CAIRN HOMES PLC

ANNUAL REPORT

2016

Leading the way

Cairn believes in designing and building quality family homes and establishing a market leading brand and reputation. Following the substantial completion of its initial capital deployment phase, the Company's focus is now firmly on continuing to scale its construction operations toward reaching its stated target of completing in excess of 1,200 new home sales during 2019.

2017 is a key year in this progression and the Company will be building new homes on ten sites by the end of 2017, seven of which are already active, with Naas due to commence in Q2 2017.

Key highlights

FINANCIAL

- Total revenues of €40.9 million (mainly from sales of 105 completed units).
- Gross profit of €7.1 million and a gross profit margin of 17.3%.
- Operating profit, before exceptional items, of €3.6 million.
- Intend to seek a primary listing on the Irish Stock Exchange during 2017.

OPERATING

- Currently active on seven sites with construction due to commence in Naas in Q2, 2017.
- Forward sales of 301 units (gross sales value of €121.2 million) as of 9 March 2017, with the majority of these forward sales expected to complete in 2017.
- Strong customer response across all selling sites, with an increase in weekly sales run rate - up to 19.7 per week in Q1 2017 to date (09 March 2017) versus 10.0 per week in Q4 2016 and 3.5 per week in Q3 2016.
- Doubled build rate to over 250 units and 200 units per annum in Parkside and Ashbourne respectively to meet this increased demand.
- 96% of Cairn's core land bank of 12,100 units is either residentially zoned, in a strategic development zone or has a live planning consent. Average core site cost of €53,000.
- Post year end, successful conclusion of first joint venture agreement with NAMA on a site adjoining our Parkside development.
- Supporting over 1,000 new construction jobs across our active sites today.

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About Cairn Homes

Cairn is committed to constructing high-quality, competitively priced new homes with an emphasis on design and innovation in attractive locations to meet realisable market demand. We strive to understand our customers' needs and aspirations by harnessing customer feedback and then bring together the most talented designers and craftsmen to interpret and deliver our customer influenced vision.

We create sustainable, vibrant communities centred around this smart design and high quality landscaped environments.

Our on-site information houses educate our customers on the energy efficiency and build quality of our new homes.

The Group maintains a culture focused on customer service which seeks to make the homebuying process as stress free as possible through a dedicated customer service team.

Our company structure is professional and subject to the highest corporate governance standards. Cairn Board members have held senior positions in successful public and private companies and bring considerable years of experience to bear.

As well as offering homebuyers peace of mind, our distinct approach also engenders the trust and collaboration of planners, local authorities, regulators and other important stakeholders in the homebuilding industry.

The Group's strategy is to continue to capitalise on the recovery of the Irish residential property market by establishing itself over the long-term as a leading Irish homebuilder, constructing high quality and competitively priced new homes.

The Company has substantially completed its initial capital deployment phase during which it has assembled a land bank of 12,100 units. This is a mature land bank where 96% of the units are either residentially zoned, in a strategic development zone or have live planning consents. In line with its IPO strategic objectives, 91% of the units within Cairn's core land bank are located within the Greater Dublin Area (GDA).

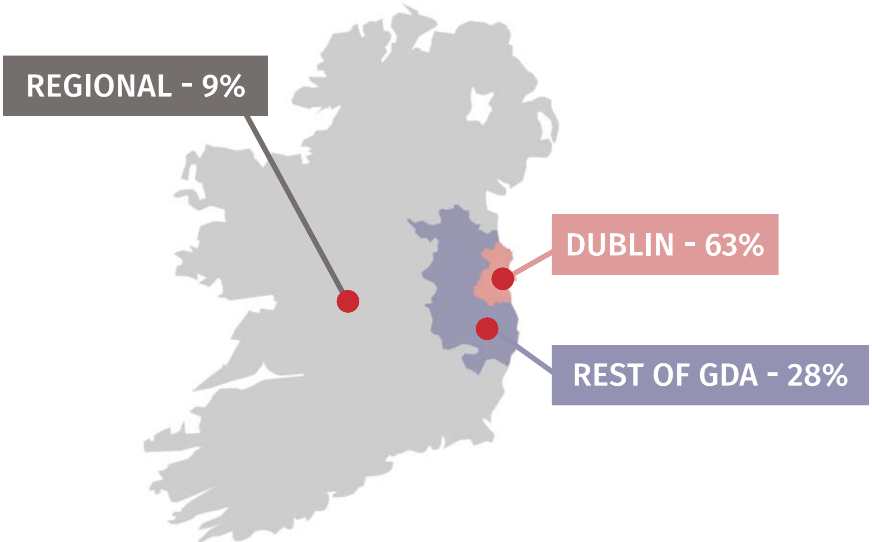
A key part of the Group's strategy is to strive for excellence in all areas of its operations and we have assembled a talented, high calibre and committed team.

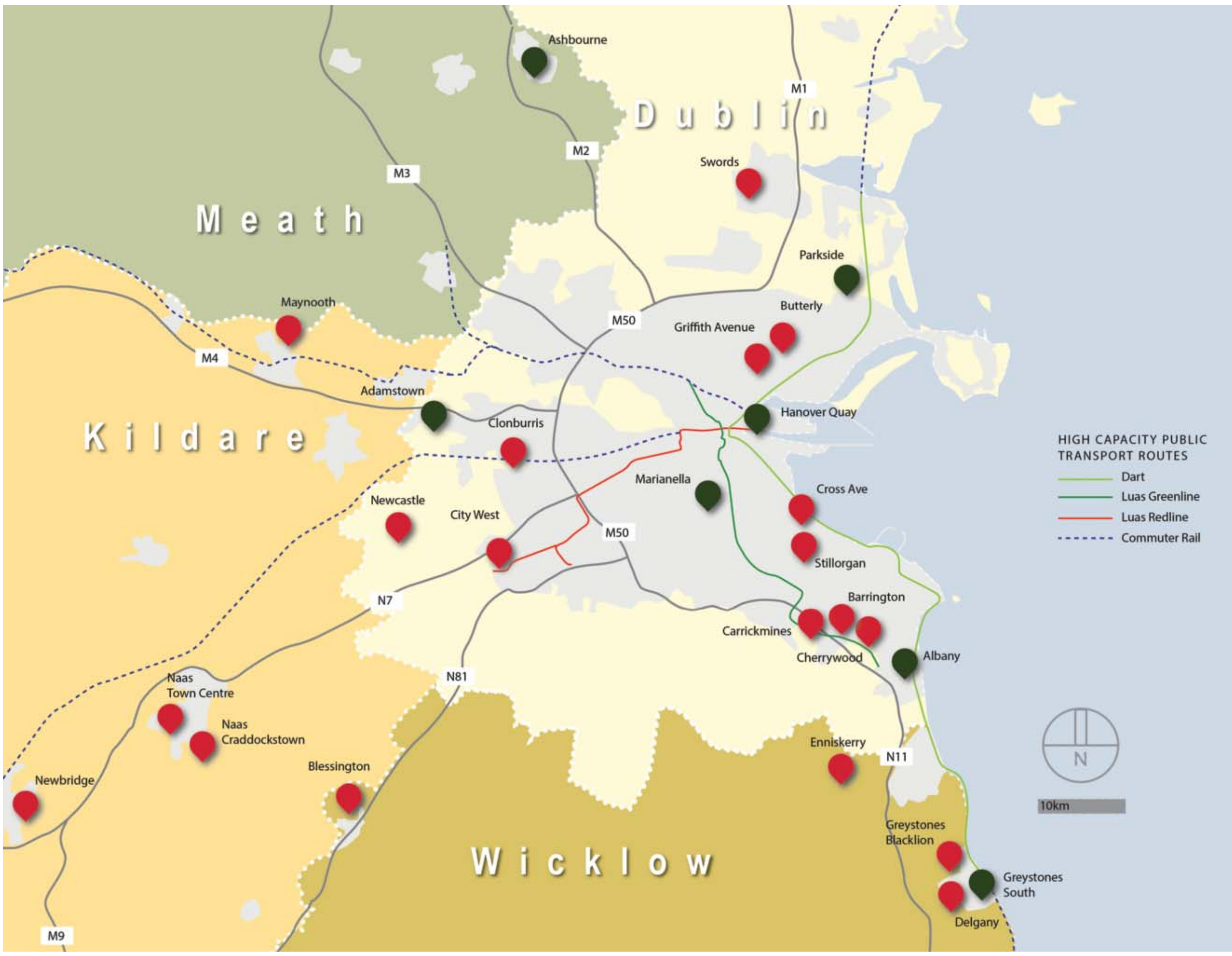
The Group functions in a responsible and ethical manner, focusing on the needs of the communities where it builds and operating within defined environmental limits.

Cairn's focus is now firmly on continuing to scale its construction operations toward reaching its stated target of completing in excess of 1,200 new home sales during 2019, when the business will reach maturity. Currently, Cairn is active on seven sites in the GDA, which will deliver 2,800 units.

The strength of the Cairn brand, the security provided by longer duration and larger phase developments, the prompt payment of invoices, the visible growth prospects on foot of its long-term land bank and line of sight over its development pipeline provides a strong platform for Cairn to attract the best subcontractors in Ireland.

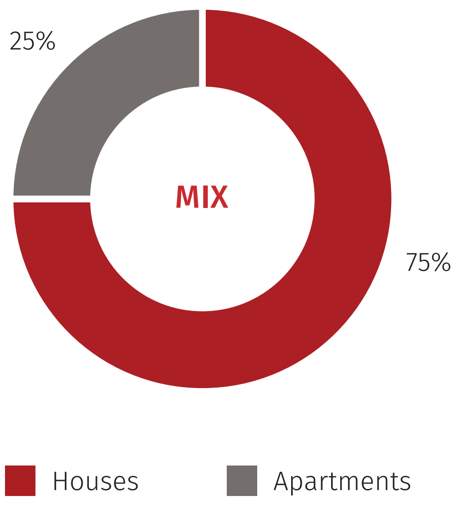
Geographic overview of core sites

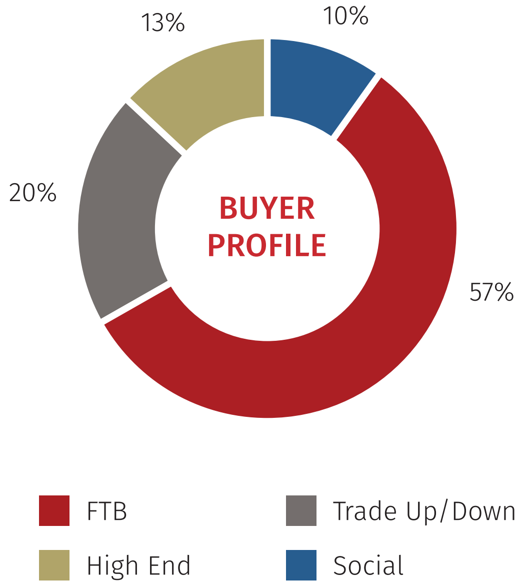


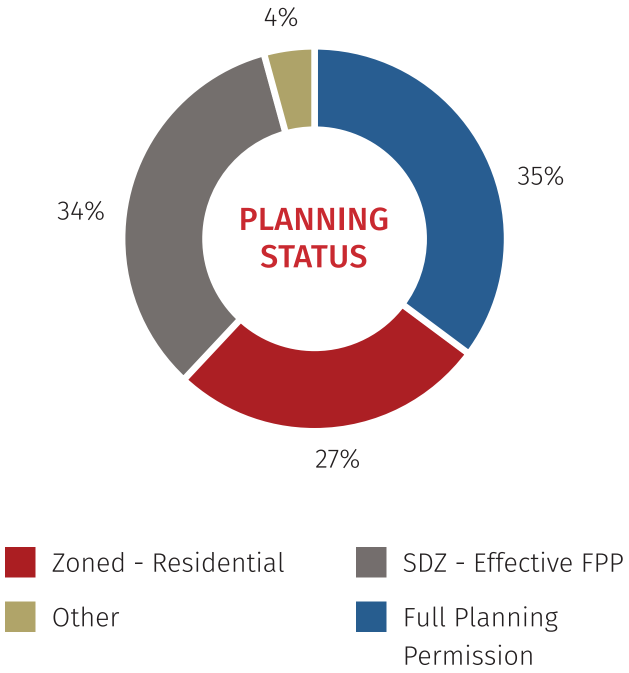


Note: Active Sites - Green; Remaining Sites - Red.

