infrastructure and in developing the Group's property portfolio to provide world-class property solutions. The investment programme also focused on enhancing the customer experience both in the airport and across our tourist product offering. These investments are essential to copper-fasten future growth.

THE IMPORTANCE OF THE NATIONAL PLANNING FRAMEWORK

We welcome the publication of the National Planning Framework and its vision for Project Ireland 2040. In particular, we welcome the recognition in the plan that significant investment in Ireland's airports and ports will play a major role in safeguarding and enhancing Ireland's international connectivity. This is fundamental to Ireland's international competitiveness, particularly in the context of the UK's exit from the EU.

The support outlined in the National Aviation Policy for the role of Shannon Airport as a key tourism and business gateway for the region, particularly with regard to the development of niche markets, is also very welcome.

Shannon Group's €150 million-plus investment plan to 2022, contained in the National Development Plan, is a statement of our intent and determination to grow Shannon Airport, Shannon Commercial Properties, Shannon Heritage and the International Aviation Services Centre. As a major economic asset and key driver of the Irish economy, both at national and regional level, we have made and continue to make a huge contribution as an enabler of economic growth nationally and regionally.

It is very important for Ireland that we seize the opportunity to create a genuine economic counter-balance to Dublin, in the Galway-Limerick-Cork corridor.

Shannon Group looks forward to playing its part in ensuring that the objectives of Project Ireland 2040 are delivered, in particular the move towards a more balanced national economy and society in which all share in growth and prosperity, regardless of where they live.

GROWTH AND RENEWAL

On the establishment of Shannon Group in September 2014, the Board and management took the decision to focus on growth and renewal. Since that time much has been achieved. At Shannon Airport, we stemmed and reversed the decline in passenger numbers and achieved growth of 25% since gaining independence in 2013, with transatlantic passengers up 18% and European passengers up 80%. In that time 24 new routes have been launched and capacity has been increased on another 14 routes. On the infrastructure side we have invested €37 million in facilities to transform our airport since 2013.

In 2017 we continued our major investment programme, spending €17 million throughout the airport campus. This included a major investment project to resurface the airport's runway, which was completed on time and on budget. We expanded our customer offering to add a new look Duty Free store, improved executive lounges, restaurant and dining facilities.

Shannon Commercial Properties accelerated its €40 million investment programme currently underway at Shannon Free Zone aimed at bringing significant new advanced manufacturing, warehousing and office space solutions to support the IDA and Enterprise Ireland led drive for inward investment in the region.

Building on the drive to create the right environment for industry to thrive, Shannon Commercial Properties unveiled a 6,000 sq ft Gateway Hub enterprise space at Shannon Airport House. Officially opened in November 2017 it provides enterprise and incubation space for start-up businesses from different sectors. Some 17 serviced offices and 'hot-desks' are available at the Hub, which also includes a networking space and shared conference, meeting and training rooms.

As a result of our investment strategy at Shannon Commercial Properties, we have seen high-profile Foreign Direct Investment (FDI) companies choose to locate at Shannon Free Zone, among them Jaguar Land Rover and Edwards Lifesciences.

During the year, our International Aviation Services Centre (IASC) continued to deliver on its objective of developing Ireland's aerospace capabilities by promoting the aviation cluster at Shannon which has grown to almost 60 companies. Among the newer companies to join the cluster in 2017 were: A-techSYN Ltd, and US companies Jetpower Aircraft Materials Limited and Camtronics MRO Europe, both of whom established European bases at Shannon Free Zone.

Shannon Heritage continued to develop product offering and recorded over 887,300 visitors to its sites in the Mid-West and Dublin in 2017. Over the past five years visitor numbers to its attractions have doubled. It continues to play an important role in attracting overseas visitors to the region and provided a range of special events for its domestic customers throughout 2017.

OPTIMISING FUTURE GROWTH POTENTIAL

We are entering the next phase in our development as a Group. We have achieved a lot to date, but we know that there is more to be done in the future.

We believe that with the right supports, Shannon Group can be central to delivering the economic development and employment ambitions set out in the National Planning Framework. With Government support I believe we can unleash Shannon Group's significant potential to meet the objectives of the National Planning Framework for more balanced regional growth.

Shannon Group is already a proven economic engine for the region, with the Group's activities supporting over 46,500 jobs, generating €3.6 billion in Gross Value Added (GVA) and contributing €1.15 billion in Exchequer returns annually.

Our strategic plan up to 2021 forecasts that Shannon Group's economic impact has the potential to support over 53,000 jobs, to stimulate a tax take of €1.3 billion to the Exchequer and a GVA of €4.2 billion per annum. This represents an additional 7,150 jobs, €181 million in tax and €577 million in GVA per annum for the Irish economy.

Central to achieving this economic impact will be growth in air connectivity, which will support the further development of tourism and attract FDI particularly in the context of the negative impact of Brexit. The recognition of policymakers of the national importance of increased air connectivity into the West of Ireland; of the role of tourism in supporting effective regional growth; and the importance of strong infrastructure to attract FDI, will be vital to achieving our ambitious targets.

It is certainly challenging for other Irish airports to grow market share given the extent of Dublin's dominance. We believe that it is important for Ireland to have a strong, growing airport in its capital, providing access to new destinations across the globe. However, there is a risk that the dominance of Dublin Airport will limit the growth in connectivity in the regions, which in turn will limit the ability of these regions to grow.

Therefore we welcome the statement regarding the Mid-West in the National Planning Framework emphasising that future growth will be based on leveraging national and international connectivity. We believe that it is critically important for all of our stakeholders, that our region has year-round access to key business hubs in North America and Europe, to support our growth.

We look forward to working to support Government plans to unlock Shannon's future potential for the benefit of Shannon and all of our stakeholders.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank Shannon Group CEO, Matthew Thomas, his Management Team and all of our staff for their hard work and dedication in delivering the financial results set out in the 2017 Annual Report. Our 2017 results reflect the benefits of our strategy and ambitious targets.

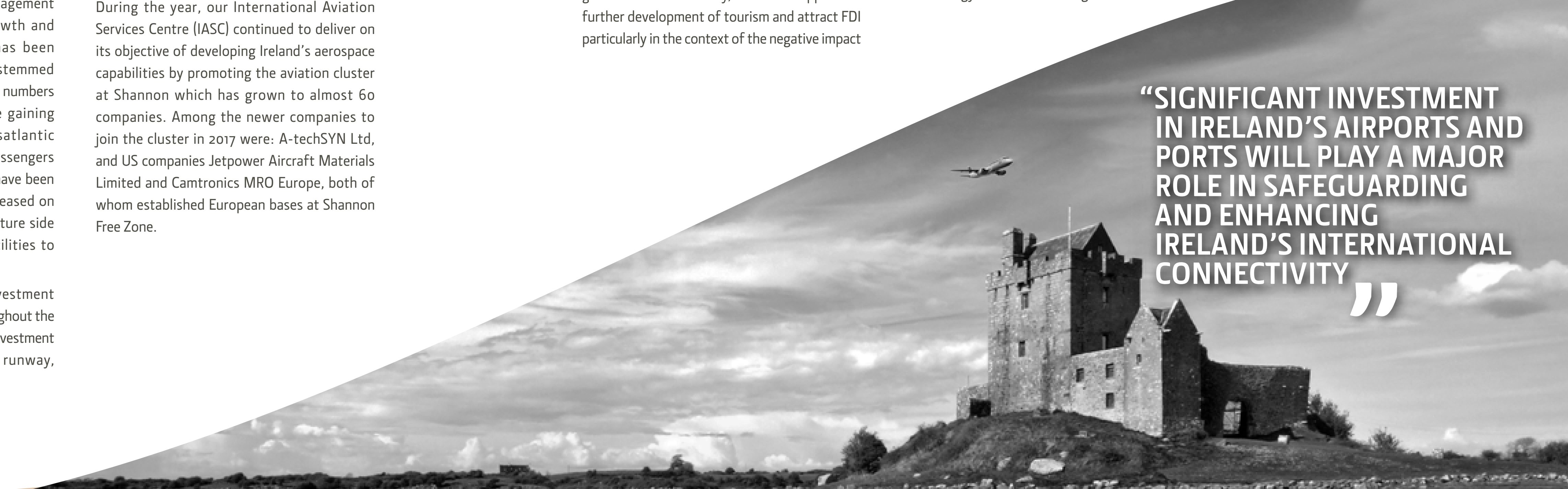
I would like to acknowledge the support and encouragement we received during the year from our Shareholder, the Department of Transport, Tourism and Sport, and thank Minister Ross and his department team for their continued support.

On 28 August 2017, Tony Brazil and Michael Leydon retired from the Shannon Group Board having served their full term. I would like to thank them for their contribution and support during their time on the Board and wish them every success in their future endeavours. I would like to extend a warm welcome to Tom Kelly, Chief Executive Officer of AerCap Ireland, who was appointed to the Shannon Group Board on 25 October 2017.

My thanks to our many loyal customers and business partners who have supported Shannon Airport, Shannon Commercial Properties and Shannon Heritage throughout the year. Rest assured that we remain committed to further enhancing our customer experience and service offering in the years to come.

I look forward to 2018 as a year of further growth and investment in the Group and continued value-creation for stakeholders.

Rose Hynes
Chairman



CHIEF EXECUTIVE OFFICER'S REVIEW

Together - Maximising Our Potential

SHANNON GROUP, A MAJOR ECONOMIC ASSET

Shannon Group enjoyed another positive year with continued growth and improved financial performance across each of the Group's businesses. The Group is set on an ambitious course, investing aggressively in our businesses to drive further growth in the years ahead.

As a primary catalyst for economic growth for the West of Ireland, we fully understand that our improved business performance stimulates economic benefits both regionally and nationally. Shannon Group's activities support 46,500 jobs. We are highly motivated by the responsibility we have to enable growth and effective regional development across the island of Ireland.

OUR FINANCIAL PERFORMANCE

Shannon Group is only three and a half years in existence, and it has made significant progress. 2017 was a year of continued improvement across our Group companies, reflecting our integrated business and investment strategy. Our turnover of €72.2 million showed an increase of 7.4% on 2016, with profit before tax increasing by 22% to €8.9 million, and EBITDA up 23% to €9.3 million, all reflecting consistent growth.

INVESTING IN OUR FUTURE

From our establishment in 2014 we set about implementing an ambitious capital investment programme throughout the Group. During 2017 we continued to deliver on this commitment.

We more than doubled our capital investment programme in 2017 to over €34 million. This programme included a range of projects to enhance the region's attractiveness as a location for indigenous and Foreign Direct Investment (FDI) and for tourism. As a result of the success of our investment programme to date, we will be accelerating our plans across the Group over the next five years.

OUR BUSINESS PERFORMANCE

SHANNON AIRPORT

Shannon Airport welcomed over 1.75 million passengers in 2017, a marginal increase on 2016, which consolidated the growth achieved in previous years. The Airport has recorded five successive years of passenger growth and in a challenging environment has maintained its market share. In total, since obtaining independence from daa in 2013, Shannon Airport passenger numbers have increased by 25%.

In 2017 we were delighted to welcome Norwegian Air International to Shannon with the launch of services to Stewart International Airport in New York and Providence, Rhode Island. Norwegian has the potential to open up a new market of low-cost transatlantic traffic in Shannon.

While recognising the challenging environment, we are confident of a positive year ahead. Capacity on our transatlantic services is forecast to increase by almost 20% in 2018, with eight transatlantic services with six different carriers across seven destinations available from Shannon.

The launch of a new Air Canada service to Toronto in 2018, together with the expansion of Norwegian and American Airlines services to New York, Boston and Philadelphia means Shannon will have its largest number of transatlantic destinations in over 17 years. The decision by United to cancel its Chicago service and reduce its New York winter service is however a concern.

Elsewhere, there is also good news on the European front with new services to Barcelona/Reus, Liverpool and Bristol all taking off in 2018, and expansion of the existing Manchester service.

There is, of course, much more to be done and we will be building on these gains in the year ahead. We are pleased that Shannon Airport is providing improved access for the West of Ireland into continental Europe and North America.

A well-connected airport improves the economic attractiveness of a 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.

Shannon Airport operates in a very competitive market. We compete not just with the other airports in Ireland, but also with airports across Europe. The fact that for the fifth year in a row Shannon Airport won a marketing award at World Routes demonstrates the respect in which we are held by our airline customers.

We work hard to ensure that our customers are at the centre of everything we do. Our extensive capital programme continues to transform the experience for travellers at Shannon Airport, with recent improvements to our Duty Free Shop and restaurant, our departure gates, and executive and transit lounges. During 2017 we also undertook a complete resurfacing of our runway, the longest airport runway in Ireland. The Airport team is to be particularly commended for their professionalism in completing this project.

For many of our passengers, their arrival at Shannon Airport is their first experience of Ireland. We are committed to imbuing the airport with a 'sense of place' to reflect our location at the heart of the Wild Atlantic Way, and creating a unique footprint that embodies the landscape of our region and its people. Most recently we have recreated Thomond Park's Munster tunnel in an airport stairwell to capture the passion that Muster rugby inspires and give our passengers a fitting send off on their way to support international matches.

During 2017 we officially opened our airport sensory room in response to the requirements of our customers. Being the first airport in Europe to develop a sensory room is in keeping with Shannon's culture of being innovative to address our customer needs. We go further than others to create a positive experience for our passengers. We are pleased to learn that other airports throughout Europe are following suit in developing their own sensory rooms.

We continue to draw inspiration from Dr Brendan O'Regan, the visionary responsible for many innovations on which much of the region's economic growth is based and whom we remembered last year as we marked the centenary of his birth. To us he symbolises drive, courage and determination to get things done - values we continue to live by in Shannon Group.

SHANNON COMMERCIAL PROPERTIES

Shannon Commercial Properties owns and manages one of Ireland's largest property portfolios with eight business and technology parks, over 2 million sq ft of building space, over 200 buildings and in excess of 1,500 acres of development land in 15 key locations across counties Clare, Limerick, Tipperary and Kerry. At its heart is Shannon Free Zone, home to the largest concentration of North American companies in Ireland outside Dublin.

In the four years to the end of 2018, €40 million will have been invested by Shannon Group in Shannon Free Zone delivering over 500,000 sq. ft. of upgraded or new office, manufacturing and warehousing facilities in Shannon Free Zone. Among our most recent new tenants at Shannon Free Zone are Jaguar Land Rover and Edwards Lifesciences.

The new jobs this will bring are a major validation of our investment programme which is now paying dividends for the company, for the region and, most importantly, for all those people who will be employed in our new state-of-the-art facilities.