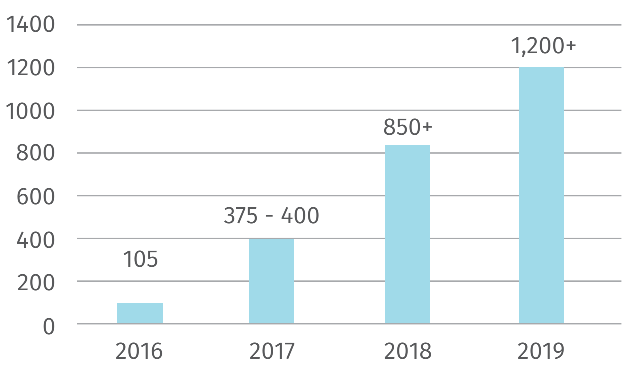
12,100 unit core land bank composition







THE PATHWAY TO 2019 UNITS



Churchfields, Ashbourne, August 2016.

Parkside

Malahide Road, Balgriffin, Dublin 13.
www.parksidehomes.ie

Construction and sales are well underway on this market leading development of stylish three and four bedroom A-rated family homes situated in a superbly landscaped setting just off the Malahide Road, Dublin 13. Only 25 minutes from the city centre by DART, Parkside is in close proximity to the M1, Dublin Airport, the DART station at Clongriffin and the Quality Bus Corridor on the Malahide Road.

KEY SITE CHARACTERISTICS

Comprising 55.5 acres (22.5 hectares), Parkside is situated between the Malahide Road and the newly upgraded Fr. Collins Park, just 10km from Dublin city centre. The development will total c. 504 homes ranging in size from c.110-150 sq.m (1,189-1,615 sq.ft). Customer reaction has been very strong with good feedback from the first 150 families who have moved into their new homes in Parkside.

Churchfields

Ashbourne, Co. Meath.
www.churchfields.ie

Construction and sales are underway on this brand new development offering a superb selection of three and four bedroom A-rated family homes in Ashbourne. Ashbourne is Meath's second largest town and a traditional commuter belt location, 23km to the north west of Dublin City Centre.

KEY SITE CHARACTERISTICS

Planning permission exists for 354 homes on a site comprising 37 acres (15 hectares). Adjacent to Ashbourne GAA club, Churchfields is located 1km from Ashbourne town centre and close to the M2.

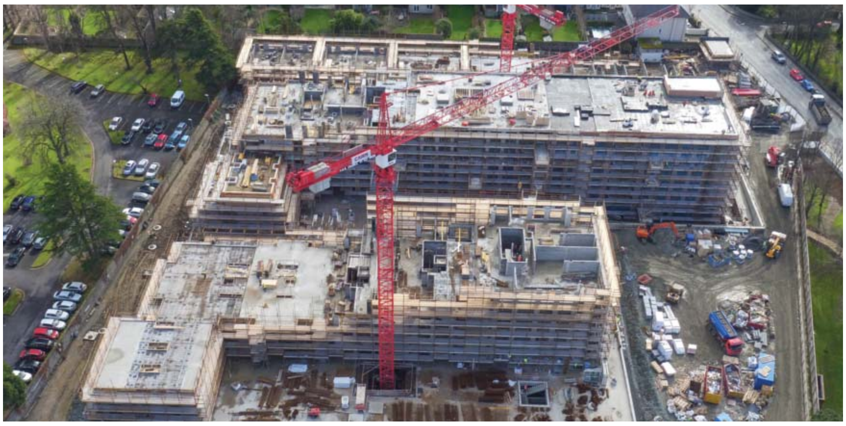
Marianella

Orwell Road, Rathgar, Dublin 6.
www.marianella-rathgar.com

Marianella is located in the highly sought after residential suburb of Rathgar, easily accessible to Dublin City Centre and the south city suburbs of Ranelagh, Rathmines, Milltown and Clonskeagh. It is approximately 4.2km south of St. Stephen's Green, which can be accessed from the nearby Cowper LUAS station or the numerous Quality Bus Corridors serving Rathgar.

KEY SITE CHARACTERISTICS

Construction has commenced on this 234 unit, 8 acre (3 hectares) development, which consists predominantly of large 2 and 3 bedroom apartments and penthouses and, in addition, 4 and 5 bedroom houses. This beautifully mature development will also incorporate a one and a half acre mature landscaped park facing onto Orwell Road. Following a highly successful pre-sale campaign which secured forward sales of 69 units, Marianella will be formally launched for sale from completed show units in May 2017.



Six Hanover Quay

South Docks, Dublin 2.

Situated in the heart of Dublin in an area known as "Silicon Docks", Hanover Quay is one of Dublin City Centre's most prestigious commercial and residential addresses, in an area which is a thriving new cultural centre in Dublin.

KEY SITE CHARACTERISTICS

Construction is underway on this 1.05 acre (0.43 hectares) site which will consist of 122 large high spec one, two and three bedroom apartments and penthouses with extensive roofgardens, in addition to a 5,000 sq. ft. ground floor commercial unit overlooking the Grand Canal Dock.

Glenheron

Greystones, Co. Wicklow.
www.glenheron.ie

Situated on the edge of Greystones, a thriving village which is set in a stunning coastal location. The area has excellent transport links with a suburban rail link to Dublin City Centre and a wide range of amenities in close proximity.

KEY SITE CHARACTERISTICS

Construction is underway on the first phase of this scheme comprising 50 new 3 and 4 bedroom detached and semi-detached family homes. The overall site extends to 87 acres (35 hectares) and will deliver 480 new homes to the area. Our first phase will launch for sale in Autumn 2017.

Shackleton Park

Lucan, Dublin 20.

Located only 16km from Dublin City Centre, Shackleton Park is on the outskirts of Lucan, a well established Dublin residential suburb, and forms part of the Adamstown Strategic Development Zone.

KEY SITE CHARACTERISTICS

Comprising 68 acres (27 hectares), the site is bordered by the Dublin-Kildare railway line, complete with its own new railway station, with both the M50 and M4 motorways nearby in close proximity. Cairn will deliver 1,100 new homes on this development over the coming years.

Naas Town Centre

Naas, Co. Kildare.

Our lands are situated 1km from Naas Town Centre, off the Southern Ring Road. Located 31km to the south west of Dublin City Centre, Naas is the largest town in County Kildare. Naas has a variety of transportation links, including the M7 which passes to the north of the town and connects Naas with Dublin. Nearby Sallins railway station provides direct travel to Dublin City Centre in just 30 minutes, while there are also numerous public and private bus services.

KEY SITE CHARACTERISTICS

The site extends to 71 acres (29 hectares) and will deliver in excess of 450 new residential units. Planning permission for the first 82 units was granted in December 2016 and construction is due to commence in Q2 2017. The site includes 30 acres of agricultural lands which have future development potential, subject to rezoning.

Clonburris

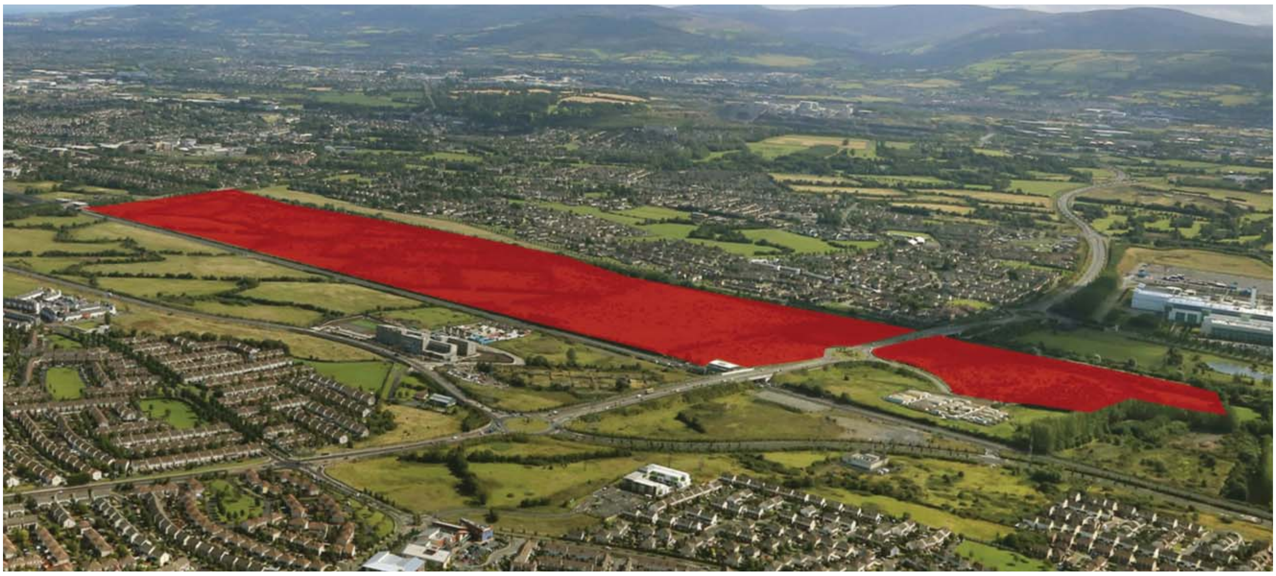
Clondalkin, Dublin 22.

South Dublin County Council (SDCC) are currently reviewing the existing Clonburris Strategic Development Zone. Cairn has engaged in extensive consultations with SDCC in advance of the Draft Planning Scheme being issued. Clondalkin is an established residential suburb of Dublin, 11km from Dublin City Centre.

The immediate area is well serviced by Quality Bus Corridors and the existing train station, to the eastern boundary of our lands, provides for a direct train service into Dublin City Centre.

KEY SITE CHARACTERISTICS

The Cairn lands comprise 177 acres (72 hectares) and are bounded to the south by the Grand Canal, to the north by the main Dublin-Kildare railway line and to the east by Fonthill Road (R113). The lands have the capacity to deliver up to 3,000 new homes to a suburb of Dublin underserviced by new home development.



Cairn crane at Six Hanover Quay site.

Supporting our subcontractor base

- 285 subcontractors and suppliers are employed across our 7 active sites. We currently support 1,000 construction jobs.
- Continued sponsorship of apprenticeship programmes.
- Advantages of the Cairn platform to our subcontractors:
  - Security provided by longer duration and larger phase developments (average core site contains > 400 units) allowing them to scale their businesses;
  - Efficient sequencing of trades managed by Cairn's experienced site management teams;
  - Regular and prompt payment of invoices;
  - Visible growth prospects on foot of our long-term land bank and line of sight over development pipeline; and
  - Bulk purchasing of materials leveraging off fixed supplier pricing agreed directly between Cairn and suppliers.

The Cairn Team in November 2016.

Key external market measures

1. Rebuilding Ireland - Action Plan on Housing and Homelessness

Launched in July 2016, some of the key initiatives include a €200m infrastructure fund, prioritisation of large pathfinder sites, major planning reforms and the potential utilisation of Government and local authority sites.

2. First Time Buyer Help to Buy ("HTB") Scheme

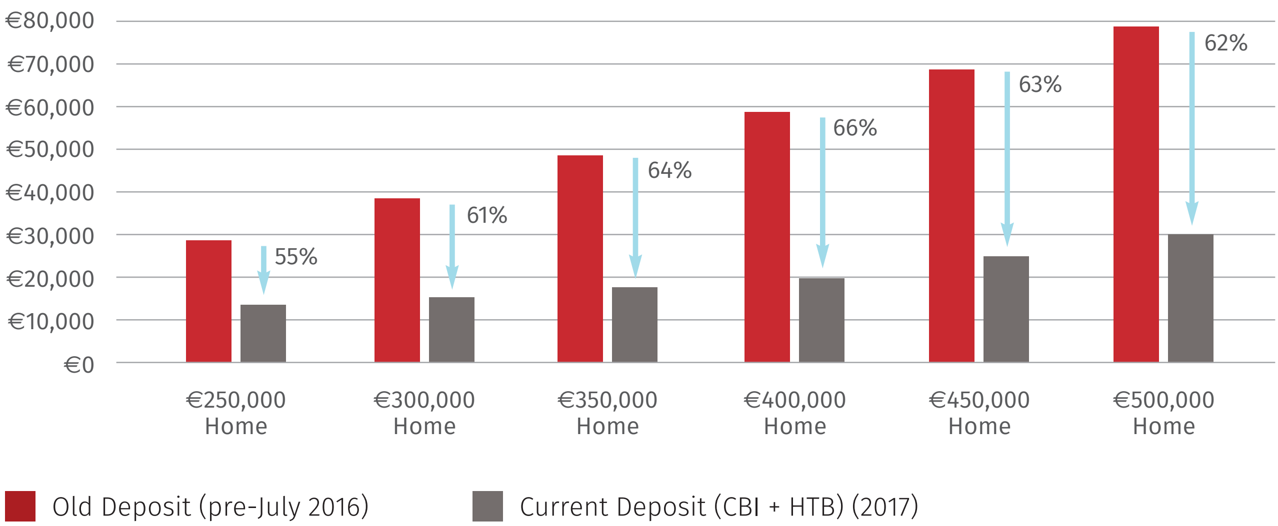
Incentive for first time buyers purchasing new homes through an income tax rebate (lower of €20,000, 5% of the purchase price of the new home or the amount of income tax paid over the previous four tax years) and applying to all new homes valued up to €500,000.

This is a 3 year scheme, back-dated to 19 July 2016, which will run to the end of 2019. Applicants must take out a mortgage of at least 70% of the purchase price to qualify.

3. Relaxation of Central Bank of Ireland (CBI) Macro-Prudential Rules

The CBI published its review of its macro-prudential mortgage rules in November 2016 - the modest loosening of the rules positively impact on first time buyers.

IMPACT OF HTB AND CBI MORTGAGE RULE CHANGES ON DEPOSITS



Source: CBI, Revenue.ie.

Building to the highest quality benchmark

At Cairn, build quality is at the heart of everything we do. A Cairn home stands out because we only work with tradespeople, designers, craftsmen and suppliers who are experienced in their fields and our team is fortunate to have forged longstanding relationships with many of these people.

Our building teams take pride in delivering quality. Their training and experience, from apprentices to engineers to foremen, surveyors and site managers, ensures that best-in-class standards are achieved.

Marianella, March 2017.

Working with the best materials

Cairn homes are solid-built homes using tried-and-tested traditional building materials such as non-combustible concrete block walls, engineered roof trusses and floor joists.

Products used in Cairn developments are assessed for compliance with EU Construction Product Regulations and against our own performance benchmarks before they arrive on site. Materials are further subjected to rigorous on-site testing, including house-by-house testing for sulphides in the fill material we use beneath our concrete ground floor slabs. Only when the product has passed through this thorough and professional testing environment will it be deemed suitable for use on a Cairn development.

Cairn is a member of the Construction Industry Federation (CIF) and the Construction Industry Register Ireland (CIRI). All Cairn homes are protected by HomeBond, the leading provider of structural insurance, operating in Ireland since 1978.

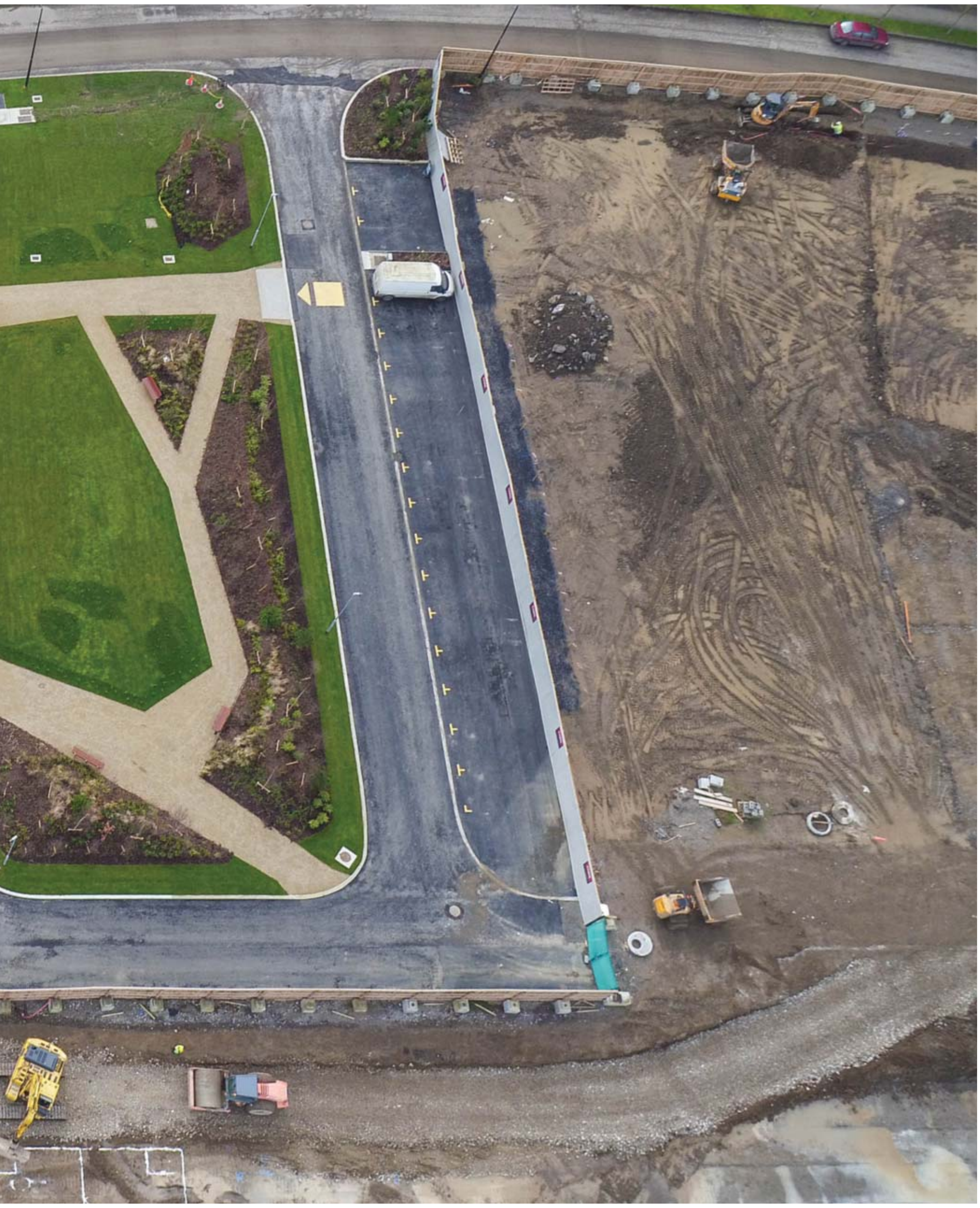
Churchfields, Ashbourne, March 2017.

Better regulations - higher standards

Ireland's building regulations for new homes are continually being amended and improved to ensure they set a high-quality benchmark fully deserving of the homebuyer's confidence.

The 2011 amendments to the regulations require a further reduction in primary energy consumption and carbon dioxide emissions. An additional increase in the levels of insulation for walls, roofs and floors is required, in addition to a better U value for doors and windows, increased levels of air tightness and an improvement in the minimum efficiency of oil and gas boilers.

At Cairn, we construct new homes which go beyond the current regulations. All of our homes are designed to be airtight, fully insulated and consume the least amount of energy possible. We set ourselves the highest quality benchmark to ensure that our customers can buy a Cairn home with confidence.



Market Outlook

The Irish macro-economic backdrop remains positive, with Ireland continuing to experience its highest levels of consistent GDP growth since the mid-2000s. The country continues to be one of the fastest growing economies in the European Union.

The labour market continued to show positive momentum during 2016, with unemployment at 6.6% in February 2017, down from 8.8% in February 2016. More importantly, employment growth continues its upward trajectory, with 65,100 new jobs created in the twelve months to December 2016, an increase of 3.3% over the period (source: CSO).

GDP increased by 5.2% in 2016 and recent forecasts (source: Goodbody) for the Irish economy are predicting continued GDP growth of 3.1% in 2017 and 3.2% in 2018. Crucially, this strong macro-economic performance continues to occur without either inflation or significant credit expansion, the dynamics of which are similar to the strong growth period experienced by Ireland in the 1990s.

The consumer economy remains very strong, with 3.0% growth in consumption in 2016, underpinned by a 3.9% growth in retail sales.