It's no coincidence that the growth in the Airport's transatlantic services has been accompanied by strong growth in US FDI into the Mid-West. Indeed, all of the FDI companies announcing investments in this region over the past 18 months have cited Shannon Airport and the connectivity it provides as a key factor in their decision to locate in the Mid-West. We commend the IDA Ireland for their work in promoting Ireland and bringing FDI companies here and look forward to building an ever closer partnership in the years ahead.

Our investment programme is positioned to ensure that we have a pipeline of high quality property solutions to meet continued demand from FDI companies. Current projects include a 56,000 sq ft Grade A office block and the construction of a 33,000 sq ft advanced manufacturing unit; the development of the first Starbucks drive-through in the Republic of Ireland; the completion of the redevelopment of a 100,000 sq ft of office, engineering and warehouse facilities; and the opening of the Gateway Hub, the Mid-West's latest service office and co-working offering.

"THE GROUP IS SET ON AN AMBITIOUS COURSE, INVESTING AGGRESSIVELY IN OUR BUSINESS TO DRIVE FURTHER GROWTH IN THE YEARS AHEAD"

CHIEF EXECUTIVE OFFICER'S REVIEW *(Continued)*

SHANNON COMMERCIAL PROPERTIES (Continued)

Due to the success of the initial investment programme, Shannon Commercial Properties is now accelerating the next phase of a wider redevelopment programme that will transform the global birthplace of Free Trade Zones and provide state-of-the art commercial property solutions for companies seeking to establish an EU base post-Brexit. We believe that the Mid-West region has the winning ingredients to attract new investment in a post-Brexit environment.

IASC

Shannon is home to the largest cluster of aerospace companies in Ireland. The International Aviation Services Centre's (IASC) objective is to develop Ireland's aerospace capabilities and ensure Ireland is a global centre for the aviation industry. We are pleased that the development of the aerospace industry has been identified as one of the top priorities for the Action Plan for Jobs in the Mid–West. The IASC cluster has grown from 45 to almost 60 companies since 2013, with potential for significant further growth.

In 2017, we launched the Gateway Hub incubation facility for fledgling aviation start-ups at the newly branded Gateway West section of Shannon Free Zone. Together with the 'Propeller Shannon' accelerator programme, run in partnership with the DCU Ryan Academy, Boeing and Datalex, we now have an extremely attractive environment for new companies to flourish within Shannon's growing aviation cluster.

SHANNON HERITAGE

Shannon Heritage is Ireland's largest commercial operator of heritage tourism attractions, providing reasons for tourists to come to Ireland. Its ability to attract visitors is an important driver for the tourism sector, generating 253,000 bed nights annually, with the sector providing much needed employment in rural areas.

The Company manages day visitor attractions including its flagship Bunratty Castle & Folk Park in Co.Clare and King John's Castle in Limerick. It also has interests in the Cliffs of Moher and Adare Heritage Centre, as well as managing two sites in Dublin: Malahide Castle and Gardens, and the GPO Witness History visitor centre.

Shannon Heritage welcomed over 887,300 visitors to its attractions in 2017. All sites showed growth during the year with the exception of GPO Witness History, which enjoyed exceptional demand in 2016 with the 1916 centenary commemoration.

We have ambitious plans for Shannon Heritage and will continue to develop and grow our portfolio of attractions. Over the past five years we have invested €5 million across our sites.

In order to grow tourism numbers we need to provide compelling reasons for people to come to Ireland. In partnership with key agencies such as Fáilte Ireland, we are committed to investing heavily in Shannon Heritage in the years ahead to grow a strong and vibrant tourism offering.

We will capitalise further on our strengths and expertise to expand our portfolio of heritage attractions and look at innovative ways to deliver memorable experiences for our customers. At the same time we are very conscious of the responsibility we have to maintain and preserve the historic sites we manage.

REALISING FUTURE POTENTIAL

Shannon Group is uniquely placed to continue to act as a catalyst for economic growth in the years ahead. Our five-year business and financial plan sets the foundations for continued passenger growth and enhanced connectivity at Shannon Airport, as well as the rapid expansion of our commercial property and heritage divisions and the IASC cluster.

The successful delivery of our five-year plan will substantially grow the Group's economic impact over the coming years and allow us to continue in our role as a vital economic engine in building a brighter and sustainable future for the people of our region.

We have set ourselves ambitious targets and make no apology for reaching for the skies. To enable the key regional economic assets of the Shannon Group to be fully exploited it is important that there is alignment of our investment and growth plans with the implementation of the National Planning Framework. To do this we require the support of our stakeholders.

Together, we could have a real impact on the lives and prosperity of everyone living and working in the region.

COLLABORATION IS CRUCIAL

It is through the commitment of employees across Shannon Group that we have achieved so much in such a short time. In particular, I would like to thank my management team and all of our employees for their commitment, dedication and the contribution they make every day.

There is a growing sense of momentum in our region, fuelled by exciting job announcements and ambitious investment plans. It is important that we continue to build on this momentum. Investment in the Atlantic corridor from Galway, through Shannon, Limerick, Kerry and on to Cork is hugely important to develop a vibrant economic region to complement growth on Ireland's east coast.

This will require even greater collaboration and commitment across a range of key stakeholders and agencies – together we are stronger. We are already reaping the benefits from established partnerships with 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. I would like to sincerely thank them for their support during the year and look forward to building on our strong working relationships.

We believe that strong regions and regional cities make for a strong national economy and working together we can, and we will, make a real difference.

Matthew Thomas
Chief Executive Officer

Shannon Group 2017 Financial Performance

TURNOVER €72.2 Million
increase of 7.4%

PASSENGERS
1.75 Million

SHANNON HERITAGE SITES
over 887,300 visitors

CAPITAL EXPENDITURE
over €34 Million

PROFIT BEFORE TAX
€8.9 Million
increase of 22.5%

FINANCIAL OVERVIEW

	2017 €'000	2016 €'000
Revenue	**72,239**	67,231
Operating profit as reported (after exceptional items)	**9,081**	7,093
Investment properties revaluation gains	**(4,604)**	(4,513)
Other income/expense (including gains/losses on disposal of assets)	**(1,159)**	(253)
Exceptional items ^	**636**	1,334
Adjusted operating profit	**3,954**	3,661
Depreciation and amortisation	**5,375**	3,916
EBITDA (before exceptional items and investment property revaluations)	**9,329**	7,577

^See page 69 for details of exceptional items

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INVESTING FOR GROWTH-
DELIVERING ON OUR INVESTMENT PROMISE

During 2017 Shannon Group continued to deliver on its ambitious capital investment plans at its three Group companies. The Group invested over €34 million in a range of projects designed to enhance the region's attractiveness as a location for indigenous and FDI investment and to make the area more attractive for visitors.

Shannon Free Zone is home to over 160 companies employing over 7,500 people and the Shannon Commercial Properties development programme is creating the environment for a high-tech eco-system in the Mid-West while also optimising the value of our most significant property assets.

Following the success of an initial €21 million investment programme, the next phase of Shannon Commercial Properties' plan to transform Shannon Free Zone has been brought forward. As a result, investment in state-of-the-art property solutions at Shannon Free Zone is to be accelerated in 2018 to capitalise on the demand for commercial property in the region.

By the end of 2018, a total of €40 million will have been invested at Shannon Free Zone and will have brought over 500,000 sq. ft. of new or upgraded office, manufacturing and warehouse facilities to the market at Shannon Free Zone across four years (2015 – 2018).

Among these projects in 2017 were: a €10 million 56,000 sq. ft. four-storey Grade A office block; a €4 million 33,000 sq. ft. advanced manufacturing unit and the first Starbucks drive-through in the Republic of Ireland.

Building on the drive to create the right environment for industry to thrive, the Shannon Commercial Properties 6,000 sq ft Gateway Hub enterprise space at Shannon Free Zone was officially opened in November by Pat Breen TD, Minister of State with special responsibility for Trade, Employment, Business, EU Digital Single Market and Data Protection.

The Gateway Hub has transformed the ground floor of Shannon Airport House, renovated at a cost of €1 million, into an enterprise and incubation space for start-up businesses from different sectors. Some 17 serviced offices and 'hot-desks' are available at the Hub, which also includes a networking space and shared conference, meeting and training rooms with a reception and business support resource.

The Hub is home to the new Propeller Shannon start-up programme, established to drive the development of innovative Irish and international start-up companies in the aviation sector. It taps into the unique aerospace ecosystem for entrepreneurs that has seen almost 60 companies employ 2,600 people at Shannon Free Zone.

Shannon Group has also undertaken significant investment at Shannon Airport. Among key projects delivered in 2017 at Shannon Airport was a major €15 million runway resurfacing. In addition, development work to enhance customer experience continued apace in the airport terminal building with extensive transformation of its executive lounges, Duty Free shop, restaurant and bar.

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1 In March 2017, Shannon Commercial Properties commenced work on a €10 million high spec office block at Shannon Free Zone. The versatile new building will comprise four 13,500 sq ft. floors and is due for completion in 2018. Pictured at the sod turning ceremony to kick-start the project are (from left); Ray O'Driscoll, Managing Director, Shannon Commercial Properties, Minister of State Pat Breen, TD, Rose Hynes, Chairman, Shannon Group and Matthew Thomas, CEO, Shannon Group.

2 In May, Shannon Airport commenced a €15 million project, employing 100 people to upgrade the airport's runway, the longest runway in Ireland at 3,199 metres. A full resurfacing of 2,400 metres of the runway was undertaken by Lagan Asphalt Group. Pictured on the runway ahead of the start of the work are (from left); Niall Maloney, Airport Operations Director, Shannon Airport, Rose Hynes, Chairman, Shannon Group, Brian McManus, Lagan Asphalt Director and John O'Leary, Project Manager, Shannon Airport.

3 In December, US aircraft materials company Jetpower joined the growing aviation cluster at the International Aviation Services Centre ("IASC"). The Company established a European base at Shannon Free Zone. Shannon Commercial Properties assisted Jetpower to secure a 25,000 sq ft premises at Shannon Free Zone, to meet their rapid growth requirements. The facility provides warehousing and storage for engine parts which are then transported to Europe and globally via Shannon Airport. Pictured (from left) are; Mark Hadding, CFO, Jetpower, Rita Meehan, Property Leasing and Aviation Cluster Executive, Shannon Commercial Properties, Ray O'Driscoll, Managing Director, Shannon Commercial Properties, Aaron Neff, CEO, Jetpower and Michelle Viana, Asset Acquisitions, Jetpower.

4 In October, Shannon tasted another national 'first' but this time with coffee, as work commenced on the first coffee drive-through in the Republic of Ireland by global coffee giant, Starbucks. The development will lead to the creation of 15 jobs at the new coffee outlet. Shannon Free Zone Starbucks will comprise a coffee dock and meeting hub with internal and external seating, car and cycle parking, drive-through coffee ordering and collection. Pictured at the sod turning are (from left); Ray O'Driscoll, Managing Director, Shannon Commercial Properties, Gerry Dillon, Operations & Development Director, Shannon Commercial Properties, Grainne McInerney, Property Development Manager, Shannon Commercial Properties and Tom Collins, Maloney's Contractors Site Project Manager.

5 Pictured in November at the official opening of the new Gateway Hub at Shannon Airport House in Shannon Free Zone are; Rose Hynes, Chairman, Shannon Group and Ray O'Driscoll, Managing Director, Shannon Commercial Properties.

6 Shannon Airport undertook extensive renovations in 2017 including its iconic Duty Free Shop, the worlds's first duty free.


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2017 AVIATION HIGHLIGHTS

2017 was a year of consolidation of growth gained in previous years. Overall passenger numbers were marginally up at 1.751 million (+0.15%) compared to 2016, and 25% ahead of when Shannon Airport became independent in 2013.

During 2017 the airport enjoyed its largest number of US services in over 17 years, with the launch by Norwegian Air International of two new US services to Stewart International Airport, New York and Providence, Rhode Island. These increases will bring US capacity at Shannon to well over 550,000 seats in 2018, with eight services to seven airports on the US east coast.

Shannon's attractiveness for transatlantic travellers was further boosted by the introduction of a new combined EU/US Pre-clearance checkpoint. This time-saving initiative eliminates the need for US bound passengers to queue twice for separate security checks. Shannon is the first airport in the world to trial this groundbreaking system.

1 In January, Aer Lingus announced that their daily morning service from Shannon to Heathrow would depart at the earlier time of 7.30am. The business friendly timing came into effect from 26 March 2017.

2 In April, Shannon added connectivity to a new European hub when Lufthansa commenced its first ever scheduled flights from the airport to Frankfurt. The service operated weekly from the 29 April to 28 October and provided onward connectivity from Frankfurt to over 200 destinations worldwide. Pictured taking a selfie to mark the inauguration of the service is Declan Power, Head of Aviation Development, Shannon Airport with (l-r); Liesellette Schmidt, Captain Torsten Adams, Tanja Bartl, Sahar Roos, Andrew Murphy, Managing Director, Shannon Airport and Isabel Harrison, B2B Manager, Aviation Development, Shannon Airport.

3 In July, low-cost carrier Norwegian Air International launched the first ever Shannon services to US east coast airports of Stewart International Airport and T.F Green Airport, Providence, serving New York and Boston respectively. Pictured (from left) are; Andrew Murphy, Managing Director, Shannon Airport, Tore Jenssen, CEO, Norwegian Air International, with 'Uncle Sam' Aidan Fox from Shannon.

4 On 1 August, Scandinavian Airlines (SAS) launched a new Shannon to Stockholm service, operating twice a week until 7 October. Pictured celebrating the commencement of the new service are (l-r); Aileen Hickey, Manager Nordic Region, Tourism Ireland, Alan Sparling, Managing Director of ASM, Ireland and Mary Considine, Deputy CEO, Shannon Group.

5 In August, American Airlines announced that it would expand its Shannon to Philadelphia service in 2018, as the airline continues to build on the growing demand for flights between Shannon and its Philadelphia hub. It is a service that continues to grow, with a 60% increase in capacity already added since 2013. Pictured at Shannon Airport are Declan Power, Head of Aviation Development, Shannon Airport and Fiona Noonan, American Airlines.

6 In September, Air Canada announced a new direct service from Shannon to Toronto operating four days a week from 2 June to 13 October 2018. This opens up trade and tourism opportunities to connect to over 190 onward destinations on five continents. Pictured at the announcement (back row from left) are; Andrew Murphy, Managing Director, Shannon Airport, Matthew Thomas, CEO, Shannon Group, Kevin Vickers, the Canadian Ambassador to Ireland and Minister of State, Pat Breen TD. Front row are; Declan Power, Head of Aviation Development, Shannon Airport and Blaithin O'Donnell, Air Canada Sales Manager, Ireland.

7 In September, Ryanair announced a new service staring in 2018 to Barcelona/Reus. The twice weekly service from March 27 to October 27 will give passengers direct access into one of the leading holiday regions in Spain, including one of Europe's most popular city destinations, Barcelona. Our picture shows a Spanish flamenco dancer at Shannon Airport.


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COMMEMORATING THE LEGACY OF DR BRENDAN O'REGAN

On 15 May 2017, Shannon Airport celebrated a major historic milestone, the centenary of the birth of the late Dr Brendan O'Regan, one of Ireland's greatest economic innovators.

The life and legacy of Dr O'Regan who spearheaded a new era of economic development in Ireland, was celebrated with the unveiling of a bust and exhibition to his memory at Shannon Airport by Rose Hynes, Chairman of Shannon Group. Among the guests of honour were members of Dr O'Regan's family.

Dr O'Regan was the founding father and builder of the foundations on which much of Shannon, the Mid-West region and Ireland's economies were built, and his many world first initiatives continue to bear fruit today. A legendary visionary, from Sixmilebridge, Co. Clare, Dr O'Regan is justly credited with transforming the Mid-West from a region caught in the grip of a desolate post-war depression in the 1940s/'50s into a thriving hub of economic activity.

Many of his unrivalled industrial and tourism initiatives are today multi-billion euro global phenomena. One of his most enduring legacies was the establishment of the world's first duty free shop at Shannon Airport which celebrated its 70th anniversary in 2017.

The duty free concept came about through a brainstorming session and was made possible by the Dáil approval of 1947 Customs Free Airport Act, to exempt transit and embarking passengers, goods and aircraft, from normal customs procedures. This historic legislation established Shannon as an international industrial and distribution centre and stimulated air traffic growth.

Dr O'Regan was in a position to immediately implement the idea with space being made available in the airport terminal building. Ms Kitty Downes was employed to sell souvenirs, Irish linen products and other locally produced items for the convenience of transatlantic passengers from a small kiosk in the airport terminal building. The concept of duty free shopping was quickly replicated in airports across the globe.

In the late 1950's he developed Shannon Free Zone, the world's first Free Trade Zone, which today is one of the largest multi-sectoral business parks in Ireland and contains the largest concentration of North American companies in Ireland outside of Dublin. Shannon Free Zone was used as the model for the world's first Special Economic Zones (SEZ) in China and the world over. Today there are approximately 2,600 Free Zones globally employing upwards of 60 million people.

Dr O'Regan made an immense contribution to Irish tourism and was behind the transformation of several medieval castles into leading tourist attractions, among them Bunratty, Knappogue and Dunguaire Castles, ultimately giving rise to the establishment of Shannon Heritage – Ireland's largest commercial operator of tourist attractions. He developed the now world renowned Shannon College of Hotel Management. Graduates of the internationally acclaimed college include some of the world's top hoteliers.

He was also the driving force in the early 1960's behind the development of what was then Ireland's newest town, Shannon Town, which today has a population just short of 10,000 people.

Dr O'Regan was a renaissance man, a pioneer of regional development, charismatic and charming - who brought a passion and determination to every task he undertook. His initials, "BOR", in Shannon came to mean 'Bash on Regardless'. He saw opportunities not limitations and his ability to reach for the skies had a transformative effect on the Irish and international stage.

DR BRENDAN O'REGAN - A LEGACY

"IF YOU KEEP KNOCKING ON THE DOOR, THE DOOR WILL OPEN. YOU'LL GET THERE, NOT PARTICULARLY WITH YOUR OWN ABILITIES, BUT WITH OTHERS THAT YOU GATHER AROUND YOU"

Dr Brendan O'Regan

shannon AIRPORT

The World at Your Doorstep

Shannon Airport is an independent airport that operates a 24-hour service with no curfews, slots or noise restrictions and is situated between Ireland's third and fourth largest cities. Shannon is the only airport in Ireland to offer US pre-clearance facilities for both commercial and private aircraft.

PASSENGER

BUSINESS

CARGO

www.shannonairport.ie

shannon AIRPORT

IN PROVIDING DAILY ACCESS TO THE US, UK AND EUROPE, SHANNON AIRPORT IS A KEY ECONOMIC DRIVER FOR A REGION THAT STRETCHES FROM THE SOUTH UP TO THE NORTHWEST OF IRELAND.

Shannon Airport Authority is an international airport company providing its customers with world-wide air connectivity. It is also the global gateway to the breathtaking Wild Atlantic Way on Ireland's west coast.

With over 270 employees in peak season, the Company's principal activity is the day-to-day management of Shannon Airport. Central to this is its commitment to the delivery of a safe, secure and customer focused airport operation. This is achieved through delivering its services to the highest national and international standards and best practice.

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.

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 up to Category 9. The airport operates a 24 hour service with no curfews, slots or noise restrictions.

The airport was officially opened in 1945 and two years later in 1947 Shannon Duty Free, the world's first Duty Free Shop, was launched. The duty free concept born in Shannon has now become a multi-billion dollar global industry, with duty free operations in virtually every corner of the globe.

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

In providing daily access to the US, UK and Europe, Shannon Airport is a key economic driver for a region that stretches from the south up to the northwest of Ireland. In 2017, the airport handled over 1.75 million passengers, an overall 25% increase in passenger numbers since 2013. There were over 19,296 commercial terminal movements in 2017 and from Shannon you can fly to over 31 destinations in 12 countries.

The airport is committed to enhancing facilities to exceed passenger needs. Since 2013, the airport has invested over €37 million in a range of enhancements. In 2017 it continued its major investment programme within the airport campus of €17 million which included a major resurfacing upgrade of the airport runway, new food and bar outlets and a new look duty free store.

A strong customer focus is a core value of Shannon Airport and in 2017 the airport officially opened the first airport sensory room in Europe for its passengers with autism and special needs. Since then Shannon is proud to say that other airports have sought advice from them on establishing their own sensory rooms.

For further information please visit www.shannonairport.ie

shannon COMMERCIAL PROPERTIES

Welcome to Shannon Free Zone

Home to Ireland's largest cluster of FDI companies outside of Dublin.

PROPERTY DEVELOPMENT

SALES & LEASING

FACILITIES MANAGEMENT

TECHNOLOGY PARKS

www.shannonproperties.ie

shannon COMMERCIAL PROPERTIES

SHANNON COMMERCIAL PROPERTIES WILL HAVE DELIVERED OVER 500,000 SQ FT OF NEW OR UPGRADED OFFICE, ENGINEERING AND WAREHOUSING FACILITIES IN SHANNON FREE ZONE BY THE END OF2018.

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

The Company owns and manages one of Ireland's largest property portfolios, with eight business and technology parks, over 2 million sq ft of building space, over 200 buildings and in excess of 1,500 acres of development land in 15 key locations across counties Clare, Limerick, Tipperary and Kerry.

Among these is Shannon Free Zone, one of Ireland's largest multi-sectoral business parks, which contains the largest concentration of North American companies in Ireland outside of Dublin.

Home to 160 companies employing over 7,500 people, Shannon Free Zone is one of the region's core assets and a major €40 million investment programme currently underway will bring significant new advanced manufacturing, warehousing and office space solutions to support the IDA Ireland and Enterprise Ireland led drive for inward investment in the region. Shannon Free Zone is also home to a cluster of almost 60 globally recognised aviation and aerospace companies. Other sectors in the business park include ICT, pharma, financial services, engineering, manufacturing and logistics.

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. The Company works with the Airport and the International Aviation Services Centre (IASC) to plan for future aviation development requirements.

The Company's current 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. Projects underway or recently completed at Shannon Free Zone include;

- An 80,000 sq ft redevelopment divided into five units suitable for office, engineering and warehouse facilities
- A 56,000 sq ft new Grade A office block
- A 33,000 sq ft new Advance Technology Manufacturing Unit
- The refurbishment of Shannon Airport House, which houses the Gateway Hub, the Mid-West's latest serviced office and co-working offering and enterprise incubation for start-ups
- The refurbishment of Universal House, a 15,000 sq ft office block.
- The construction of a drive-through Starbucks restaurant.

To put this in context, for the period 2015 to 2018, Shannon Commercial Properties will have delivered over 500,000 sq ft of new or upgraded office, engineering and warehouse facilities in Shannon Free Zone.

This underpins employment in the region by putting in place the type of facilities that top Irish and international companies demand today and which will assist IDA Ireland and Enterprise Ireland in attracting new business and jobs to the airport and Shannon Free Zone.

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.

Add to this a very competitive and affordable operating environment, very strong third level institutions on its doorstep in Galway and Limerick, a superb location on the Wild Atlantic Way with an international airport at its centre, and you have all the ingredients for a great place to live, work and enjoy leisure time.

For further information please visit www.shannonproperties.ie

shannon IASC

The Home of Aviation & Aerospace in Ireland

International Aviation Services Centre

ASSISTING AEROSPACE FIRMS

AVIATION CLUSTER DEVELOPMENT

www.iasc.aero

shannon IASC

THE AVIATION INDUSTRY IS GLOBAL IN NATURE AND IS GROWING RAPIDLY. IRELAND IS ALREADY A MAJOR WORLDWIDE CENTRE FOR AVIATION ACTIVITY, IN PARTICULAR AIRCRAFT LEASING.

The International Aviation Services Centre (IASC) is a strategic business unit within Shannon Group which works with Shannon Commercial Properties and is tasked with further developing the well-established aviation cluster at Shannon. IASC helps existing aerospace firms located here develop their business, as well as working alongside IDA Ireland and Enterprise Ireland as they work to bring new companies to Shannon.

The aviation industry is global in nature and is growing rapidly. Ireland is already a major worldwide centre for aviation activity, in particular aircraft leasing. This is, in large part, a legacy of GPA, the pioneering leasing firm founded in Shannon in the 1970s.

IASC is dedicated to growing the aviation cluster at Shannon in line with National Aviation Policy. In doing so it hopes to play its part in developing Ireland's aerospace capabilities and helping to ensure that the country remains a global centre for the aviation industry.

Today, almost 60 aerospace firms are established in and around Shannon, employing approximately 2,600 staff. IASC's ambition and mandate is to develop this activity further, creating a globally recognised aviation industry cluster at Shannon with specialisations in areas such as leasing, maintenance, aircraft recycling, business aviation and component manufacture and repair.

Among the newer companies to join the aviation cluster at Shannon Free Zone in 2017 were: Jetpower Aircraft Materials Limited ("Jetpower"), a US aircraft materials company, which established a European base; A-techSYN Ltd, an innovative R&D company involved in fixed-wing Unmanned Air Vehicle (UAV) development, and Camtronics MRO Europe, a subsidiary of US aircraft component repair company Camtronics Aviation Group.

Following the launch by Shannon Commercial Properties of the Gateway Hub at Shannon Airport House in Shannon Free Zone in November 2017, IASC in partnership with DCU Ryan Academy for Entrepreneurs, Boeing, Datalex and Enterprise Ireland launched Propeller Shannon, an aviation and aerospace start-up accelerator programme. The programme is designed to drive the development of innovative Irish and international start-up companies in the aviation sector, providing them with the opportunity to tap into the unique aerospace ecosystem that have seen the development of the aviation cluster at Shannon Free Zone.

For further information please visit www.iasc.aero

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

www.shannonheritage.com

THE ABILITY OF SHANNON HERITAGE TO ATTRACT VISITORS TO THE REGION IS AN IMPORTANT DRIVER FOR THE TOURISM SECTOR.

Shannon Heritage is Ireland's largest commercial operator of heritage tourism attractions, complete with six castles and a variety of other immersive day attractions and evening entertainment events in Clare, Limerick, Galway and Dublin. The Company manages world-leading visitor experiences, while expanding its portfolio of attractions and contributing to the economic tourism ecosystem predominantly in the West of Ireland.

The Company manages a total of six day visitor attractions including its flagship Bunratty Castle & Folk Park in Co. Clare and King John's Castle in Limerick which it owns and manages. It also has interests in many other visitor sites such as the Cliffs of Moher and Adare Heritage Centre, where the Company manages retail operations. In addition it manages two sites in Dublin; Malahide Castle and Gardens, and the GPO Witness History visitor centre.

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 with ambitious plans to continue acquiring new sites in partnership with external stakeholders.

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 memorable visitor experiences with unparalleled customer service from dedicated staff, and presenting Ireland's heritage in an exciting and unique way.

Shannon Heritage welcomed over 887,300 visitors to its attractions in 2017.

Almost 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, service suppliers and retail merchants.

The ability of Shannon Heritage to attract visitors to the region is an important driver for the tourism sector, which is a key employer for our rural economies. As well as being a direct employer, the company also stimulates spin-off benefits for a range of service sector businesses across the region.

Shannon Heritage Visitor Attractions and Evening Entertainments:

- Bunratty Castle & Folk Park
- Bunratty Castle Medieval Banquets
- Traditional Irish Night at Bunratty Folk Park
- King John's Castle
- Knappogue Castle Banquets
- Craggaunowen - the living past
- Dunguaire Castle
- Dunguaire Castle Banquets
- Malahide Castle & Gardens
- GPO Witness History Visitor Centre

For further information please visit www.shannonheritage.com

SHANNON GROUP WELCOMES...

Ireland is renowned around the world for the warmth of its welcome, and no more so than at Shannon where the airport walls are lined with photos of world leaders, heroes, movie stars and celebrities who have received a warm reception over the years. During 2017, Shannon Group continued this tradition and welcomed a host of people, among them:

1 In November, the world's most famous modern day astronaut Chris Hadfield jetted into Shannon Airport. Hadfield brought the International Space Station into popular culture in 2013 when he performed the David Bowie classic Space Oddity while rotating around the earth. Canada's most accomplished astronaut and a big fan of Ireland received a warm Shannon welcome from Rose Hynes, Chairman, Shannon Group and scouts from the 1st Clare Shannon Scouts.

2 There was extra special festive cheer at Shannon Airport in December as Joy Neville returned home to a warm homecoming with her World Rugby Referee of the year award in hand. Neville, who was capped 70 times for Ireland, created rugby history at the World Rugby Awards gala ceremony in Monaco by becoming the first female winner of the award. Joy is pictured with her wife Simona after stepping off her flight.

3 John Burke is pictured with his wife Aoibhín at Shannon Airport where he received a hero's welcome on his return in May from completing a lifelong ambition to become the first County Clare man to reach the summit of Everest.

4 In June, Shannon's long standing relationship with China deepened as one of the most influential political figures in the world's second largest economy Mr Hu Chunhua, held meetings with industry leaders from the region to scope out mutual business opportunities. Pictured with Mr Hu is Rose Hynes, Chairman, Shannon Group.