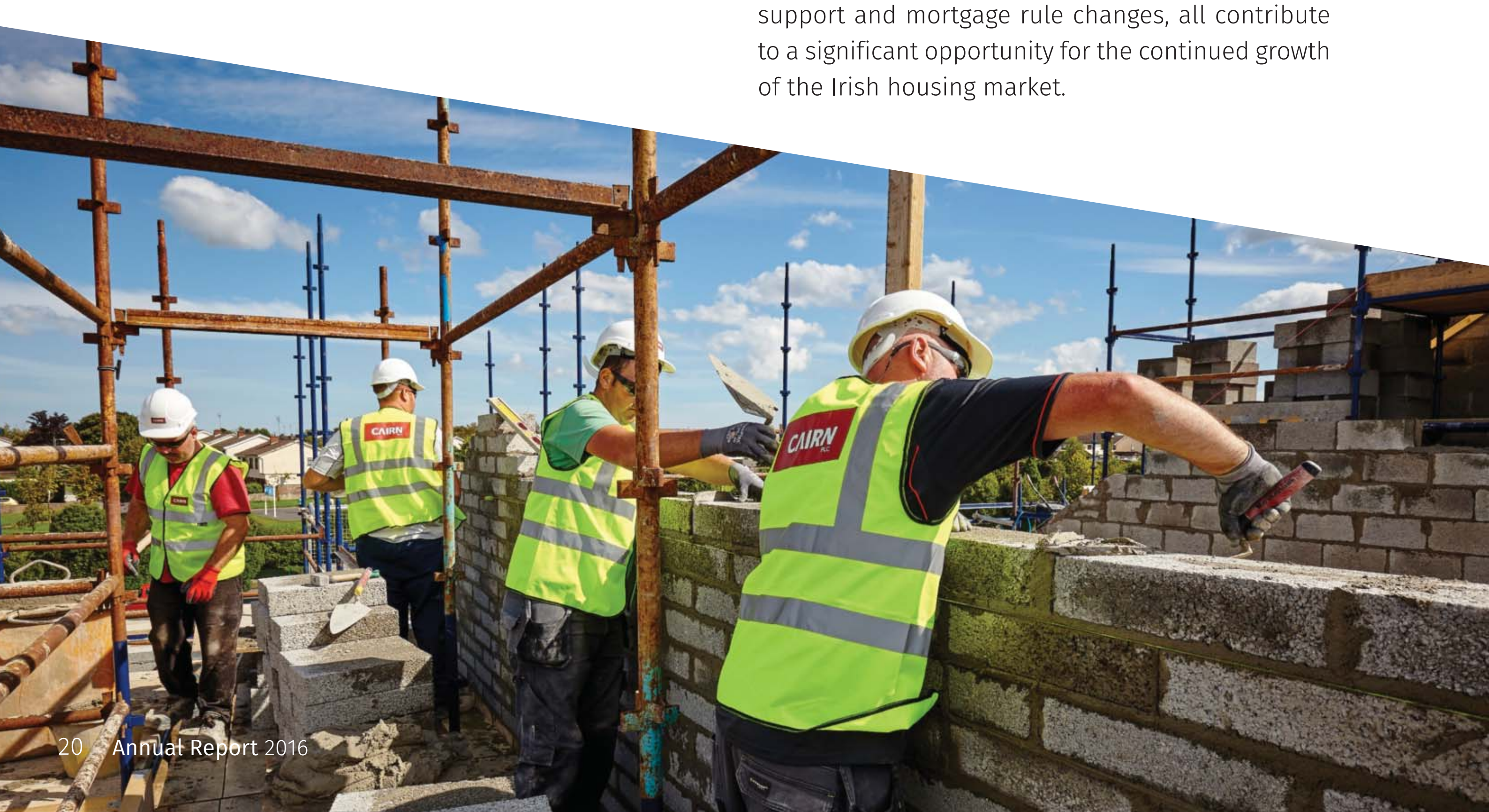
The composite Irish PMI (Purchasing Managers' Index) is currently at 57.8 and remains close to the top end of European PMIs. This is consistent with reported strong new orders, an increasing workforce and optimism about growth in the year ahead, all of which underpin continued GDP growth.

Construction spending continues to be a major contributor to Irish economic growth. In Q4 2016, new residential construction grew by 39% year-on-year, highlighting increased output across the homebuilding industry.

Consumer confidence remains strong, anchored by employment growth, upward wage pressures, subdued inflation and a low interest rate environment. Importantly, these all contribute to improved affordability, an important ingredient underpinning housing demand.

While Brexit has generated some uncertainty for the broader Irish economy, there is potential for job relocations from London to Dublin and Cairn is ideally positioned to benefit from any increased demand for housing as a result of such relocations.

These strong macro-economic trends, underpinned by external factors such as increased government support and mortgage rule changes, all contribute to a significant opportunity for the continued growth of the Irish housing market.



MORTGAGE MARKET ENVIRONMENT

The mortgage market continued to improve throughout 2016, with mortgage drawdowns during the year increasing to €5.65 billion, which represents an increase of 12.3% on 2015 levels. Q4 2016 drawdown values increased by 26%, which is the largest quarterly increase seen since Q2 2007, reflecting increased levels of activity in recent months. First time buyers' mortgages saw an increase of 12% in total value across 2016, but with a significant acceleration in Q4, with growth of 25%.

Competition amongst mortgage providers is increasing, resulting in continued downward pressure on standard variable and fixed interest rates - the new drawdown average variable rate has decreased from 4.12% in Q2 2015 to 3.4% in Q4 2016, while average 1-3 year fixed rates decreased from 3.80% to 3.27% in the same period (source: CBI).

HOUSING OUTLOOK

The underlying demand for new housing in Ireland is expected to remain strong as supply is unlikely to meet demand in the medium term. The reduced deposit requirement for first time buyers as a result of HTB, coupled with the effect of the relaxation in the CBI's macro-prudential rules, has been impactful. Demand is more realisable as first time buyers now have better access to mortgage finance. The strategic bias of Cairn's land bank towards starter homes will continue to benefit the Company.

The Company is now active on seven separate sites, and will commence construction on one further site in Q2 2017 and 2 more in H2 2017.

Cairn will be making a meaningful contribution to the much-needed supply of quality new homes in Ireland over the coming years, as it continues to establish itself as a homebuilder of high quality, competitively priced new homes into the long-term.

Parkside, September 2017.

Chairman's Statement

John Reynolds

"I am pleased to report that Cairn Homes plc has made significant progress against its strategic and operational objectives during the year under review."

Since the IPO in mid 2015, through the astute deployment of the IPO proceeds and further fundraisings, the Company has secured a very well located core land bank of 12,100 units, thereby providing it with a strong platform for multi-annual growth in homebuilding in the Greater Dublin Area and beyond.

This land has been secured through a well-planned and prudently managed acquisition phase. The focus is now firmly on the development of these sites in an optimal manner over the coming years, underpinned by a sustainable business model.

As is well documented, there is an acute shortage of new houses and apartments in Ireland in general and in Dublin in particular. Our vision is to build quality homes on well-located sites at a range of price points to appeal to the entire market, from first time buyers to more mature homeowners with changing needs. This vision is becoming a reality as significant progress has already been made in Parkside, (Malahide Road), Churchfields, (Ashbourne) and in Marianella, (Rathgar). Given the work on our other active sites, we expect to deliver sales of up to 400 units this year, 850 units in 2018 and in excess of 1,200 units in 2019.

We have the capability to achieve these commitments through an operationally efficient delivery model. We have assembled a talented and high calibre team to drive planning, construction and delivery across our sites. This team has 285 sub-contractors involved across the active sites, currently employing in excess of 1,000 people. The attraction of working on large multi-phase developments which give sub-contractors visibility of long term opportunity is particularly helpful for labour recruitment and retention.

However, the structural problem in the homebuilding sector remains. Dublin requires approximately 10,000 new residential units per annum. There were just 4,234 new home completions in 2016, which starkly demonstrates the extent of the continued under-supply. It is a welcome sign that residential developers are becoming more active in Ireland in recent months. However it will take a meaningful and sustained increase in activity to address the current structural imbalance.

Meanwhile Cairn will continue to deliver to plan, scaling its business through the construction of quality homes across our sites and we look forward to another year of strong progress in 2017.

GOVERNANCE

I would like to thank my Board colleagues for their commitment to and interest in the business throughout the year. The Board has played an important role in overseeing the development of this young business and it is beneficial to all stakeholders to have such a depth of experience available to management as they deliver on an ambitious programme.

I would like to particularly thank Non-Executive Director, Aidan O'Hogan and Group Finance Director, Eamonn O'Kennedy. Aidan has stepped down from the Board and Eamonn has announced his intention to do so over the coming months. On behalf of the Company, I express my appreciation to Aidan for his counsel and to Eamonn for his important role in getting the Company through a successful IPO and for the role he has played in bringing the Company to this point. The Board has made progress in the recruitment process for a new Group Finance Director to succeed Eamonn and an announcement will be made in due course.

RETURNS TO SHAREHOLDERS

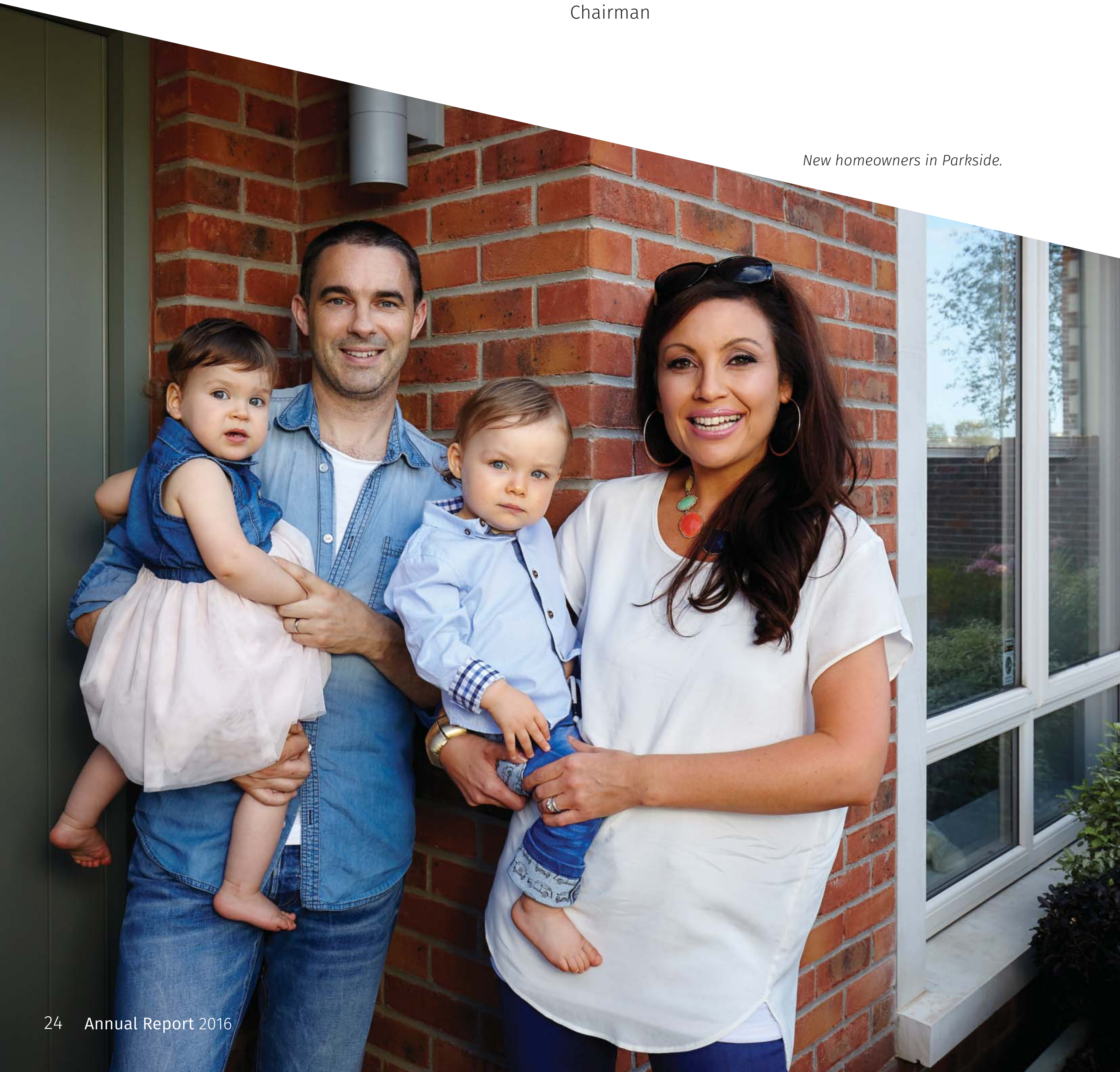
The Board has declared that it does not anticipate paying a dividend in the foreseeable future as the Company's primary focus is to achieve capital growth. However, in the longer term, the Board is committed to following a progressive dividend policy as the business is successfully scaled.