5 Munster rugby players were welcome visitors to Shannon Airport in August, when the airport signed up to come on board as Munster Rugby's 'Official Airport Partner' in a three year sponsorship commitment. The partnership formalises a long-standing relationship, with the airport having hosted some unforgettable and emotional Munster homecomings over the years, not least following the 2006 and 2008 European Champions Cup victories. Pictured getting in some impromptu training during the announcement at Shannon Airport are Munster players Keith Earls, Dan Goggin and Conor Murray.

6 During the year Shannon Airport once again sponsored Fleadh Cheoil na hEireann Ennis. 'Lord of the Dance' star Michael Flatley officially opened the event in August. Our picture shows Mary Considine, Deputy CEO, Shannon Group, giving a Shannon welcome to Michael as he took to the Fly Shannon stage in Abbey Street, Ennis prior to the official opening.

7 In September, Andrew Murphy, Managing Director, Shannon Airport, supported by Galway hurling star Joseph Cooney, welcomed the opening of the M18 Gort to Tuam motorway. This brings Shannon and Galway closer together as it halves the amount of travel time from parts of Galway to the airport. Only a puck of a ball between us!

8 A group of influential travel bloggers from around the world were guests of Shannon Heritage at King John's Castle in Limerick and Bunratty Castle & Folk Park in Co. Clare in October. Pictured welcoming them to King John's Castle are (second from left); Niall O'Callaghan, Managing Director, Shannon Heritage, Fiona Kilderry, Operations Manager, King John's Castle and (far right) Nandi O'Sullivan, Head of Communications, Shannon Group.


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THE BOARD OF DIRECTORS OF SHANNON GROUP PLC

1. ROSE HYNES, CHAIRMAN

Rose Hynes was appointed 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. She was appointed to the Board of Shannon Airport Authority as Chairman Designate in November 2012 and was appointed Chairman in January 2013. Rose is also Chairman of Origin Enterprises plc and is a non-executive director of a number of other companies in various sectors including Total Produce plc and IPL Plastics plc. Rose was also appointed to the Governing Authority of UL in December 2017. Rose is a lawyer and was a member of the senior management team in GPA for many years. GPA was one of the world's largest lessors and financiers of aircraft. She is also a former Chairman of Bord Gais/Ervia and former non-executive director of Bank of Ireland, Fyffes plc and Aer Lingus. She is a law graduate of University College Dublin and is a native of County Clare.

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. 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 and the Property and Investment Sub-Committee. He is currently the Business Relations Manager, Shannon Airport.

4. TOM COUGHLAN

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

1. ROSE HYNES

2. MATTHEW THOMAS

5. TOM KELLY

6. KEVIN McCARTHY

5. TOM KELLY

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

6. 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 38 years working in Shannon Airport's Police and Fire Service.

7. 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. Kitty is a public policy consultant and transport expert based in the United States and President of the Higgins Company, a government relations firm.

8. 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 both the Audit and Risk and Remuneration Sub-Committees. Liam is Managing Director of both Clare FM and Tipp FM and is also a Director and Vice Chairman of Independent Radio Sales in Dublin. Liam also sits on the Board of Tipperary Invests. He is a founder member and former Chairman of Spin South West, and a founder member and former Board Director of Newstalk. Liam was inducted into the PPI Radio Hall of Fame in 2013.

3. JOE BUCKLEY

4. TOM COUGHLAN

7. KATHRYN O'LEARY HIGGINS

8. LIAM O'SHEA

Annual Report and Accounts | 2017

SHANNON GROUP EXECUTIVE TEAM

FROM LEFT TO RIGHT

PATRICK EDMOND
Managing Director IASC
Group Strategy Director
Shannon Group plc

CAROLINE KELLEHER
Director of Public Affairs
Shannon Group plc

MATTHEW THOMAS
Chief Executive Officer
Shannon Group plc

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

ANDREW MURPHY
Managing Director
Shannon Airport

NIALL O'CALLAGHAN
Managing Director
Shannon Heritage

RAY O'DRISCOLL
Managing Director
Commercial Properties
Shannon Group plc

shannon GROUP

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

To us Corporate Social Responsibility (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 Shannon Group CSR programme is integral to what we do and the desire to give something back is strongly embedded in our corporate culture. Shannon Group continued to make a significant contribution to the wider community during 2017. We facilitated our employees to contribute positively to our society by actively encouraging them to participate in environmental, community and fundraising initiatives.

OUR CORPORATE SOCIAL RESPONSIBILITY PROGRAMME AT A GLANCE:

1. PROTECTING OUR ENVIRONMENT

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

During the year we continued to invest in projects designed to reduce our energy consumption. For example as part of the resurfacing of the airport's runway, over 300 halogen airfield lights were replaced with much more efficient LED technology reducing wattage output on each individual light fitting from 105 watts down to 22 watts.

Shannon Airport continued to drive improvements in its energy efficiency. The airport achieved 19.1% energy savings since the baseline year of 2009. At Shannon Heritage we commenced a project in late 2017 to install energy saving LED lighting in all our sites which will be completed in 2018. Shannon Commercial Properties carried out a substantial public lighting programme, replacing old lights with new energy efficient LED ones throughout Shannon Free Zone to improve overall energy efficiency.

We continue to manage and operate the aerodrome in harmony with the relevant statutory bodies on 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.

Shannon Group continues to oversee a sustainable waste management programme. During 2017 Shannon Airport Authority DAC recycled approximately 38.28 tonnes of cardboard and packaging waste and 3.79 tonnes of WEEE including IT peripherals, screens, commercial fridge freezers and mixed hazardous waste. Shannon Heritage introduced a waterless system in the toilets at Bunratty Castle & Folk Park as part of an environmental campaign.

2. COMMUNITY ENGAGEMENT

Our community engagement programme aims to contribute to our communities across a diverse range of activities. Examples of projects undertaken in 2017 include the following:

- In March 2017, we built on our initiative to develop and implement a customer care programme for people with neurodevelopmental challenges, including autism, when we officially opened Europe's first airport sensory room. During the year we organised tours and visits to the sensory room for families, school groups and organisations. The sensory room adds to initiatives we have already undertaken, which include staff training to assist people with special needs and make their airport experience as easy and stress free as possible. Wristbands and baseball caps are provided to allow staff identify people who may require assistance. In addition, an instructional video and brochure can be accessed on our airport website.

1.

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

2.

PICTURED AT THE OFFICIAL OPENING OF EUROPE'S FIRST AIRPORT SENSORY ROOM ARE, (BACK ROW), RTE CELEBRITY MARTY MORRISSEY ALONG WITH MITCHELL SLATTERY, AGED 7, AND (FRONT ROW) ROSE HYNES, SHANNON GROUP CHAIRMAN, CATHAL COMMANE, AGED 5, JOE STANFORD, AGED 10, AND MATTHEW THOMAS, CEO, SHANNON GROUP.

- We continued to support Limerick Suicide Watch in 2017 with the provision, by Shannon Commercial Properties, of an operating base at the Tait Centre in Limerick city for the group of 50 plus volunteers. 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.
- Our Santa Flights, a fundraising initiative for our chosen charities, proved hugely popular again this year. It was our fifth year of operating this special event with the help of our staff. During the event over 2,000 children got the opportunity to meet Santa in the skies, 15,000ft above sea level.
- In October, 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.
- During the year Shannon Commercial Properties provided a warehouse building to Milford Care Centre in Limerick for temporary storage during the construction of their new extension building.
- Shannon Airport established a special support team to assist with Diocesan Pilgrimages groups from Counties Limerick, Clare, Galway and Tipperary.

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:

- In June, Shannon Group Chairman Rose Hynes hosted a high level trade meeting at Shannon Airport to give leading regional business representatives from a diverse range of sectors a chance to explore business opportunities with a high profile Chinese delegation led by Mr Hu Chunhua. Mr Hu is a member of the Politburo of the Central Committee of Communist Party of China (CPC) and Party Secretary of CPC Guangdong Committee.
- To demonstrate our commitment to the Galway business community, Shannon Airport once again sponsored the 2017 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 and a meeting of Clare County Council.
- The 2017 Network North Tipperary Women in Business Awards in June provided an opportunity to acknowledge the entrepreneurial skills of Tipperary business women and Shannon Group was delighted to support this event.
- Shannon Airport once again supported the Clare business awards sponsoring the Clare Customer Service Excellence Award.

SHANNON AIRPORT HOSTED AN EVENT AT WHICH BUSINESS LEADERS FROM THE SHANNON REGION WERE GIVEN AN OPPORTUNITY FOR TRADE TALKS WITH A SENIOR CHINESE DELEGATION LED BY MR HU CHUNHUA

3.

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

4. FUNDRAISING AND SUPPORTING LOCAL CHARITIES

Every year Shannon Group employees select charities and undertake initiatives to raise funds for them. In 2017, Shannon Group employees championed two worthy charities, Cahercalla Community Hospital and Hospice and Home Share Clare. Below are some of our initiatives to support these and other charities:

- Our employees raised over €72,000 for our chosen charities during the year. Since the Group's formation in 2014, employees have raised over €232,000 for charities across the region.
- Shannon Group staff and friends took to the road in September for the fourth annual Shannon Airport 110km charity cycle which saw over 150 cyclists take part. The cycle is one of a number of fundraising events from the Shannon Group Charities of the Year programme.
- Shannon Airport staff had the privilege of assisting with a heart-warming welcome for a very special group of 145 children from Belarus who landed at Shannon Airport in June as part of Adi Roche's Chernobyl Children International's (CCI) Rest and Recuperation Programme which takes children out of the Chernobyl affected regions for much needed respite care in Ireland with an extensive network of host families.
- During the year Shannon Airport assisted the Clare Crusaders and the Irish Wheelchair Association with familiarisation tours of the airport. On each occasion 12 wheelchair users visited numerous areas within the airport and were given a full induction in relation to the airport's PRM procedures.

4.

SHANNON GROUP EMPLOYEES ARE PICTURED AT THE PRESENTATION OF €72,000 TO THEIR CHOSEN STAFF CHARITIES FOR 2017, CAHERCALLA COMMUNITY HOSPITAL AND HOSPICE AND HOME SHARE CLARE.

5.FOSTERING EDUCATION AND INNOVATION

Shannon Group is committed to fostering education and innovation and undertook the following in 2017:

- 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.
- Shannon Group has partnered with Ennis Community College as part of a business in the community initiative since 2015. The initiative is designed to help schools to keep students in the education system up until leaving certificate. Shannon Group staff assisted with a programme of practical workshops with the students including interview techniques and teambuilding, and site visits to the Shannon Airport and Shannon Heritage visitor sites.
- In November, Shannon Group was delighted to support StudentLife Summit (SLS) in the University of Limerick. The event is designed to inspire students to remain in school and to engage with their chosen careers. The Summit was delivered by a remarkable group of inspirational leaders and innovators who shared their stories and expertise.
- From February to June, Shannon Airport organised educational tours of the airport for a number of primary schools.
- Over 90 Leaving Certificate Vocational Programme students from Castletroy and Scariff Community Colleges and their careers teachers were accommodated with a familiarisation tour of the airport over two days by Shannon Airport management and staff during the year.
- In October, Shannon Heritage hosted a special visit and banquet for teachers from a number of countries as part of an EU project aimed to enhance the capacity of non-specialist ICT teachers to provide interactive, student-centred teaching and learning.
- Shannon Heritage hosted the Limerick Community Development Programme (CDP) at King John's Castle in June. The Company organised a day of activities and heritage for the Community Junior Club at Easter and again in June.

5.

SHANNON AIRPORT WAS PROUD TO ONCE AGAIN SPONSOR THE GARDA DIVISION YOUTH AWARDS WHICH RECOGNISE INSPIRATIONAL YOUTH LEADERS THROUGH THEIR VOLUNTARY WORK AND PERSONAL TRIUMPHS. PICTURED AT THE LAUNCH IN SEPTEMBER ARE; EVEREST MOUNTAINEER JOHN BURKE, EMER KENNEDY, ST CAIMIN'S COMMUNITY SCHOOL SHANNON, CHIEF SUPERINTENDENT JOHN KERIN, ROSE HYNES, CHAIRMAN OF SHANNON GROUP, SUPERINTENDENT BRENDAN MCDONAGH AND GEAROID BURKE, TRANSITION YEAR STUDENT FROM ST CAIMIN'S COMMUNITY SCHOOL, SHANNON.

6. SUPPORTING PUBLIC ART AND CULTURE

Shannon Group managed a Public Arts and Culture programme in 2017:

- Shannon Airport hosted the annual School Bands Spectacular which saw over 120 students from Ennis National and Knockanean National Schools from Co. Clare and Milford National School, Co. Limerick, deliver a two-hour performance in the check-in area which culminated with a tribute to the late Anthony Foley of Munster Rugby.
- Shannon Airport was proud to sponsor Fleadh Cheoil na hÉireann Inis, the world's largest Irish traditional music festival, for a second year in 2017. The event, held in August, attracted over 400,000 visitors and was viewed around the world. It was a wonderful vehicle to promote County Clare and its rich traditional Irish music culture to a national and international audience.
- In October, as part of Mental Health Week, Limerick School of Art & Design held a week long art exhibition at King John's Castle. Students exhibited their artwork to promote Mental Health Awareness. The event included a series of performances and presentations.
- In May, Limerick City & County Council and Limerick Education Centre art competition winners from Martinstown National School, Kilmallock won a guided tour of King John's Castle. The group also completed "A Norman's Life", a unique digital resource on Norman Ireland as part of their prize.
- A traditional Irish singing group from St Mary's National School got a unique opportunity to perform on the tower of King John's Castle in Limerick. The event was facilitated by Shannon Heritage and renowned song collector, Róisín Ní Ghallóglaigh with the Irish Academy of Music and Dance recording the students singing local songs for their traditional song archive and YouTube channel.

7. SPORTS SPONSORSHIP

At Shannon Group we recognise the importance of sport in terms of physical health and wellbeing and undertook the following in 2017:

- Shannon Airport was delighted to sponsor St. Joseph's Doora Barefield GAA club during the year.
- In August, Shannon Airport announced its three year sponsorship of Munster Rugby. Shannon became the team's 'Official Airport Partner' in a three year commitment that will see the airport logo positioned on the players' shorts. The sponsorship formalises a long standing relationship between the province and Shannon, with the airport having hosted some unforgettable and emotional Munster homecomings over the years, not least following the 2006 and 2008 European Champions Cup victories.
- During the year Shannon Airport was delighted to support St Flannan's College Ennis women's football teams with jersey sponsorship.
- In October, Shannon Group was the proud sponsor of the IGTOA National Golf Tourism Conference & Gala Irish Golf Award, a two day event which took place in Doonbeg in Co. Clare. The event recognises and acknowledges the very best in the Irish golf tourism Industry.
- In December, Shannon Airport supported Kilfenora GAA club in their fundraising efforts to renovate and modernise the training facilities and gym room in the Deanery Grounds for the club.
- The fourth Bank of Ireland Midnight Runway Run, held in June, gave participants a unique opportunity to run on the Shannon Airport runway. Proceeds from the event went to the Shannon Group chosen charities for 2017.

6.

SHANNON AIRPORT HOSTED THE ANNUAL SCHOOL BANDS SPECTACULAR. PICTURED AT THE EVENT ARE NIALL MALONEY, OPERATIONS DIRECTOR, SHANNON AIRPORT WITH ERICA MURPHY, MILFORD NATIONAL SCHOOL LIMERICK.

7.

SHANNON AIRPORT WAS DELIGHTED TO SPONSOR ST. JOSEPH'S DOORA BAREFIELD GAA CLUB DURING THE YEAR AND MARY CONSIDINE, DEPUTY CEO, SHANNON GROUP IS PICTURED WITH MEMBERS OF THE TWO WINNING TEAMS FROM THE CLUB, FRESH FROM THEIR ALL IRELAND FOOTBALL FÉILE VICTORY IN JUNE.

shannon GROUP

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 2017.

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

The Group's principal activities are the operation, management and development of Shannon Airport ("the Airport"), the management and development of the extensive commercial property portfolio held by Shannon Commercial Properties, including Shannon Free Zone, and the operation of tourism, leisure and entertainment sites managed by Shannon Heritage.

There has been no significant change in the principal activities of the Group during the year.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Shannon Group plc is a 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, property and Heritage assets.

In addition to information directly included in this report, detailed commentaries on performance for the year ended 31 December 2017 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 2017 are set out in the Consolidated Statement of Profit or Loss on page 54 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

	2017	2016
Operating profit before other income/(expenses)	3,954	3,661
Depreciation and amortisation of intangible assets	5,725	4,271
Amortisation of capital grants	(350)	(355)
EBITDA	**9,329**	**7,577**

The Group recorded a consolidated profit of €9.2 million (post-tax) (2016: €6.6 million) and consolidated turnover for the year was €72.2 million (2016: €67.2 million). Airport passenger numbers for the year were 1.75 million (2016: 1.75 million) and Heritage sites welcomed over 887,000 visitors in the year (2016: 904,000).

Group EBITDA[1] for the year is €9.3 million, before exceptional items (2016: €7.6 million). This result is considered satisfactory and reflects continuing focus on both revenue generation and cost control across all Group companies.

During 2017 the Group incurred an exceptional charge of €0.6 million in respect of a group-wide voluntary severance scheme, in addition to €1.3 million recorded in 2016, as described in Note 3 to the financial statements.

The Group has cash reserves to meet its operating and recurring short term capital expenditure needs, with total cash deposits of €18.8 million (2016: €25.7 million). During the year the Group obtained external funding of €14.3 million to fund the cost of the Airport runway rehabilitation (Note 24).

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 €34.2 million on capital projects in the year (2016: €14.8 million), including the Airport runway project and the development by Shannon Commercial Properties of the Gateway West office block and advanced manufacturing units in the Shannon Free Zone. In addition the Group realised proceeds of €5.4 million on capital disposals in the year (2016: €1.5 million).

RESEARCH AND DEVELOPMENT

The Group does not undertake research and development activities.

RISK MANAGEMENT

The Directors acknowledge their responsibility for determining the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives. The Board is committed to proactive management of risk and has processes in place designed to anticipate and address, to the extent possible, changes to the Group's business and risk environment. The risk management process ensures that the Group identifies critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. The effectiveness of risk management is subject to review by the Audit and Risk Sub-committee.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. Risk registers are 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.

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

PRINCIPAL RISKS AND UNCERTAINTIES

As part of the risk identification process, the principal areas of risk and uncertainty which could materially and adversely affect the Group's future operating profits or financial position have been identified. A summary of the principal risks and uncertainties along with the strategies being adopted to mitigate the risks are set out below. The risks and uncertainties are not listed in a particular order and the list is not intended to be an exhaustive analysis of all the risks and uncertainties that may arise in the ordinary course of business. These risks and uncertainties are assessed on a continual basis and management report 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 reliant on the government's commitment to balanced regional development as set out in the National Planning Framework and is working with its shareholder and various stakeholders in this regard.

Business performance

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

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

Impact

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

Mitigation

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

Brexit

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

Impact

Key matters affecting the Shannon Group in relation to Brexit is the potential impact on passenger volumes, particularly on Ireland/UK routes, the potential impact on UK visitor numbers, the implications for border controls and the operation of the Common Travel Area and regulatory divergence, particularly impacting the European single aviation market. There is also potentially a more general economic impact through the depreciation of sterling, a slowdown of the economy or deterioration in consumer confidence.

Mitigation

- Implications for Brexit are actively being assessed as part of the Group's risk management process.
- Shannon Group is a member of a number of national forums which assess the impact of Brexit and insofar as possible, influence public and private sector industry and national responses and policy during the negotiation process.
- Potential opportunities are also assessed, and where opportunities arise plans put in place to maximise these opportunities.

Investments and capacity

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

Impact

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

Mitigation

- The Group has determined its risk appetite for commercial investments and set financial tolerance levels accordingly.
- Decisions regarding investments in aeronautical and other regulated activities, upgrades of investment properties and preservation of historic sites are based on professional evidence-based inputs and are subject to Board approval.

DIRECTORS' REPORT *(Continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Investments and capacity *(continued)*

- A planned maintenance and rehabilitation programme is in place for key assets, including airfield pavement structure, commercial properties and other operationally critical assets.

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

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 26.

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 further significant capital investment in line with its 5 year Business Plan. The ability to continue delivering this investment plan is contingent on funding from a number of sources, namely additional bank debt, disposal of non-core property, recurring operating profits and cash resources held by the Group. There can be no certainty that each of these funding sources will be available to meet planned investment needs.

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.
- The Group ensures compliance with its existing debt covenants.

III. OPERATIONAL RISKS

Business continuity

The Group's operations are subject to operational risks and other unforeseen events such as weather events, fire, flooding, mechanical systems failure, technical failures 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 that provide advice and training on these matters to management.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of Corporate Governance. Shannon Group plc and its subsidiaries have put in place appropriate processes and procedures to ensure compliance with the Code of Practice for the Governance of State Bodies (2016) (the "Code") for the year ended 31 December 2017. 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.

THE BOARD OF DIRECTORS

The eight directors serving on the Board as of the date of approval of the financial statements are listed in the table below. Unless otherwise indicated below they served as directors for the entire year ended 31 December 2017.

DIRECTOR

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

Mary Considine *(Company Secretary)*

Tom Kelly was appointed to the Board with effect from 25 October 2017. The period of office of Tony Brazil and Michael Leydon as directors of the Board expired with effect from 28 August 2017.

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

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives and is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of directors, ensures that directors receive accurate, timely and clear information, and manages effective communication with the Minister for Transport, Tourism and Sport.

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DIRECTORS' REPORT *(Continued)*

THE BOARD OF DIRECTORS *(continued)*

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, commercial, finance, law, 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 2017 had no interest in the shares of Shannon Group plc or its subsidiary companies either at the start of the year or their date of appointment, if later, nor at the end of the year.

Certain members of the Board, as outlined further below, hold directorships or executive positions in organisations which are under the control of the Irish Government. Rose Hynes was appointed to the Governing Authority of the University of Limerick in 2017. Tom Coughlan is Chairman of the Board of the Health and Safety Authority. 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)	9	9
Joe Buckley	9	9
Tony Brazil	5	5
Tom Coughlan	9	9
Tom Kelly	1	1
Michael Leydon	5	5
Kevin McCarthy	8	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 Kelly was appointed to the Audit and Risk Committee during the year and serves as its chairman, replacing Tom Coughlan who served as chairman until 5 December 2017. Kathryn O'Leary-Higgins was appointed to this sub-committee during the year, following the expiration of Tony Brazil's period of office as a director of the Board, and until the appointment of Tom Kelly to the 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
Tom Kelly	1	1
Tom Coughlan	4	4
Tony Brazil	2	2
Liam O'Shea	4	4
Kathryn O'Leary Higgins	1	1

The regular attendees at the Audit and Risk Committee meetings included the Chief Executive Officer, the Deputy CEO – Finance and Corporate Services, 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 control;
- reviewing and making a recommendation on the Group's Statement on internal control and risk management systems prior to endorsement by the Board;
- overseeing and advising the Board on the current risk exposures of the Group and future risk strategy;
- reviewing the effectiveness of the Internal Audit function on an annual basis;
- monitoring and reviewing the effectiveness of the Internal Audit programme, ensuring co-ordination between the internal and statutory auditors and ensuring that the Internal Audit function is adequately resourced and that adequate attention is paid to value for money auditing;
- reviewing the policy by which staff may, in confidence, raise concerns about possible business, financial or other improprieties and ensure that arrangements are in place to investigate such matters.

The Committee reviewed the annual financial statements before recommending their approval to the Board. The Committee considered, and discussed with the Chief Executive Officer, the Deputy CEO – Finance and Corporate Services, 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

DIRECTORS' REPORT *(Continued)*

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 do not present a conflict of interest.

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

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

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises 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 twice 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	2	2
Liam O'Shea	2	2
Tom Coughlan	2	2

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

Details of directors' fees and emoluments including those of the Chief Executive Officer are set out in Note 6 to the financial statements, in accordance with the requirements of the Code. Remuneration of key management is summarised in Note 28 (b) to the financial statements.

HEALTH, SAFETY, SECURITY AND ENVIRONMENTAL COMMITTEE

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

Kathryn O'Leary Higgins serves as chairman of the Health, Safety, Security and Environmental Committee. Matthew Thomas was appointed to this sub-committee during the year. Michael Leydon served as a member of this sub-committee until his period of office as a director of the Board expired.

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
Matthew Thomas	1	1
Michael Leydon	2	3
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 one non-executive member. The Committee has defined terms of reference under which authority is delegated to it by the Board. Joe Buckley was appointed to this sub-committee during the year. Michael Leydon served as a member of this sub-committee until his period of office as a director of the Board expired.

Rose Hynes serves as chairman of the Property and Investment Committee. The Committee met twice 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	2	2
Joe Buckley	-	-
Michael Leydon	2	2
Matthew Thomas	2	2

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 presented to the Board for consideration at each Board meeting. The Board questions significant changes or adverse variances and remedial action is taken where appropriate;
- Comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require the approval of the Board, and are closely monitored on an on-going 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 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.

DIRECTORS' REPORT *(Continued)*

COMPLIANCE STATEMENT

The directors confirm that the Company has been in compliance with the Code of Practice for the Governance of State Bodies (2016) for the year ended 31 December 2017, with the exception of certain disclosures required in the annual report and financial statements related to staff, consultancy and legal costs, which will be provided separately in the Chairman's letter to the Minister.

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 accounting records of the Company are maintained at Shannon Airport, Shannon, Co. Clare.

ADDITIONAL COMPLIANCE OBLIGATIONS

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

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

The Group is also committed to protecting the rights and privacy of individuals in accordance with the Data Protection Acts 1988 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 are taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and the regular review of payment practices. These procedures provide reasonable, but not absolute, assurance against material non-compliance with the regulations.

POLITICAL CONTRIBUTIONS

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

RELEVANT AUDIT INFORMATION

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

DIRECTORS' COMPLIANCE STATEMENT

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

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

Matthew Thomas
Director

28 March 2018

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

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

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

Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and 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 which enable them to ensure that the financial statements of the Group 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 the 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 2016.

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

On behalf of the Board

Rose Hynes
Chairman

Matthew Thomas
Director

28 March 2018

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

1 REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Group and Company financial statements ("financial statements") of Shannon Group plc for the year ended 31 December 2017, which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

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 2017 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 2017;
- 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;
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

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

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

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

Based solely on our work on the other information;

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

Opinions on other matters prescribed by the Companies Act 2014

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

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

Matters on which we are required to report by exception

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

Under the 2016 Code of Practice for the Governance of State Bodies (''the Code'') we are required to report to you if the statement regarding the system of internal control required under the Code, as included in the director's report does not reflect the Group's compliance with paragraph 1.9 (iv) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not.

2 RESPECTIVE RESPONSIBILITIES AND RESTRICTIONS ON USE

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 51, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The purpose of our audit work and to whom we owe our responsibilities

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

Caroline Flynn

Caroline Flynn
for and on behalf of KPMG
Chartered Accountants,
Statutory Audit Firm

1 Stokes Place
St. Stephen's Green
Dublin 2
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2017

	Note	Total pre exceptional items 2017 €'000	Exceptional items (Note 3) 2017 €'000	Total 2017 €'000	Total pre exceptional items 2016 €'000	Exceptional items (Note 3) 2016 €'000	Total 2016 €'000
Revenue	2	72,239	-	72,239	67,231	-	67,231
Cost of sales		(12,255)	-	(12,255)	(10,741)	-	(10,741)
Gross profit		59,984	-	59,984	56,490	-	56,490
Administrative expenses		(56,030)	(636)	(56,666)	(52,829)	(1,334)	(54,163)
		3,954	(636)	3,318	3,661	(1,334)	2,327
Other income	4	5,769	-	5,769	4,766	-	4,766
Other expense	4	(6)	-	(6)	-	-	-
Operating profit	5	9,717	(636)	9,081	8,427	(1,334)	7,093
Finance income	7	34	-	34	205	-	205
Finance expense	7	(220)	-	(220)	(37)	-	(37)
Profit before tax		9,531	(636)	8,895	8,595	(1,334)	7,261
Income tax expense	8	333	-	333	(636)	-	(636)
Profit for the year		9,864	(636)	9,228	7,959	(1,334)	6,625

All operations are continuing.