LISTING

On March 9th 2017, Cairn announced that it intends to seek a primary listing on the Irish Stock Exchange. Given that the Company is a home builder focussed on the Irish market, this is entirely in line with our long-term strategy.

John Reynolds
Chairman

New homeowners in Parkside.



Chief Executive's Statement

Michael Stanley

"We have made significant progress during 2016, our first full year in operation, both in terms of construction activity and sales performance."

At Cairn, we believe in designing and building quality family homes and establishing a market leading brand and reputation. Following the substantial completion of our initial capital deployment phase, our focus is now very firmly on continuing to scale our construction operations toward reaching our stated target of completing in excess of 1,200 new home sales during 2019.

The reduced deposit requirement for first time buyers as a result of the Help to Buy income tax rebate scheme announced in Budget 2017, coupled with the effect of the relaxation in the Central Bank of Ireland's macro-prudential rules, have been impactful.

Demand has been strong across all of our active sites since launch and the structural shortage of supply, which was evident throughout 2015 and 2016, continues to be a feature of the market.

The pick-up evident in the latter part of 2016 has continued and has been driven by a number of factors, but most noticeably, positive customer feedback on the build quality and design of Cairn's houses and apartments, our approach to customer service and more recently by improving mortgage backed demand. Our well-priced and strategically located land bank, economies of scale and efficient capital structure are key points of differentiation from our competitors. This enables us to bring new homes to the market at competitive price points.

In 2016, we acquired the Argentum business and its six sites, in addition to sites in Hanover Quay (Dublin City Centre), Cherrywood (South Dublin), Maynooth (Kildare), Delgany (Wicklow), Enniskerry (Wicklow), Cork Street (Dublin City Centre) and Blackhall Place (Dublin City Centre). As a result of this activity and our 2015 spend, our total investment in inventories as at 31 December 2016 was €727.2 million

We commenced construction on three new sites during 2016 (Marianella in Rathgar, Hanover Quay and Ashbourne in Co. Meath) and an additional two sites since the start of 2017 (Glenheron in Greystones and Shackleton Park in Lucan).

We are now active on seven sites, soon to be eight with the commencement of Naas in the second quarter of 2017. Forward sales as at March 9th 2017 were very strong at 301 units, with an associated gross sales value of €121.2 million. The majority of these forward sales are expected to complete during this calendar year. This acceleration in our rate of sale over recent months has seen us double our build rate to over 250 units and 200 units per annum in Parkside and Ashbourne respectively.

Our growing and talented team, our approach to design and building homes and the location, size and cost of our land bank places Cairn in a very strong position to respond to the significant demand for new homes in Ireland. This enables us to to provide a stable growth platform for our subcontractors. We recruited in excess of 50 new employees during 2016, many of whom joined Cairn from prestigious international homebuilding and construction companies.

In excess of 91% of our core land bank of 12,100 units is located in the Greater Dublin Area, in line with our original strategic objective. Given the profile of our acquisitions to date, 35% of the core land bank has the benefit of an existing planning consent, 34% is in strategic development zones (which is an effective full planning permission) and 27% is zoned residential.

The recently announced joint development with NAMA on lands adjoining our Parkside site is a positive new departure for our Company. Such joint development opportunities with strong counterparties provide us with an additional and alternative route to market, through an efficient capital deployment model.

RESIDENTIAL PROPERTY MARKET

The estimated ESRI long-term requirement is for in excess of 10,000 new homes per annum in Dublin. The Department of Housing, Planning, Community and Local Government measured 4,234 completions in 2016, just 1,343 greater than in 2015.

In addition, increasing rent levels across the country, and in Dublin in particular, are a continuing feature of the residential housing market in recent years, which is a direct manifestation of the worsening supply/demand imbalance.

A recent industry report (source: Daft) highlighted this continued rise in rents, with national rents up 13.5% and Dublin rents up close to 15% in the twelve months to December 2016. These increased rental levels mean that it is now more than 30% cheaper to own a home rather than to rent a similar home in Dublin.

The Dublin market is still a number of years away from increasing supply to a level which will meet annual demand levels.

Long-term demand for new homes is also directly related to population growth and the rate of new household formation. The population of the GDA grew by 5.1% to 1.91 million in the five years to 2016 (source: Census 2016) and is projected to grow by a further 15% to 2.2 million by 2031 (source: ESRI). With a favourable economic backdrop, including wage inflation, this will contribute to an increase in home ownership and demand for new homes in the GDA.

GOVERNMENT INITIATIVES AND MORTGAGE RULE CHANGES

The various Government initiatives announced during 2016 centred around "Rebuilding Ireland: Action Plan for Housing and Homelessness" have provided support for the industry as it continues its rebuilding process. In particular, the first time buyer Help to Buy income tax rebate scheme and the €200 million Local Infrastructure Housing Activation Fund" ("LIHAF") announced in Budget 2017 will help to generate much needed housing supply. These measures, coupled with the recent relaxation of the Central Bank of Ireland's macro-prudential mortgage lending rules relating to Loan to Value ratios for first time buyers, mean that the personal deposit requirement for a first time buyer has reduced by up to 60%.

With an improving mortgage market environment, demand is more realisable as first time buyers now have better access to mortgage finance, particularly at the starter home end of the market.

The Minister for Housing, Planning and Local Government, Mr. Simon Coveney TD, recently announced the allocation of an enlarged, €226 million, LIHAF package and we welcome the inclusion of six of our core sites in this funding. These sites are Parkside (North Dublin), Shackleton Park, Clonburris (both West Dublin), Cherrywood, Glenamuck Road (both South Dublin) and Douglas (Cork). Total funding of nearly €75 million has been approved for infrastructure works on these sites, and whilst there are adjoining landowners on a number of these sites who will also benefit from this funding, there will be a tangible financial benefit to our business. Funding was also approved for infrastructure works on sites near four of our other core sites in Naas (Jigginstown), Ashbourne, Kilkenny and Maynooth. These works will have a positive impact on our business from a delivery perspective.

ECONOMY

The Irish macro-economic backdrop remains positive, with Ireland continuing to experience its highest levels of consistent GDP growth since the mid-2000s, and it remains one of the strongest performing economies in the European Union. The labour market continued to show positive momentum during 2016, and with over 200,000 new jobs created in Ireland over the last five years, this strong employment market is resulting in a return to wage growth. This positive economic backdrop is key to improving affordability, an important ingredient in underpinning housing demand.

While Brexit has generated some uncertainty for the broader Irish economy, there is potential for job relocations from London to Dublin and Cairn is ideally positioned to benefit from any increased demand as a result of such relocations.

OUTLOOK

The overall economic environment continues to improve in Ireland and there is realisable demand for good quality new homes in attractive locations. With Cairn's scalable and flexible business model, we are very well placed to meet this market demand.

I am very proud to lead a team that has delivered such strong results for us in our first full year of operations.

I look forward to another year of great progress in 2017.

Michael Stanley
Chief Executive

Group Finance Director's Review

Eamonn O'Kennedy

"Following on from a very successful capital raising period during 2015, the Company had two further capital events of note during 2016, a Firm Placing and Placing and Open Offer, along with an extension of our banking facilities."

CAPITAL RAISING

In April 2016, the Company undertook a Firm Placing and Placing and Open Offer, which involved the issuance of a further 157.6 million new ordinary shares, raising gross proceeds of €176.5 million (€168.4 million, net of costs). In addition, following the satisfaction of the relevant hurdle rate during the 2016 test period, 15,021,937 ordinary shares were issued in August 2016 (through the conversion of Founder Shares). As a result of the successful placings and the Founder Share conversion in 2016, the Company now has 689.3 million ordinary shares in issue and a market capitalisation of approximately €1 billion, which is more than double the initial IPO market capitalisation and has been achieved in under 2 years. The extension of the Group's senior debt facilities to €200 million, following the addition of Ulster Bank to its banking syndicate, means that the Company has sufficient liquidity to meet the cost of its continued investment in sites and in work in progress during its upcoming execution phase.

INVESTMENT

2016 was a year of continued investment for the Group, both in terms of further site acquisitions, including the acquisition of the Argentum business and its 6 sites, in addition to further spend on building up stock levels across its active sites at Parkside (Malahide Road), Marianella (Rathgar), Albany (Killiney) and Churchfields (Ashbourne). At 31 December 2016, the Group had total inventories of €727.2 million, of which €37.3 million was work in progress and €130.9 million included development land collateral in the foreclosure process, with €43.9 million of this converting to direct ownership post year-end.

The average site cost attaching to the Group's 12,100 core units as at 31 December 2016 was €53,000.

REVENUE

Total revenue in the year ended 31 December 2016 was €40.9 million, which represents a €37.2 million increase on 2015's revenue of €3.7 million. €31.0 million of revenue relates to the sale of 105 completed houses across the Group's sites in Parkside, Albany and Ashbourne, at an average sales price of €295,000 (€335,000, including VAT). A further €8.7 million of revenue was earned from the sale of various non-core completed assets and residential property sites acquired in the Project Clear distressed loan portfolio. In addition, the Group earned ancillary rental income of €1.2m mainly from a temporary school on its Parkside site and some commercial units on its Butterly site.

OPERATING PROFIT

The Group made a gross profit of €7.1 million, which represented a €6.4 million increase on the 2015 gross profit of €0.7 million. The Group's gross profit margin of 17.3% showed progression during the year, increasing from 16.5% in H1 to 17.7% in H2. Including administrative expenses of €7.8 million and other income of €4.4 million, the Group made an operating profit of €3.6 million, before exceptional items, which compared very favourably with an operating loss of €3.8 million, before exceptional items, in 2015. An exceptional charge of €1.4 million was incurred in 2016, which relates to transaction costs incurred as part of the acquisition of the Argentum business. This charge was considered exceptional as it related to a business combination which is a non-routine transaction for the Group that is not currently expected to recur frequently.