The notes on pages 61 to 98 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	Total 2017 €'000	Total 2016 €'000
Profit for the year		**9,228**	6,625
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gains/(losses) on defined benefit pension liability	25	**218**	(212)
Related deferred tax (charge)/credit	13	**(28)**	27
Other comprehensive income, net of tax		**190**	(185)
Total comprehensive income attributable to equity holder		**9,418**	6,440

The notes on pages 61 to 98 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	2017 €'000	2016 €'000
Assets			
Intangible assets	9	**1,208**	721
Property, plant and equipment	10	**63,022**	51,346
Investment properties	11	**82,020**	66,155
Finance lease receivable	12	**301**	308
Deferred tax assets	13	**101**	136
Non-current assets		**146,652**	118,666
Available-for-sale financial assets	16	**-**	68
Finance lease receivable	12	**32**	32
Inventories	14	**2,526**	2,441
Trade and other receivables	15	**7,296**	4,859
Other investments	18	**9,036**	21,032
Cash and cash equivalents	19	**9,789**	4,710
Current assets		**28,679**	33,142
Total assets		**175,331**	151,808
Equity			
Share capital	20	**38**	38
Capital contribution reserve	20	**112,275**	112,275
Retained earnings		**23,757**	14,339
Total equity		**136,070**	126,652
Liabilities			
Loans and borrowings	24	**13,725**	-
Deferred income	22	**3,163**	3,513
Provisions	23	**1,099**	1,592
Employee benefits	25	**809**	1,084
Non-current liabilities		**18,796**	6,189
Trade and other payables	21	**18,331**	15,824
Loans and borrowings	24	**700**	80
Deferred income	22	**354**	474
Provisions	23	**1,027**	1,943
Current tax liabilities		**53**	646
Current liabilities		**20,465**	18,967
Total liabilities		**39,261**	25,156
Total equity and liabilities		**175,331**	151,808

The notes on pages 61 to 98 form an integral part of these consolidated financial statements.

On behalf of the Board

Rose Hynes
Chairman

Matthew Thomas
Director

28 March 2018

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	2017 €'000	2016 €'000
Assets			
Financial assets	17	**112,275**	112,275
Non-current assets		**112,275**	112,275
Trade and other receivables	15	**28**	28
Cash and cash equivalents	19	**10**	10
Current assets		**38**	38
Total assets		**112,313**	112,313
Equity			
Share capital	20	**38**	38
Capital contribution reserve	20	**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 61 to 98 form an integral part of these financial statements.

On behalf of the Board

Rose Hynes
Chairman

Matthew Thomas
Director

28 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
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
At 1 January 2017	**38**	**112,275**	**14,339**	**126,652**
Profit	-	-	**9,228**	**9,228**
Other comprehensive income	-	-	**190**	**190**
Total comprehensive income	-	-	**9,418**	**9,418**
At 31 December 2017	**38**	**112,275**	**23,757**	**136,070**

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

The notes on pages 61 to 98 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital €'000	Capital contribution reserve €'000	Retained earnings €'000	Total €'000
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
At 1 January 2017	**38**	**112,275**	-	**112,313**
Profit	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2017	**38**	**112,275**	-	**112,313**

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

The notes on pages 61 to 98 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2017

	Note	**2017 €'000**	2016 €'000
Cash flow from operating activities			
Profit for the year		**9,228**	6,625
Adjustments for:			
Amortisation of capital grants		**(350)**	(355)
Amortisation of intangible assets		**508**	37
Depreciation of property, plant and equipment		**5,217**	4,234
Change in fair value of investment properties		**(4,604)**	(4,513)
Gain on disposal of investment properties		**(1,165)**	(67)
Reversal of impairment of loan receivable		-	(96)
Gain on disposal of available-for-sale financial assets		-	(90)
Loss on disposal of property, plant and equipment		**6**	-
Finance income		**(34)**	(205)
Finance expense		**220**	37
Tax charge		**(333)**	636
		8,693	6,243
Changes in:			
- Trade and other receivables		**(2,437)**	3,216
- Inventories		**(85)**	(563)
- Trade and other payables		**3,401**	(1,286)
- Deferred income		**(120)**	(284)
- Provisions		**(1,409)**	207
- Employee benefits		**(77)**	111
- Loan receivable		-	430
- Finance lease payable		**(80)**	(93)
- Finance lease receivable		**7**	8
Cash generated from operating activities		**7,893**	7,989
Interest received and similar income		**54**	205
Interest paid		**(95)**	(14)
Taxation paid		**(253)**	(53)
Net cash from operating activities		**7,599**	8,127
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(19,575)**	(8,597)
Purchases of investment properties		**(14,641)**	(6,167)
Proceeds from sale of property, plant and equipment		**72**	44
Proceeds from sale of investment properties		**5,328**	1,503
Proceeds from sale of available-for-sale financial assets		-	490
Proceeds from disposal of other investments	*18*	**11,996**	-
Purchase of other investments	*18*	-	(11,016)
Net cash used in investing activities		**(16,820)**	(23,743)
Cash flows from financing activities			
Proceeds from loans and borrowings		**14,300**	-
Net cash from financing activities		**14,300**	-
Net decrease in cash and cash equivalents		**5,079**	(15,616)
Cash and cash equivalents at the beginning of the year		**4,710**	20,326
Cash and cash equivalents at the end of the year	*19*	**9,789**	4,710

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2017

	Note	2017 €'000	2016 €'000
Cash flow from operating activities			
Profit		-	-
Net cash from operating activities		-	-
Cash flows from financing activities		-	-
Net cash from financing activities		-	-
Cash and cash equivalents at the beginning of the year		**10**	10
Cash and cash equivalents at the end of the year	*19*	**10**	10

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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 28 March 2018.

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

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

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

The Group and Company financial statements, which are presented in Euro, the functional currency of the Company and each of its subsidiaries, have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:
- investment property is measured at fair value; and
- the defined benefit plan liability is recognised as fair value of plan assets less the present value of the defined benefit plan obligations.

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

1.3 Basis of consolidation
The Group financial statements consolidate the financial statements of Shannon Group and all of its subsidiaries as detailed in Note 17. Therefore, these financial statements are the consolidated results of Shannon Group plc, Shannon Airport Authority DAC ("Shannon Airport") and Shannon Commercial Enterprises DAC (which trades as "Shannon Commercial Properties"), together with the results of Shannon Commercial Enterprises DAC's subsidiary company, Shannon Heritage DAC ("Shannon Heritage"), and Shannon Airport Authority DAC's subsidiary companies, SAA Pension Corporate Trustee DAC and SAA Airport Authority Financial Services DAC, for the year ended 31 December 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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, significant profit or loss on disposals of assets or operations, together with items that are, by their nature, non-trading. Judgement is used by the Group in assessing the particular items which by virtue of their size or incidence, should be disclosed in the Statement of Profit or Loss and related notes as exceptional items.

1.8 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.

A gain or loss on disposals of property, plant and equipment, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in operating profit on completion of sale. Where a gain or loss is deemed significant this is disclosed as an Exceptional item in accordance with 1.1.7..

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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:

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

1.13 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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 2017, 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 one-third of those relevant profits or gains (for 2016: a reduction of two thirds of 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.

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. ACCOUNTING POLICIES *(Continued)*

1.16 Employee benefits *(Continued)*

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

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

Defined benefit plans

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

Certain 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 leases

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

Assets held for rent under operating leases are included in property, plant and equipment at cost less accumulated depreciation and in investment properties at fair value. The rental income earned from the leasing of these assets is accounted for as income in the Statement of Profit or Loss in accordance with the revenue recognition criteria in 1.1.8..

Finance lease receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. ACCOUNTING POLICIES *(Continued)*

1.18 Financial assets and liabilities

Loans and receivables at amortised cost

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.

Loans and payables at amortised cost

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Loans and borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

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

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 customer 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. ACCOUNTING POLICIES *(Continued)*

1.23 New Standards and Interpretations

Standards in issue but not effective

A number of new International Financial Reporting Standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. The most significant of these are outlined below. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement.

Standard	IASB effective date (periods beginning)	EU companies effective date (periods beginning)
IFRS 14: *Regulatory Deferral Accounts (30 January 2014)*	1 January 2016 (early adoption permitted)	Not endorsed, expected to wait for the final standard.
Annual Improvements to IFRS 2014 -2016 Cycle	1 January 2018	1 January 2018
IFRS 9 *Financial Instruments (24 July 2014)*	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts (Issued 12 September 2016)*	1 January 2018	1 January 2018
IFRS 15: *Revenue from contracts with customers*	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
Amendments to IFRS 2: *Classification and measurement of share-based payment transactions* (20 June 2016)	1 January 2018 (early application permitted)	1 January 2018
IFRIC Interpretation 22: *Foreign Currency Transactions and Advance Consideration* (issued December 2016)	1 January 2018	Not endorsed, expected to be endorsed Q1 2018.
Amendments to IAS 40: *Transfers of Investment Property* (issued December 2016)	1 January 2018	Not endorsed, expected to be endorsed Q1 2018.
IFRS 16: *Leases (13 January 2016)*	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	Not endorsed, expected to be endorsed Q3 2018.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019	Not endorsed, expected to be endorsed Q1 2018.
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	1 January 2019	Not endorsed, expected to be endorsed in 2018.
IFRS 17 Insurance Contracts (issued on 18 May 2017)	1 January 2021	Not endorsed. No indicative endorsement date provided.
Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019 (early adoption permitted)	Not endorsed. No indicative endorsement date provided.

IFRS 15: Revenue from contracts with customers: This standard will replace *IAS 18: Revenue, IAS 11: Construction Contracts and related interpretations.* The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from the good or service. To achieve the principle of the new standard, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognise revenue when or as the entity satisfies a performance obligation. The Group will apply IFRS 15 from its effective date of 1 January 2018 and having considered the requirements of the standard for the Group's revenue streams, it is not expected to have a material impact on the Group's results or financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. ACCOUNTING POLICIES *(Continued)*

1.23 New Standards and Interpretations *(Continued)*

IFRS 9: Financial Instruments: This standard will replace *IAS 39 Financial Instruments: recognition and Measurement.* The standard includes requirements for recognition, measurement, impairment and de-recognition of financial instruments and general hedge accounting. The Group will apply IFRS 9 from its effective date of 1 January 2018. The main impact of this standard is expected to be a recalculation of the Group bad debt provision, which will be calculated using an expected credit loss model, however this is not expected to have a material impact on the Group.

IFRS 16: Leases: This standard will replace *IAS 17: Leases.* While the changes under IFRS 16 are significant, these will predominantly affect lessees - the accounting for which is substantially reformed. The lessor accounting requirements contained in IFRS 16's predecessor, IAS 17 will remain largely unchanged. The Group will apply this standard from its effective date of 1 January 2019 and is currently assessing the impact of this standard on the Group financial statements. The main impact is that all operating leases will be recognised on the balance sheet as the distinction between operating and finance leases is removed for lessees, the Group therefore expects to recognise a right of use asset and related financial liability in respect of its existing operating lease commitments (Note 27).

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 IAS 7: Disclosure Initiative (29 January 2016)	1 January 2017 (early adoption permitted)	1 January 2017 (early adoption permitted)
Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses (19 January 2016)*	1 January 2017 (early adoption permitted)	1 January 2017 (early adoption permitted)
Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities) (issued on 8 December 2016)	1 January 2017	1 January 2017
Amendments to IAS 7: *Disclosure Initiative (29 January 2016)*	1 January 2017 (early adoption permitted)	1 January 2017 (early adoption permitted)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. REVENUE

	2017 €'000	2016 €'000
Aeronautical and commercial activities	**40,478**	37,376
Commercial property rental, management and development	**15,054**	14,473
Tourism activities	**16,707**	15,382
Total revenue – continuing activities	**72,239**	67,231

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.

	2017 €'000	2016 €'000
Provision for voluntary severance scheme	**636**	1,334
Exceptional charge	**636**	1,334

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. During 2017 the Group incurred an exceptional charge of €0.6 million in respect of further staff applications to this scheme, in addition to €1.3 million recorded in 2016 (Note 23).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4. OTHER INCOME/(EXPENSE)

	2017 €'000	2016 €'000
Net increase in fair value of investment property (Note 11)	**4,604**	4,513
Reversal of impairment of loan receivable (i)	-	96
Gain on disposal of:		
- Available-for-sale financial assets (Note 16)	-	90
- Investment properties (Note 11)	**1,165**	67
Total other income	**5,769**	4,766
Loss on disposal of property, plant and equipment (Note 10)	**(6)**	-
Total other expense	**(6)**	-

(i) 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 ownership of the Company and was transferred to investment properties (Note 11). As part of this transaction €96,000 was recognised in other income in 2016 as a reversal of the impairment of the loan receivable.

5. STATUTORY AND OTHER INFORMATION

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

	2017 €'000	2016 €'000
Depreciation	**5,217**	4,234
Amortisation of intangible assets	**508**	37
Amortisation of capital grants	**(350)**	(355)
Operating lease rentals	**370**	378

	2017 €'000	2016 €'000
Auditor's remuneration		
- audit of Group financial statements	**13**	13
- audit of Company financial statements	-	-
- other audit services	**84**	82
- tax advisory services fees	**20**	35
- other non-audit services	**25**	-
	142	130

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6. EMPLOYEE BENEFIT EXPENSE

Group staff numbers and costs

	2017 €'000	2016 €'000
Wages and salaries	**24,643**	23,416
Social welfare costs	**2,582**	2,587
Termination benefits (Note 3)	**636**	1,334
Post-employment benefits (Note 25):		
Defined benefit pension charge	-	111
Defined contribution pension expense	**1,517**	1,536
Other compensation costs	**981**	450
	30,359	29,434

The average number of group employees during the year was as follows:	2017	2016
Operations and administration	**435**	432
Commercial	**45**	39
Property	**29**	28
	509	499

Included in the above average numbers are 31 *(2016: 34)* 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

	2017 €	2016 €
Directors' remuneration for the year:		
Fees for services as director	**103,543**	111,375
Other emoluments (including pension contribution)	**400,316**	399,535
	503,859	510,910

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6. EMPLOYEE BENEFIT EXPENSE *(Continued)*

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

The following directors served on the board during the year ended 31 December 2017.

	2017 €	2016 €
Fees for the year		
Rose Hynes	**21,600**	21,600
Joe Buckley	**12,600**	12,600
Tony Brazil	**8,298**	12,600
Tom Coughlan	**12,600**	8,925
Pat Dalton	-	5,250
Tom Kelly	**2,347**	-
Michael Leydon	**8,298**	12,600
Kevin McCarthy	**12,600**	12,600
Kathryn O'Leary Higgins	**12,600**	12,600
Liam O'Shea	**12,600**	12,600
Matthew Thomas	-	-
For services as director during the year	**103,543**	111,375
Other emoluments		
Salary (including benefit-in-kind)	**343,649**	342,868
Pension contributions		
• Defined contribution scheme	**56,667**	35,792
• Defined benefit scheme	-	20,875
	400,316	399,535
Total directors' remuneration for the year	**503,859**	510,910

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

Tom Kelly was appointed as director on 25 October 2017. Tony Brazil and Michael Leydon retired from the Board on 28 August 2017 on expiration of their terms of office.

Matthew Thomas was appointed as director on 20 June 2016. Pat Dalton resigned from the Board on 31 May 2016.

All other directors served for the full years ended 31 December 2016 and 2017.

In aggregate, the members of the Board were reimbursed for out of pocket travel and other similar expenditures during the year in respect of services as director, disclosed in accordance with the Code of Practice for the Governance of State Bodies (2016), totalling €11,915 (2016: €17,479).

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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.

	2017 €	2016 €
Emoluments:		
• Basic salary	**174,530**	170,503
• Other taxable benefits	**25,147**	28,919
Total emoluments	**199,677**	199,422
Pension contributions	**43,750**	43,750
	243,427	243,172

The 2017 remuneration above represents the total remuneration of the CEO Matthew Thomas.

The 2016 remuneration above represents the total remuneration of the CEO and the former CEO Neil Pakey for the respective periods they were in office in 2016.

Total business expenses amounted to €10,165 (2016: €19,209), 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 2017 or 2016.

7.FINANCE INCOME/(EXPENSE)

	2017 €'000	2016 €'000
Interest receivable on short term bank deposits and loan receivable	**7**	179
Finance lease income receivable (Note 12)	**27**	26
Finance income	**34**	205
Interest expense on loans and overdrafts	**(199)**	(12)
Net interest expense on defined pension scheme (Note 25)	**(20)**	(23)
Finance lease expense (Note 24)	**(1)**	(2)
Finance expense	**(220)**	(37)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. INCOME TAX (CREDIT)/EXPENSE

	2017 €'000	2016 €'000
Current tax:		
Current tax on profits for the year	**453**	646
Adjustments in respect of prior period	**(793)**	7
Total current tax	**(340)**	653
Deferred tax (Note 13):		
Origination and reversal of temporary differences	**7**	(17)
Total deferred tax	**7**	(17)
Income tax (credit)/expense	**(333)**	636

Reconciliation of effective tax rate

	2017 €'000	2016 €'000
Profit before tax	**8,895**	7,261
Profit before tax multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5%	**1,112**	908
Tax effect of:		
Tax exempt income	**(449)**	(1,117)
Expenses not deductible for tax purposes	**370**	583
Income taxed at a higher rate	**676**	1,030
Losses in profit or loss impacting on unrecognised deferred tax	**(1,249)**	(775)
Adjustment in respect of prior periods	**(793)**	7
Tax expense	**(333)**	636

For 2017, 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 one-third of those relevant profits or gains (for 2016: a reduction of two thirds of 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. INTANGIBLE ASSETS

	Computer software €'000	Work in Progress €'000	Total €'000
Computer software			
Cost			
At 1 January 2016	267	-	267
Acquisitions	-	642	642
At 31 December 2016	**267**	**642**	**909**
At 1 January 2017	**267**	**642**	**909**
Acquisitions	-	**652**	**652**
Transfer from property, plant and equipment	-	**343**	**343**
Transfers	**1,637**	**(1,637)**	-
At 31 December 2017	**1,904**	-	**1,904**
Accumulated Amortisation			
At 1 January 2016	151	-	151
Charge for year	37	-	37
At 31 December 2016	**188**	-	**188**
At 1 January 2017	188	-	**188**
Charge for year	508	-	**508**
At 31 December 2017	**696**	-	**696**
Net book value			
At 31 December 2017	**1,208**	-	**1,208**
At 31 December 2016	79	642	721
At 31 December 2015	116	-	116

All intangible assets arise from purchased computer software.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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 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**
At 1 January 2017	15,966	17,705	24,818	18,267	17,961	1,781	96,498
Additions	-	-	80	-	134	17,832	18,046
Disposals	-	-	(11)	-	(69)	(13)	(93)
Transfer to investment properties	-	-	-	(11,223)	-	(105)	(11,328)
Transfer to intangible assets	-	-	-	-	-	(343)	(343)
Transfers	1,777	14,146	-	385	1,081	(17,389)	-
At 31 December 2017	**17,743**	**31,851**	**24,887**	**7,429**	**19,107**	**1,763**	**102,780**
Accumulated Depreciation							
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**
At 1 January 2017	2,585	3,463	18,353	12,578	8,173	-	45,152
Charge for year	1,077	1,259	673	482	1,726	-	5,217
Disposals	-	-	-	-	(15)	-	(15)
Transfer to investment properties	-	-	-	(10,596)	-	-	(10,596)
At 31 December 2017	**3,662**	**4,722**	**19,026**	**2,464**	**9,884**	-	**39,758**
Net book value							
At 31 December 2017	**14,081**	**27,129**	**5,861**	**4,965**	**9,223**	**1,763**	**63,022**
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

Management have considered the carrying value of property, plant and equipment at 31 December 2017 and are satisfied that the carrying value remains appropriate and no impairment indicators exist.

Certain of the Group's assets have been pledged as security against the Group's overdraft facility (Note 26). At 31 December 2017 the net carrying amount of these assets was €1,168,805 *(2016: €1,825,134)*.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. INVESTMENT PROPERTIES

	2017 €'000	2016 €'000
Group		
At beginning of year	**66,155**	58,485
Additions	**14,624**	4,163
Disposals	**(4,163)**	(1,436)
Transfer from loan receivable (Note 4)	-	430
Transfer from property, plant and equipment (Note 10)	**732**	-
Transfer from available-for-sale financial assets (Note 17)	**68**	-
Increase in fair value during the year	**4,604**	4,513
At 31 December	**82,020**	66,155

During 2017 investment property rentals of €8,356,000 were included in Revenue *(2016: €7,851,000)*. Expenses relating to the leasing and maintenance of investment properties, included in administrative expenses, total €4,514,000 *(2016: €4,686,000)*.

During the year, the Group disposed of investment properties for proceeds of €5,328,000 *(2016: €1,503,000)* resulting in a gain on disposal of €1,165,000 *(2016: gain of €67,000)*.

The Group's investment properties are stated at fair value as at 31 December 2017. The valuation of investment properties requires a high degree of management judgement.

At 31 December 2017 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 26). The following table summarises the key unobservable inputs applied in the valuation of the Group's investment property at 31 December 2017.

Asset class	**Input**	**2017**	2016
Industrial buildings	Range for values per sq. ft.applied[1]	**€4 - €20**	€3 - €17
	Weighted average annual rent per sq. ft.[2]	**€4.64**	€4.37
	Equivalent yield - range[2]	**11% - 13.5%**	12.7%-14.0%
Office buildings	Range for values per sq. ft.applied[1]	**€8 - €59**	€5 - €52
	Weighted average annual rent per sq. ft.[2]	**€10.59**	€10.24
	Equivalent yield – range[2]	**9.5% - 13.0%**	10.2%-13.0%
Warehouse buildings	Range for values per sq. ft.applied[1]	**€13 - €25**	€10 - €21
	Weighted average annual rent per sq. ft.[2]	**€5.26**	€5.28
	Equivalent yield - range [2]	**12.0%**	12.7%
Industrial land	Value per acre - range[1]	**€2,000- €73,000**	€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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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 €2,513,000 in fair value, whilst a decrease of 5% would result in a fair value decrease of €2,513,000. This is further analysed by property class as follows:

Asset class	2017 Increase of 5% in value €'000	2017 Decrease of 5% in value €'000	2016 Increase of 5% in value €'000	2016 Decrease of 5% in value €'000
Industrial buildings	**595**	**(595)**	618	(618)
Office buildings	**794**	**(794)**	968	(968)
Warehouse buildings	**174**	**(174)**	146	(146)
Industrial land	**950**	**(950)**	866	(866)
Total	**2,513**	**(2,513)**	2,598	(2,598)

12. FINANCE LEASE RECEIVABLE

Finance lease receivables are payable as follows:

	Future minimum lease payments receivable		Interest receivable		Present value of minimum lease payments	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'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	**446**	475	**252**	274	**194**	201
	617	646	**284**	306	**333**	340

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. DEFERRED TAX ASSETS

Recognised deferred tax

Group	2017 €'000	2016 €'000
At beginning of year	**136**	92
Arising on changes in actuarial assumptions	**(28)**	27
(Credit)/charge to Statement of Profit or Loss (Note 8)	**(7)**	17
At end of year	**101**	136

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

Unrecognised deferred tax
At 31 December 2017 the Group has unrecognised deferred tax assets arising as follows.

	2017 €'000	2016 €'000
Unutilised capital losses and temporary differences on fair value of investment properties (i)	**7,764**	6,282
Unutilised tax losses	**578**	1,535
Unutilised capital allowances	**3,854**	4,246
Other temporary differences	**91**	290
At end of year	**12,287**	12,353

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 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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. DEFERRED TAX ASSETS *(Continued)*

	Asset €'000	Deferred tax Liability €'000	Net Asset €'000
At 1 January 2017	**12,531**	**(178)**	**12,353**
Movement in unrecognised deferred tax arising on:			
Unutilised capital losses and temporary differences on fair value of investment properties (i)	**1,651**	**(169)**	**1,482**
Unutilised tax losses	**(957)**	**-**	**(957)**
Unutilised capital allowances	**(392)**	**-**	**(392)**
Other temporary differences	**(199)**	**-**	**(199)**
At 31 December 2017	**12,634**	**(347)**	**12,287**

(i) The opening and closing deferred tax liability arises entirely on increases in fair value of investment properties. Existing capital losses and those 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.

14. INVENTORIES

Group	**2017 €'000**	2016 €'000
Finished goods for resale	**2,392**	2,275
Maintenance stock and consumables	**134**	166
	2,526	2,441

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

A total of €10,254,000 *(2016: €8,980,000)* was recognised as an expense and included in 'Cost of sales'. This includes a net Statement of Profit or Loss charge of €17,000 *(2016: credit of €44,000)* arising on the inventory impairment allowance. The inventory impairment allowance levels are continuously reviewed by management and revised where appropriate, taking account of the latest available information on the recoverability of carrying amounts.

15. TRADE AND OTHER RECEIVABLES

	2017 €'000	2016 €'000
Group		
Trade receivables	**5,303**	2,812
Other receivables	**1,993**	2,047
	7,296	4,859

	2017 €'000	2016 €'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.

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 €'000	2016 €'000
Group		
At beginning of year	**68**	468
Transfer to Investment Properties (Note 11) (i)	**-**	(400)
Disposals during the year (ii)	**(68)**	-
At 31 December	**-**	68
Current assets	**-**	68
Total	**-**	68

(i) Transfer to Investment Properties

The Group's financial asset at 31 December 2016 arose from 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 purchased the remaining interest in this asset during 2017. The asset is now 100% owned by the Group and is reflected at fair value in Investment Properties (Note 11).

(ii) Disposals during the year

The Group's subsidiary company, Shannon Commercial Properties, was party to a financial arrangement (recognised as a financial asset) 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).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. FINANCIAL ASSETS

	2017 €'000	2016 €'000
Company		
Interest in subsidiary companies		
Shares at cost	**112,275**	112,275
	112,275	112,275

Principal subsidiaries and related companies are listed below.

Name	Nature of Business	% Share Capital Owned	Registered Office
Subsidiary Companies			
Shannon Airport Authority DAC	Operation of Shannon Airport (trading)	100%	Shannon Airport, Shannon, Co. Clare
Shannon Commercial Enterprises DAC *(trading as Shannon Commercial Properties)*	Management and development of commercial property portfolio (trading)	100%	Shannon Airport, Shannon, Co. Clare
Shannon Heritage DAC	Operation of 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

18. OTHER INVESTMENTS

	2017 €'000	2016 €'000
Group		
Other investments	**9,036**	21,032
	9,036	21,032

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

19. CASH AND CASH EQUIVALENTS

	2017 €'000	2016 €'000
Group		
Cash on hand	**9,789**	4,710
	9,789	4,710

As security for its borrowings (Note 24) the Group's subsidiary company, Shannon Airport Authority, has granted its lender an assignment and charge over a bank account. The balance on the account at year end was €751,000.

Company		
Cash on hand	**10**	10
	10	10

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20. SHARE CAPITAL AND RESERVES

	2017 €'000	2016 €'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.

21. TRADE AND OTHER PAYABLES

	2017 €'000	2016 €'000
Group		
Trade payables	**605**	1,531
Accrued expenses	**16,345**	12,927
Social insurance	**1,137**	1,050
VAT	**244**	316
Current trade and other payables	**18,331**	15,824

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22. DEFERRED INCOME

	2017 €'000	2016 €'000
Government grants (i)	**354**	354
Customer advances	-	120
Current deferred income	**354**	474
Government grants (i)	**3,163**	3,513
Non-current deferred income	**3,163**	3,513
Total deferred income	**3,517**	3,987

(i) Government grants

	2017 €'000	2016 €'000
Received		
At 1 January	**12,954**	12,954
Additions	-	-
At 31 December	**12,954**	12,954
Amortisation		
At 1 January	**9,087**	8,732
Amortisation	**350**	355
At 31 December	**9,437**	9,087
Net book value at 1 January	**3,867**	4,222
Net book value at 31 December (Note 29)	**3,517**	3,867

The Group's subsidiary company, Shannon Commercial Properties, received a grant from Fáilte Ireland for the upgrade of the King John's Castle tourism attraction. This grant has been recognised as deferred income and is being amortised over the useful life of the assets to which it relates. This grant becomes repayable should certain conditions cease to be met. The principal condition is that the castle must remain operational as a tourism attraction for a minimum period from the date of grant and the relevant assets may not be disposed of during that period without the consent of Fáilte Ireland. To date all conditions relating to this grant have been met.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23. PROVISIONS

	Onerous commitments €'000	Self-insurance provision €'000	Pension commitments €'000	Other provision €'000	Total €'000
Group					
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 1 January 2017	**1,336**	**711**	**140**	**1,348**	**3,535**
Provisions used during the year	**(320)**	**(63)**	**(140)**	**(1,690)**	**(2,213)**
Provisions made during the year	-	**128**	-	**676**	**804**
At 31 December 2017	**1,016**	**776**	-	**334**	**2,126**
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
At 31 December 2017					
Current provisions	**320**	**373**	-	**334**	**1,027**
Non-current provisions	**696**	**403**	-	-	**1,099**
Total provisions	**1,016**	**776**	-	**334**	**2,126**

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.

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 2017 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
The provision recognised at 31 December 2016 reflected management's best estimate of expenditure required to settle obligations of the Group arising from certain 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 were received from staff who wished to avail of this scheme and a provision of €1,334,000 was recorded, which represented 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). Total payments of €1,690,000 were made in respect of this scheme during 2017, of which €1,054,000 was recorded at 31 December 2016.