FINANCE INCOME/COST

Net finance costs of €5.1 million were incurred during 2016, which compared to €1.7 million, before exceptional items, in 2015. Finance income amounted to €0.1m, whilst finance costs were €5.2 million. The finance costs primarily relate to the interest cost and commitment fees on the Group's €200 million term loan and revolving credit facilities.

TAXATION

A deferred taxation credit of €0.8 million was booked during the period, which compares to a tax credit in 2015 of €0.3 million.

CASH FLOW

The operating cash outflow in the year ended 31 December 2016 amounted to €121.2 million, as a result of the continued investment in sites and construction work in progress during 2016. This compared to an operating cash outflow of €491.1 million in 2015, as a result of the very significant investment phase that took place in the period after the IPO. An investing cash outflow of €86.5 million in 2016 mainly related to the acquisition of the Argentum business and its six related sites during the year. The net cash inflow from financing activities of €246.8 million mainly related to the net proceeds from the April 2016 Firm Placing and Placing and Open Offer and a debt drawdown from the Group's term loan facilities. The Group had a net increase in cash and cash equivalents of €39.1 million for the twelve months ended 31 December 2016.

NET DEBT AND LIQUIDITY

As at 31 December 2016, the Group had net debt of €76.0 million, which is comprised of drawn debt of €148.6 million (including unamortised arrangement fees and issue costs), available cash of €45.6 million and €27.0 million of restricted cash, under the terms of our senior debt facilities. Net debt at 31 December 2015 was €30.5 million. The Group had a €50.0 million undrawn revolving credit facility as at 31 December 2016. These undrawn facilities, plus the Group's available cash resources provide the Group with sufficient liquidity to complete its continued investment in sites and in work in progress across its active sites during 2017.

Eamonn O'Kennedy
Group Finance Director

Corporate Responsibility

The Group recognises its responsibilities as a member of the communities where it conducts business, and is committed to developing links to those communities as the Company matures over the coming year, through a range of charitable initiatives supported by local staff and management.

THE CAIRN SUSTAINABILITY MODEL

At Cairn, our approach to the design and construction of our new homes differentiates us from our competitors.

The Irish homebuilding industry is subject to strong regulatory oversight, and with the introduction of such measures as Building Control and Amendment Regulations (BCAR) and independent assigned certification, building standards in Ireland are higher than in any other country within the European Union.

Cairn's approach and business model allows the Company to not only achieve these standards, but to look at ways to further enhance and improve our finished product.

Our internal planning, design and construction teams work tirelessly with our project partners and key external stakeholders in fostering a culture of partnership within which Cairn can deliver socially, environmentally and economically sustainable new communities.

The Board recognises the importance of sustainability in our construction activities and has adopted a sustainability model containing four fundamental pillars:

1. SUSTAINABLE LIVING ENVIRONMENTS

Sustainable urban design and place-making are at the core of each of our developments where we provide walkable, people-friendly places integrated with public transport systems, schools and local shops.

Our landscape designs include a high proportion of native long-lived trees such as oaks and pines, and we incorporate enhanced biodiversity planting, which supports the wider urban environment.

2. SUSTAINABLE BUILDINGS

Continuous innovations inform our approach to cost effective, sustainable building design.

Our developments incorporate water systems, which use the latest aerated technology to reduce water wastage and smart technology thermostats, which allow you to control your heating or hot water straight from your mobile device.

We recognise the importance of energy performance and ensure our homes are built to maximise thermal efficiency and achieve a minimum A3 BER rating.

Sustainable energy generation systems are a key component within our developments, examples of which include heat recovery ventilation, photo voltaic solar panels, air-to-water heat pump systems serving underfloor heating in our houses and combined heat and power district heating systems and demand controlled ventilation in our apartments.

3. SUSTAINABLE BUILDING PRACTICES

Cairn achieved Safe-T Cert accreditation in May 2016, a construction sector specific safety management system accreditation awarded to qualifying companies following a rigorous assessment process.

Each of our site management teams are dedicated to safety and quality management, and Cairn quality assurance and control practices form an inherent part of daily operations in setting a benchmark beyond the statutory requirements of BCAR. Our quality performance is validated by independent third party certification.

4. SUSTAINABLE SUPPLY CHAIN AND WORKFORCE

An enduring supply chain and workforce are central to our sustainable growth as we continue to scale our business. Cairn is continuing to invest in training programmes for our employees, while also working with our supply chain to enhance their capabilities.

Company Information

Directors
John Reynolds (Non-Executive Chairman)
Michael Stanley (Chief Executive Officer)
Alan McIntosh (Executive, British)
Eamonn O'Kennedy (Group Finance Director)
Andrew Bernhardt (Non-Executive, British)
Gary Britton (Non-Executive)
Giles Davies (Non-Executive, British)

Secretary and Registered Office
Susan O'Connor
Cairn Homes plc
7 Grand Canal
Grand Canal Street Lower
Dublin 2

Registrars
Computershare Investor Services (Ireland) Limited
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Corrig Road
Sandyford Industrial Estate
Dublin 18

Auditor
KPMG
Chartered Accountants
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St. Stephens Green
Dublin 2

Website
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Solicitors
A&L Goodbody
IFSC
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One Earlsfort Centre
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Riverside Two
Sir John Rogerson's Quay
Dublin 2

Principal Bankers
Allied Irish Banks plc
Bankcentre
Ballsbridge
Dublin 4

Bank of Ireland
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Ballsbridge
Dublin 4

Ulster Bank Ireland DAC
33 College Green
Dublin 2

Board of Directors

Chairman and Executive Directors

John Reynolds
Non-Executive Chairman

Age: 58
Nationality: Irish

Appointment to the Board: 28 April 2015
Committee Membership: Member of the Nomination Committee since 29 April 2015.

John Reynolds is also the Chairman of the Nomination Committee. He was previously Chief Executive Officer of KBC Bank Ireland plc (2009 to 2013) and President of the Irish Banking Federation (2012 to 2013), during which time he was also a board member of the European Banking Federation.

He is currently a Non-Executive Director of Computershare Investor Services (Ireland) Limited, Business in the Community Limited and the National Concert Hall.

Michael Stanley
Chief Executive Officer,
Co-Founder and Executive Director

Age: 51
Nationality: Irish

Appointment to the Board: 12 November 2014

Michael Stanley co-founded Cairn Homes plc and was appointed Chief Executive Officer prior to the IPO in June 2015. Michael has a strong pedigree in residential development and the broader property industry. He was previously Chief Executive Officer of Stanley Holdings following its demerger from Shannon Homes. The Stanley family founded Shannon Homes in 1970, and the company was one of Ireland's largest homebuilders in the 1990s and 2000s. Michael restarted his homebuilding operation in 2014 following the economic downturn in Ireland, and with his business partner Alan McIntosh, this provided the operational platform for Cairn Homes plc. Michael also has extensive experience in the packaging, energy, agritech and healthcare sectors and was an original shareholder and former Non-Executive Director (2011 to 2016) of Oneview Healthcare, which completed a successful IPO on the Australian Stock Exchange in March 2016.

Alan McIntosh
Co-Founder & Executive Director

Age: 49
Nationality: British

Appointment to the Board: 12 November 2014

Alan McIntosh has been a principal investor and part of successful investor groups for over 17 years. During this time, he has had operational management roles and been part of management teams that have successfully grown a number of different businesses, including Topps Tiles Plc, PizzaExpress and Centre Parcs. Alan was a co-founder of each of Pearl Group (now listed as Phoenix Group plc), Punch Taverns plc, Spirit Group plc and Wellington Pub Company Ltd.

Alan's private investment vehicle, Emerald Investment Partners, has interests in real estate, healthcare, biotech and technology in Europe and North America. He qualified as a chartered accountant with Deloitte & Touche in 1992.

Eamonn O'Kennedy
Group Finance Director,
Executive Director

Age: 44
Nationality: Irish

Appointment to the Board: 28 April 2015

Eamonn O'Kennedy was previously Chief Financial Officer (2012 to 2014) of Independent News & Media plc.

Prior to this role, Eamonn held a number of senior management roles with Independent News & Media plc between 1999 and 2012, including Finance Director (Ireland) and Group Finance Manager. He is a fellow of Chartered Accountants Ireland, having qualified with PwC in 1996.

Board of Directors
Non-Executive Directors

Gary Britton
Non-Executive Director

Age: 62
Nationality: Irish

Appointment to the Board: 28 April 2015
Committee Membership: Member of the Audit and Risk Committee and the Nomination Committee since 29 April 2015. Appointed as a Member of the Remuneration Committee on 16 December 2016.

Gary is also Chairman of the Audit and Risk Committee. He is currently a Non-Executive Director of The Irish Stock Exchange plc, KBC Bank Ireland plc and Origin Enterprises plc. He was previously a partner in KPMG where he served in a number of senior positions, including the firm's Board, the Remuneration and Risk Committees and as head of its Audit Practice.

Gary is a member of Chartered Accountants Ireland, the Institute of Directors in Ireland and the Institute of Banking. He is also a Certified Bank Director as designated by the Institute of Banking.

Andrew Bernhardt
Non-Executive Director

Age: 56
Nationality: British

Appointment to the Board: 28 April 2015
Committee Membership: Member of the Audit and Risk Committee and Remuneration Committee since 29 April 2015.

Andrew currently serves on the board of ALMC, where he was previously CEO. He is also Non-Executive Chairman of Cedar Dean Group Ltd and Fairey Industrial Ceramics Ltd and a Non-Executive Director of AJ Walter Aviation Ltd.

Prior to joining ALMC, Andrew had a 29 year career in commercial banking at Barclays Bank and GE Capital. He was heavily involved in supporting the growth of a number of well-known property companies (including Canary Wharf, Hammerson, Slough Estates and Howard de Walden Estates) during his time at Barclays Bank.

Giles Davies

Non-Executive Director

Age: 48
Nationality: British

Appointment to the Board: 28 April 2015
Committee Membership: Member of the Audit and Risk Committee and Remuneration Committee since 29 April 2015. Appointed as a Member of the Nomination Committee on 16 December 2016.

Giles is also Chairman of the Remuneration Committee. Giles qualified as a chartered accountant with PwC in London and spent five years in management consultancy in London and New York. He went on to found Conservation Capital, a leading practice in the emerging field of conservation enterprise and related investment financing.

Giles is Non-Executive Chairman of Wilderness Scotland (Wilderness Ireland is a subsidiary) and until recently was Non-Executive Chairman of Capital Management & Investment plc and a Non-Executive Director of the Algeco Scotsman group - a leading global provider of modular space with operations in 29 countries and revenues approaching US$1.5 billion.

Directors' Report

The Directors present the Report of the Directors of Cairn Homes Public Limited Company (the "Group" or "Company") together with the audited financial statements for the year ended 31 December 2016. The Chairman's Statement, Chief Executive's Statement, Group Finance Director's Review, Corporate Governance Report, Report of the Remuneration Committee and all other sections of the Report and financial statements, to which cross reference is made, are incorporated into the Report of the Directors by reference.