Included in Other provisions at 31 December 2017 is an amount of €280,000, which represents management's best estimate of the expenditure required to meet the Group's obligations in respect of this scheme which are expected to be settled during 2018.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. LOANS AND BORROWINGS

	2017 €'000	2016 €'000
Group		
Secured bank loan (i)	**700**	-
Finance lease liability (ii)	**-**	80
Current loans and borrowings	**700**	80
Secured bank loan (i)	**13,725**	-
Non-current loans and borrowings	**13,725**	-
Total loans and borrowings	**14,425**	80

(i) Secured bank loan

	2017 €'000	2016 €'000
Secured bank loan	**14,425**	-

		2017		2016	
	Term	**Face value €'000**	**Carrying value €'000**	Face value €'000	Carrying value €'000
Secured bank loan – EUR (Note 26)	**> 15 years**	**14,300**	**14,425**	-	-

During 2017 the Group's subsidiary company, Shannon Airport Authority, obtained a long term bank loan to fund the cost of the runway rehabilitation. As security for its borrowings the company has granted its lender an assignment and charge over a bank account, with a balance year end of €751,000 (Note 19). The loan is an amortising facility with periodic repayments of both principal and interest and is subject to a market interest rate. The interest rate is fixed for the first 15 years with stepped pre-agreed increases at pre-determined dates post year 15 if the loan remains outstanding. The company is subject to financial covenants that will remain in place until the loan is repaid in full. The company is in compliance with these financial covenants at the year-end date.

(ii) Finance lease liability

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
Less than one year	-	82	-	2	-	80
	-	82	-	2	-	80

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

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. 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 2017 and 2016:

a) Defined benefit pension scheme – Aer Rianta Supplemental Superannuation Scheme
b) Other defined contribution schemes

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

	2017 €'000	2016 €'000
Group		
Net defined benefit liability	**(809)**	(1,084)

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

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

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

The ARSSS was frozen as at 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. EMPLOYEE BENEFITS *(Continued)*

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

	2017 €'000	2016 €'000
Contributions expected to be paid to the plan during the annual period beginning after the reporting date (i)	**77**	17

(i) Actual contributions paid in 2017 were €77,000 which reflected an additional contribution paid on instruction from the scheme Trustees, in accordance with a funding proposal. A contribution of €77,000 is expected to be paid in 2018 also.

An actuarial assessment of the scheme was carried out at 31 December 2016 and 2017 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	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
Fair value at beginning of year	**2,001**	2,422	**(917)**	(1,684)	**1,084**	738
Included in Profit or Loss						
Expected return on plan assets	-	-	**(20)**	(22)	**(20)**	(22)
Past service cost	-	(766)	-	877	-	111
Interest cost	**40**	45	-	-	**40**	45
	40	(721)	**(20)**	855	**20**	134
Included in Other Comprehensive Income						
Remeasurement loss:						
Return on plan assets	-	-	**(54)**	(88)	**(54)**	(88)
Actuarial (loss)/gain arising from:						
Effect of changes in assumptions	**(100)**	327	-	-	**(100)**	327
Effect of experience adjustments	**(64)**	(27)	-	-	**(64)**	(27)
	(164)	300	**(54)**	(88)	**(218)**	212
Other						
Employer contributions	-	-	**(77)**	-	**(77)**	-
Members contributions	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-
Fair value at 31 December	**1,877**	2,001	**(1,068)**	(917)	**809**	1,084

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. EMPLOYEE BENEFITS *(Continued)*

Plan assets

Plan assets comprise the following:

	2017		2016	
	Plan assets €'000	**Percentage of plan assets - %**	Plan assets €'000	Percentage of plan assets - %
Equities	**513**	**48.0**	530	57.8
Bonds	**505**	**47.3**	340	37.1
Property	-	-	-	-
Cash	**1**	**0.1**	2	0.2
Other	**49**	**4.6**	45	4.9
	1,068	**100.0**	917	100.0

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

Defined benefit obligation

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

	2017	2016
Discount rate	**2.2%**	2.0%
Rate of price inflation	**1.7%**	1.7%
Rate of increase in salaries	-	-

The discount rate of 2.2% 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:

	2017 Years	2016 Years
Longevity for a male member		
Current active members retiring at age 65 in 25 years' time	**25.9**	25.8
Longevity for a female member		
Current active members retiring at age 65 in 25 years' time	**28.0**	27.9

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. 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.

	2017 €'000 Increase/(decrease)	2016 €'000 Increase/(decrease)
Discount rate – 0.5% decrease	**262**	294
Inflation – 0.5% increase	**136**	167

b) Defined contribution schemes

Shannon Airport Authority operates two internally funded defined contribution pension schemes for certain employees. Payments made to the scheme are charged annually in the financial statements and for the year ended 31 December 2017, the total expense recognised was €1,222,336 (2016: €1,228,696). The amount due at year end is €164,442 (2016: €170,830).

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 2017 and 2016, 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 2017, the total expense recognised was €198,000 (2016: €164,000), none of which was payable at year end (2016: 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 2017, the total expense recognised was €114,953 (2016: €108,481). The amount due at year end is €26,211 (2016: €21,718).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. 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	
	2017	2016
Group	**€'000**	€'000
Trade receivables (Note 15)	**5,303**	2,812
Other receivables (Note 15)	**1,993**	2,047
Finance lease receivable (Note 12)	**333**	340
Other investments (Note 18)	**9,036**	21,032
Cash and cash equivalents (Note 19)	**9,789**	4,710
Total	**26,454**	30,941
Company		
Cash and cash equivalents (Note 19)	**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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. 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:

	2017 €'000	2016 €'000
Gross trade receivables		
Republic of Ireland	**5,990**	3,663
United Kingdom	**571**	601
Rest of world	**318**	139
At 31 December	**6,879**	4,403

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

	2017 €'000	2016 €'000
Allowance for doubtful debts		
At the start of the year	**1,591**	1,851
Amounts charged to operating expenses	**565**	80
Trade receivables written off	**(580)**	(340)
At 31 December	**1,576**	1,591
Net trade receivables (Note 15)	**5,303**	2,812

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:

	2017 €'000	2016 €'000
Within credit terms	**2,425**	1,977
0-30 days past due	**224**	241
31-60 days past due	**1,719**	674
61-90 days past due	**1,211**	79
Greater than 90 days past due	**1,300**	1,432
Total	**6,879**	4,403

Included in the Group's trade receivables are balances of €2,782,000 (2016: €835,000) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. 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 (2016: 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. During 2017 the Group's subsidiary company, Shannon Airport Authority, obtained a long term bank loan to fund the cost of the runway rehabilitation (Note 24). A prudent approach is adopted in managing liquidity including funding of significant investment requirements. The Group has determined its risk appetite for commercial investments and set financial tolerance levels accordingly.

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

The Group has adequate funding resources available to meet forecast short term funding requirements of its operations and capital investment programme. An overdraft facility of €5 million is available to meet short term working capital requirements. Arising from this, the bank holds security over certain Group assets (Note 10). The overdraft facility was used during 2017 and 2016 however was not in use at year end.

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

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

		Contractual cash flows				
	Carrying amount €'000	Total contractual cash flows €'000	3 months or less €'000	3-12 months €'000	1-2 years €'000	More than 2 years €'000
31 December 2017						
Non-derivative financial liabilities						
Trade and other payables	**18,331**	**18,331**	**18,331**	**-**	**-**	**-**
Secured bank loan	**14,425**	**14,425**	**313**	**901**	**901**	**12,310**
Total	**32,756**	**32,756**	**18,644**	**901**	**901**	**12,310**

		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	-	-

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. 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 exposed to interest rate risk on its secured bank loan as the interest rate is fixed for the entire term. 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 €0.2 million to profit/loss *(2016: €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 2017					
Finance lease receivable	**333**	-	-	**333**	-
Trade and other receivables	**7,296**	-	-	**7,296**	-
Other investments	**9,036**	-	-	**9,036**	-
Cash and cash equivalents	**9,789**	-	-	**9,789**	-
Total	**26,454**	-	-	**26,454**	
Trade and other payables	-	-	**(18,331)**	**(18,331)**	-
Secured bank loan	-	-	**(14,425)**	**(14,425)**	-
Total	-	-	**(32,756)**	**(32,756)**	
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)	

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. 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 2017					
Cash and cash equivalents	**10**	-	-	**10**	-
Total	**10**	-	-	**10**	
31 December 2016					
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 16. 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. OPERATING LEASES

(a) Leases as lessee
The future minimum lease payments under non-cancellable leases were payable as follows:

	2017 €'000	2016 €'000
Less than one year	**371**	406
Between one and five years	**1,096**	1,599
More than five years	**2,061**	2,054
	3,528	4,059

(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:

	2017 €'000	2016 €'000
Less than one year	**7,324**	6,958
Between one and five years	**17,757**	17,476
More than five years	**11,444**	14,039
	36,525	38,473

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

28. 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.

The following related party transactions occurred during the year:

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

Fees in respect of services provided by the above companies to the Group in the normal course of business during the year ended 31 December 2017 were €37,108 *(2016: €80,784)*. The amount unbilled or billed and not yet paid by the Group at year-end was €2,706 *(2016: €7,393)*.

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

Fees in respect of services provided by the above company to the Group in the normal course of business during the year ended 31 December 2017 were €23,153 *(2016: €18,274)*. No amounts were unbilled or billed and not yet paid by the Group at year-end *(2016: 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 Group Executive Team. The compensation paid or payable to key management for employee services is shown below:

	2017 €'000	2016 €'000
Group		
Salaries and other short term employee benefits (including social welfare)	**1,142**	1,645
Post-employment benefits	**114**	157
	1,256	1,802

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

The value of capital work not completed at 31 December 2017 under contracts entered into by the Group is estimated at €7,745,839 *(2016: €6,058,265)*. 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.

30. SUBSEQUENT EVENTS

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

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 28 March 2018.

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FURTHER INFORMATION

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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

OTHER INFORMATION

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 is a major economic asset and driver of the Irish economy, both at national and regional level. Shannon Group employs over 680 people at high season.

The average number of people employed by each of the companies within the Group during 2017 was as follows:

Shannon Airport	271
Shannon Commercial Properties	28
Shannon Heritage	210

Benefits paid to employees in 2017 are analysed below.

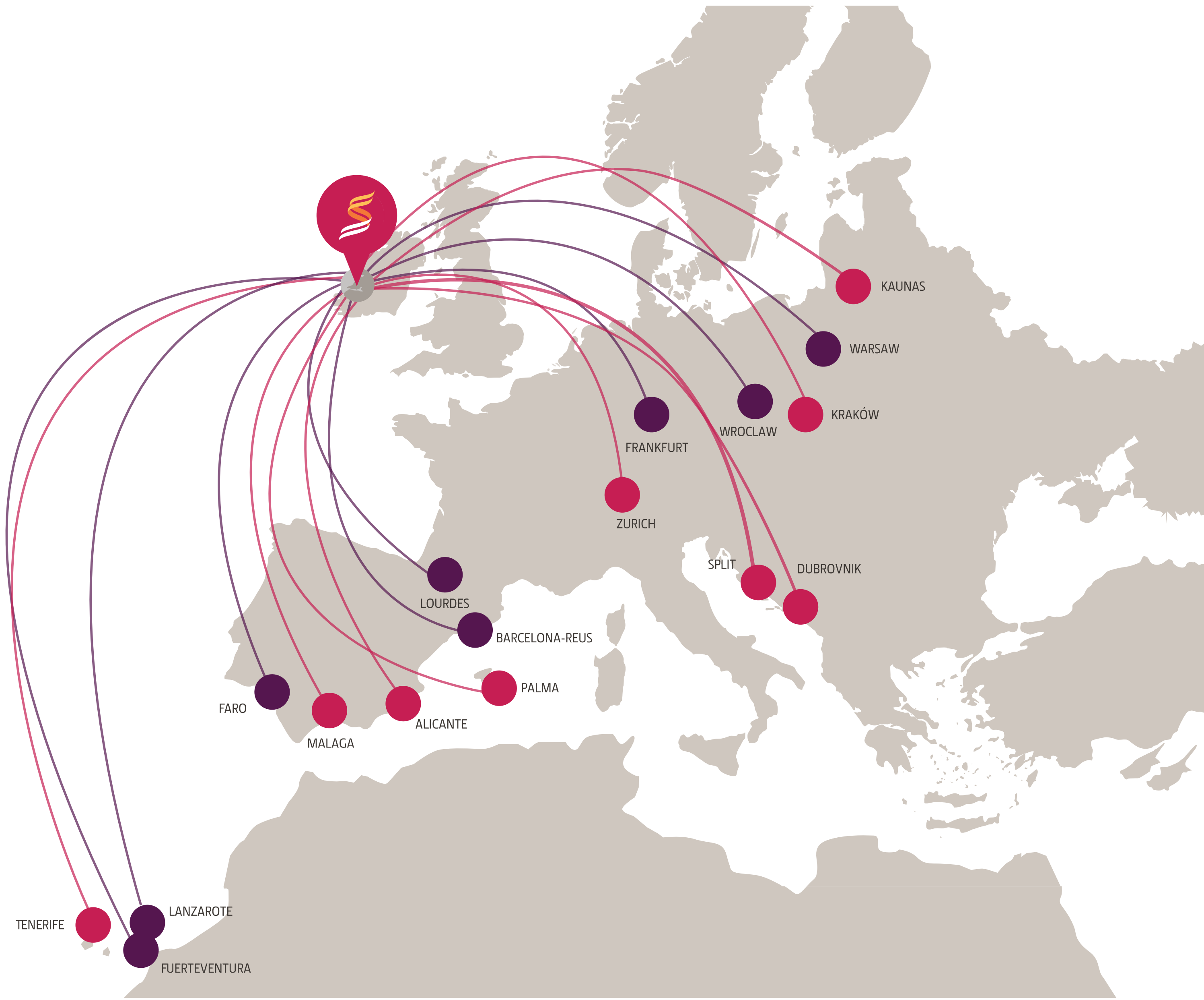
	Number of employees in band*
	2017
€	
50,000 - 74,999	140
75,000 - 99,999	56
100,000 - 124,999	5
Over 125,000	9

**Short term employee benefits are disclosed in accordance with the Code of Practice for the Governance of State Bodies*

SHANNON TO UK FLIGHTS
Summer 2018

Fly shannon *it's Easier*

SHANNON TO EUROPE FLIGHTS
Summer 2018



SHANNON TO U.S.A./CANADA FLIGHTS
Summer 2018

shannon GROUP

www.shannongroup.ie