Principal activity

Cairn Homes plc is one of Ireland's leading homebuilders, constructing high-quality new homes with an emphasis on design, innovation and customer service. At 31 December 2016, the Group consisted of the Company, Cairn Homes plc, and a number of wholly-owned subsidiaries, which are detailed in Note 25 to the Consolidated Financial Statements.

Review of the business

Shareholders are referred to the Chairman's Statement, Chief Executive's Statement and Group Finance Director's Review, which contain a review of operations and the financial performance of the Group for 2016, the key performance indicators used to assess the performance of the Group and an indication of future developments in the business. These are deemed to be incorporated in the Report of the Directors.

Results and dividends

The Group's consolidated operating profit before exceptional items for the year ended 31 December 2016 was €3.6 million and its net loss after tax for the year was €2.1 million. There were no dividends paid or proposed by the Company during the year. The Company's financial statements for the year ended 31 December 2016 are set out on pages 148 to 157.

Events since the year end

Information in respect of events since the year end is contained in Note 32 to the Consolidated Financial Statements.

Directors' Report - continued

Share capital

The Company has four authorised classes of shares: Ordinary Shares; A Ordinary Shares; Founder Shares and Deferred Shares. As at 31 December 2016 and 5 April 2017, the Company had 689,274,623 Ordinary Shares in issue, all of which carry the same rights and obligations. The Company also had 84,978,063 Founder Shares and 19,980,000 Deferred Shares in issue at the same dates.

The percentage of the total issued share capital represented by each class of shares on the above dates was:

Ordinary Shares	86.8%;
Founder Shares	10.7%; and
Deferred Shares	2.5%

Further information on the Company's share capital, including the rights attached to different classes of shares, is set out in Note 18 to the Consolidated Financial Statements.

Principal risks and uncertainties

Under Irish company law, the Company is required to give a description of the principal risks and uncertainties which it faces.

The Board recognises that there are certain risks in the structure, operation and management of the Group and Company and acts to mitigate these risks through a close monitoring and an active management process. The Group's exposure to financial risk is further described in Note 28 to the Consolidated Financial Statements.

The principal risks faced by the Group are:

- Economic Conditions
- Mortgage Availability & Affordability
- Health & Safety
- Availability & Strength of Sub-Contractors
- Succession Planning
- Recruitment & Retention of Key Personnel
- Financial Controls Framework
- Liquidity Management
- Loans in Foreclosure
- Planning Regulations
- Programme Risk/Project Planning

Directors' Report - continued

Principal risks and uncertainties (continued)

Risk Description	Mitigation
Economic Conditions Cairn's business is sensitive to the performance of the wider economy and particularly changes in interest rates, employment and general consumer confidence. Changes in economic conditions in Ireland (which are linked to the performance of the broader global economy, given Ireland's open economy) are likely to impact on house prices and house sales rates.	• Cairn's business strategy reflects the cyclical nature of the industry. • The Board and the management team closely monitor economic indicators for indications of weakness in the economy. • Internal systems are in place to track the margin impact of reduction in sales prices/increased construction costs. • Regular site appraisal reviews are undertaken to address any risk of impairement. • Monitoring of potential impacts from recent Brexit vote.
Mortgage Availability & Affordability The availability of mortgage finance, particularly the deposit and income requirements set by the Regulator on mortgage lending, is fundamental to customer demand.	• The Group monitors mortgage availability, including any impact from regulations on mortgage lending and rates on an ongoing basis and it is a standing item for discussion at Board meetings. • The Group also monitors volumes of first time buyers, in order to quantify the impact of the recent changes to the Central Bank of Ireland Loan to Value (LTV) ratios and the recently introduced Government Help to Buy tax rebate scheme, as this results in more immediately realisable mortgage demand.
Health and Safety Health and safety breaches can result in injuries to Cairn staff or sub-contractors operating on Cairn sites and/or result in delays in construction or increased costs, in addition to reputational damage and potential litigation.	• The Health and Safety department operates independently of the construction division and reports directly to Head Office in order to maintain independence. Health and Safety is also a standing item on the Audit and Risk Committee agenda. • Reportable and non-reportable incidents are measured across sites and reported to management and the Board on a regular basis in order to track trends across and within sites. • A strong Health and Safety culture exists across the organisation. • A formalised (industry standard) Safe-T Cert system has been implemented, which incorporates a robust management system and includes regular safety audits and scoring of results.

Directors' Report - continued

Principal risks and uncertainties (continued)

Risk Description	Mitigation
Availability and Strength of Sub-Contractors The risk that the Group is unable to attract the right quantity and quality of sub-contractors, which are critical to delivery of the Group's homes, due to the outsourced business model applied by the Group.	• Supply agreements are fixed for all, or a significant portion of each scheme, in order to ensure supply is guaranteed. • Given the size of the Group's landbank and its position in the marketplace, it is a very attractive client for sub-contractors. • Senior and middle management have many years of experience in the industry and strong relationships with and knowledge of key suppliers. • The Group ensures payments are made on time to key suppliers in order to maximise their liquidity as they scale their operations in conjunction with the Group. • A panel of approved sub-contractors is in place and circulated on all relevant tenders.
Succession Planning A risk that the loss of key staff will result in a loss of key corporate knowledge and consequential impact on operations.	• "9 box" succession planning methodology in place, in order to identify succession gaps and actions to close any gaps identified. • Performance management process ensures annual goal-setting and structured performance feedback with mid-year and year-end staff ratings. • Ensuring that remuneration policy is robust enough to meet market demands. Succession planning actions will be directly linked to compensation outcomes to ensure reward and retention of best talent.
Recruitment and Retention of Key Personnel The risk that the Group does not have a sufficiently robust HR strategy in place in order to ensure the Group's recruitment policy/plans are delivered and that key staff are retained.	• The Group's ambitious growth plans and plc status make it an attractive place of employment for high calibre staff. • The Group ensures that it has a remuneration policy in place that is competitive in the market-place to retain key staff. The proposed LTIP plan will further incentivise and align staff to Group performance. • Annual performance reviews in place to ensure that company strategy and goals are communicated to key staff and to provide regular feedback to staff to ensure they are kept motivated. • The Group utilises a talent acquisition recruitment specialist to ensure recruitment of high quality staff.

Directors' Report - continued

Principal risks and uncertainties (continued)

Risk Description	Mitigation
Financial Controls Framework The risk or failure to adhere to agreed policies, procedures and processes due to a lack of financial controls, leading to potential financial misstatement, fraudulent behaviour or a potential financial loss to the Company and Group.	• Financial controls and policies in place in order to manage risks across the key areas. • Head Office personnel with direct site operational knowledge in place in order to monitor site activity and site cost. • An internal audit function has been set up in order to test the Group's internal control framework and to suggest improvements where required. These improvements are presented to the Audit and Risk Committee and are reviewed periodically to assess implementation.
Liquidity Management The risk that the Group does not maintain sufficient liquidity headroom to ensure that it can always meet its working capital requirements as they fall due. Risk that slower than expected sales impact on the Group's liquidity position. The risk that failure to comply with the Group's banking covenants results in the withdrawal of funding lines.	• The Group will ensure that it always has sufficient liquidity in place to meet its cash flow requirements for the next 3 years. • The Group prepares regular forecasts that look at both its short-term and longer-term requirements. • Regular monitoring, forecasting and reporting of banking covenants. • Speed of delivery on individual schemes takes account of sales absorption rates across each individual scheme. • An unforeseen stretch in liquidity can be managed through a reduction in the pace of build on one or more sites if necessary.
Loans in Foreclosure The risk that the Group does not adequately manage the remaining debtor relationships it has acquired through the acquisition of the Ulster Bank Project Clear loan portfolio, which could have legal, operational and/or financial implications for the Group.	• At 31 December 2016, the Group has just €130.9 million remaining in the loans in foreclosure category, of which €43.9m was converted to direct ownership in March 2017. • The Group has business plans in place to ensure that it deals appropriately with each individual debtor. • Hudson Advisors, an approved loan servicing agent, remain in place, to manage the relationship with all relevant debtors. • Regular meetings with the Group's loan service agent and all relevant advisors in order to ensure that the Group is fully briefed on all interaction with debtors and on the implementation of its loan to own strategy.

Directors' Report - continued

Principal risks and uncertainties (continued)

Risk Description	Mitigation
Planning Regulations Inability to adhere to the complex and stringent regulatory environment that applies to the building industry. Risk that the Government will introduce new legislation that results in material cost, or time delays for the Group.	• Group monitors all policy changes through its planning department and the experienced team is well placed to interpret regulatory changes. • The Group uses external advisors who advise on any changes to relevant legislation. • Rigorous design standards in place for the homes that the Group develops. • Participation in industry advocacy groups. • The recent proposed changes to the planning regime (involving a one step process with An Bord Pleanála), which is due to be enacted shortly, will ensure that the time to obtaining planning permission on larger pathfinder sites is reduced.
Programme Risk/Project Planning The risk that the Group incurs costs which are higher than expected or experiences delays in construction due to poor project planning.	• Robust project plans and controls are in place. • Monthly reporting of all project costs, with variances and explanations highlighted in monthly reports and discussed at monthly meetings. The construction programme is linked clearly to the sales programme, with regular analysis by site comparing sales status with forecast completion dates. • Key oversight personnel in place across all projects.

Directors' Report - continued

Going concern

The Group's activities, strategy and performance are explained in the Chief Executive's Statement and the Group Finance Director's Review on pages 25 to 29 of this Report. Further detail on the financial performance and financial position of the Group is provided in the financial statements. In addition, Note 28 to the Consolidated Financial Statements includes details on the Group's financial risk management and exposures.

Having assessed the relevant business risks, the Directors believe that the Company is well-placed to manage these risks successfully, and they have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they have prepared the financial statements on a going concern basis.

Viability Statement

The Directors have assessed the prospects of the business and its ability to meet its liabilities as they fall due and have concluded that three years is an appropriate period for assessment as this is a key period in the Company's strategic planning, as it progresses toward maturity and the delivery of 1,200 units in 2019.

The Company has developed a financial model, which is regularly tested and assessed by the Board. The model includes financing requirements over the period. The model takes account of the potential impact of some of the principal risks of the Group and Company as set out in this report. Having carried out the assessment, the Directors confirm that they have a reasonable expectation that the Group and Company will continue to operate and meet its liabilities as they fall due over the aforementioned three year period.

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, where applicable, the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Prospectus (Directive 2003/71/EC) Regulations 2005, the Transparency (Directive 2004/109EC) Regulations 2007, and Tax laws ('relevant obligations').

The directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structures.

Directors' Report - continued

Board of Directors and Company Secretary

The Directors of the Company, their biographical details and details of the dates of their appointments are detailed on pages 34 to 37.

Mr Aidan O'Hogan resigned as a Director on 13 December 2016. Ms Susan O'Connor was appointed as Company Secretary on 20 February 2017 in place of Mr Andrew Donagher who retired on the same date.

Unless otherwise determined by the Company in a general meeting, the number of Directors shall not be more than ten nor less than two.

In line with the provisions contained in the UK Code, all Directors retired at the Annual General Meeting of the Company on 10 May 2016 and, being eligible, offered themselves for re-election, and all were re-elected to the Board on the same day.

Any Director appointed to the Board by the Directors will be subject to election by the shareholders at the first Annual General Meeting held following his/her appointment. Furthermore, under the Company's Constitution, one third of all Directors must retire by rotation at each Annual General Meeting and may seek re-election. However, in accordance with the provisions of the UK Code, the Board has decided that all Directors seeking re-election should retire at the 2017 Annual General Meeting and offer themselves for re-election.

Directors' and Secretary's interests

The interests of the Directors and Company Secretary (together with their respective family interests) who held office at 31 December 2016 in the share capital of the Company are set out in the Report of the Remuneration Committee on pages 86 to 88.

Directors' Report - continued

Share dealing

The Company has in place a share dealing code which gives guidance to the Directors and certain employees of the Group to be followed when dealing in the shares of the Company or any other type of securities issued by or related to the Company. It is designed to ensure that these individuals neither abuse, nor set themselves under suspicion of abusing, information about the Group which is not in the public domain. It is also designed to ensure compliance with the EU Market Abuse Regulation (596/2014) which came into effect on 3 July 2016.

Substantial shareholdings

As at 31 December 2016 and 5 April 2017, details of interests of over 3% in the ordinary share capital carrying voting rights which have been notified to the Company are:

Name	Notified holding 31 December 2016	%	Notified holding 5 April 2017	%
FIL Limited	64,386,554	9.34	64,386,554	9.34
Wellington Management Group LLP	25,910,591	3.76	48,489,870	7.03
Lansdowne Partners International Ltd	47,907,734	6.95	47,907,734	6.95
FMR LLC	65,780,477	9.54	35,890,970	5.21
Coltrane Master Fund, L.P.	28,000,059	4.06	28,000,059	4.06
J O Hambro Capital Management Limited	26,721,051	3.88	26,721,051	3.88
Emerald Everleigh Limited Partnership*	24,439,582	3.55	24,439,582	3.55
Henderson Group plc	24,252,393	3.52	24,252,393	3.52
Oppenheimer Funds Inc	23,197,940	3.37	23,197,940	3.37
BlackRock Inc	-	-	21,799,575	3.16
Invesco Limited	21,106,929	3.06	21,106,929	3.06

** Emerald Everleigh Limited Partnership (the 'LP') is the registered holder of the interests described above. The LP is ultimately owned by Prime Developments Limited ('PDL'). The shares in PDL are held in trust for a discretionary trust (constituted under English and Welsh law) and Alan McIntosh (Executive Director of Cairn) and his spouse are the beneficiaries of that trust.*

Other than these holdings, the Company has not been notified as at 5 April 2017 of any interest of 3% or more in its ordinary share capital.

Directors' Report - continued

Audit Committee

The Group has an established Audit and Risk Committee comprising of three independent non-executive directors. Details of the Committee and its activities are set out on pages 62 to 66.

Relevant audit information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Group's auditors are unaware and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Political contributions

No political contributions were made by the Company during the year that require disclosure in accordance with the Electoral Acts 1997 to 2002 and the Electoral Political Funding Act 2012.

Accounting records

The Directors are responsible for ensuring that adequate accounting records are maintained by the Company as required by Sections 281-285 of the Companies Act, 2014. The Directors believe that they have complied with this requirement through the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The accounting records of the Company are maintained at 7 Grand Canal, Grand Canal Street Lower, Dublin 2, D02 KW81.

European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

The information on share capital on page 39, substantial shareholdings on page 46, and the disclosures on Directors' remuneration and interests in the Report of the Remuneration Committee on pages 68 to 89 address the information required for the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006.

Directors' Report - continued

Transparency (Directive 2004/109/EC) Regulations 2007

For the purposes of information required by Statutory Instrument 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007' concerning the development and performance of the Company, the following sections of this Annual Report shall be treated as forming part of this report:

1. *The Chairman's Statement on pages 22 to 24, the Chief Executive's Statement on pages 25 to 27 and the Group Finance Director's Review on pages 28 and 29.*
2. *The Corporate Governance Report on pages 50 to 61.*
3. *The principal risks and uncertainties on pages 39 to 43.*
4. *Details of earnings per share on page 133.*
5. *Details of the capital structure of the Company on pages 124 to 126.*

Section 1373 of the Companies Act 2014

For the purpose of Section 1373 of the Companies Act 2014, the Corporate Governance Report on pages 50 to 61 is deemed to be incorporated in the Directors' Report.

Auditor

In accordance with Section 383(2) of the Companies Act 2014, the auditor, KPMG, will continue in office and a resolution authorising the directors to fix their remuneration will be proposed at the forthcoming AGM.

Approval of Financial Statements

The Financial Statements were approved by the Board on 6 April 2017.

Signed on behalf of the Board

J Reynolds
Chairman
6 April 2017

G Britton
Director

Corporate Governance Report

Introduction

Cairn Homes Limited was incorporated on 12 November 2014 and was re-registered as Cairn Homes Public Limited Company (the "Company") on 19 May 2015. The Company completed an initial public offering on 10 June 2015 and its shares were admitted to trading on the London Stock Exchange, with a Standard Listing, on 15 June 2015.

The Board is committed to maintaining the highest standards of corporate governance and to continue to revise current procedures in the context of evolving best practice. Whilst the Company has a Standard Listing on the London Stock Exchange and is therefore not required to report under the UK Corporate Governance Code (the "UK Code"), the Board has committed to reporting under and complying with the requirements of the UK Code. The Board believes that the Company has, throughout the accounting period, complied with all relevant provisions set out in the UK Code.

This section, including the Report of the Audit and Risk Committee and the Report of the Remuneration Committee, details how the Company has applied the principles and provisions of the UK Code. A copy of the UK Code is available on the Financial Reporting Council's website www.frc.org.uk.

The Board of Directors and its Role

The Company has a strong Board comprising Board members who have held senior positions in a number of public and private companies, bringing a wealth of property, construction and public company experience, with a majority of independent Directors (including, upon appointment, the Chairman) in compliance with the UK Code. The Board is responsible for the leadership, control and overall strategy of the Company. This includes establishing goals for management and monitoring the achievement of these goals.

The Board has a formal schedule of matters specifically reserved to it for decision, including:

- Approval of significant acquisitions or disposals;
- Approval of material contracts;
- Approval of interim and full year financial statements;
- Approval of annual budgets;
- Risk management;
- Terms of reference of Chairman, Chief Executive and other Executive Directors; and
- Terms of reference and membership of Board Committees.

Corporate Governance Report - continued

The Board of Directors and its Role (continued)

Board Composition and Independence

The Board comprises of four Non-Executive Directors (including the Chairman) and three Executive Directors and the biographies of these directors are set out on pages 34 to 37. The Board considers that Non-Executive Directors, A Bernhardt, G Britton and G Davies are independent. The composition of the Board will be reviewed on a regular basis with due regard for the benefits of diversity on the Board, including gender, to ensure the appropriate balance of skills is maintained. While all appointments to the Board will have due regard to diversity, they will be made on merit, ensuring that the skills, experience and traits noted by the Board as being of particular relevance at any time are present on the Board and included in any planned refreshment. Throughout 2016, and as at the date of this report, the Board comprised an appropriate mix of the necessary business skills, knowledge and experience required to provide leadership, control and oversight of the management of the business and to contribute to the development and advancement of business strategy.

Information and support

All Directors are furnished with information necessary to assist them in the performance of their duties. The Board holds at least eight scheduled meetings each calendar year and meets on an ad-hoc basis as otherwise required. Prior to all meetings taking place, an agenda and board papers are circulated to the Directors so that they are adequately prepared for the meetings. The Company Secretary is responsible for the procedural aspects of the Board meetings and all Directors have access to the Company Secretary for advice and assistance as necessary. Directors are, where appropriate, entitled to have access to independent professional advice at the expense of the Company.

Induction and training

An induction procedure for new Directors has been established. Directors engage with the executive and senior management on an ongoing basis to aid their understanding of the business. The Board considers on an ongoing basis the need for additional training in respect of any matters relevant to the development and operation of the Board or any of its Committees.

The Company has an insurance policy in place which insures the Directors in respect of legal action taken against them in respect of their reasonable actions as officers of the Company.

Subject to the provisions of, and so far as may be permitted by the Companies Act 2014 and the Company's Constitution, every Director, Secretary or other officer of the Company is entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution and discharge of their duties.

Corporate Governance Report - continued

Directors' Terms of Appointment

The Executive Directors have service agreements with the Company which have notice periods of 12 months or less. The Non-Executive Directors have letters of appointment which set out their terms of appointment. The initial period of appointment is three years and any term renewal is subject to the approval of the Board and appointments are terminable on one month's notice.

Under the Company's Constitution, one third of all Directors must retire by rotation at each Annual General Meeting and may seek re-election. However, in keeping with best corporate governance practice, the Board has decided that all Directors will seek annual re-election. Accordingly, all Directors seeking re-election will retire at the Annual General Meeting on 17 May 2017 and, being eligible, will offer themselves for re-election.

The Board is satisfied that the Company benefits greatly from the services of all Directors and accordingly, the Board recommends the re-election of all the Directors.

As announced on 11 January 2017, Eamonn O'Kennedy has confirmed his intention to leave the Group once a replacement Group Finance Director is appointed. It is proposed that he be eligible for re-election as a Director pending such appointment being made.

Directors' Remuneration

Details of Directors' remuneration are set out in the Report of the Remuneration Committee on pages 68 to 89 and in Note 10 to the Consolidated Financial Statements on page 117.

Corporate Governance Report - continued

Directors' attendance at Board and Committee meetings

A schedule of Board and Committee meetings and the Directors' attendance for the year ended 31 December 2016 is disclosed below:

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Continuing Directors								
M Stanley	8	8						
E O'Kennedy	8	8						
A McIntosh	8	8						
J Reynolds	8	8					1	1
A Bernhardt	8	8	8	8	10	10		
G Britton	8	8	8	8			1	1
G Davies	8	8	8	7	10	10		
Former Director								
A O'Hogan	8	6			10	9	1	1

The attendance details are outlined in the format "A/B" where "A" represents the total number of meetings held during the period for which the Director was in place and "B" represents the number of meetings attended by the Director. Mr Aidan O'Hogan resigned as a Director with effect from 13 December 2016.

Board performance evaluation

The UK Code requires that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The Board considered that a self-evaluation process was appropriate at this stage. To facilitate this a Board Evaluation Questionnaire was completed by each Director for the year ended 31 December 2016. The questionnaire included the following areas:

- Review of the performance of the Board;
- Review of the performance of the Chairman;
- Review of the performance of the Directors; and
- Review of the independence of Directors.

The Chairman considered the results of the completed questionnaires and reported to the Board.

The Board is committed to having its own performance and the performance of individual Directors externally evaluated at least every three years.

During the year, the Chairman met with the Non-Executive Directors without the Executive Directors present. The Non-Executive Directors, led by the Senior Independent Director, met without the Chairman present to review the performance of the Chairman.

Corporate Governance Report - continued

Key roles and responsibilities

The Chairman's role and the CEO's role.

John Reynolds was appointed as Chairman on 29 April 2015. The Chairman is responsible for the effective working of the Board and the Chief Executive Officer is responsible for the day-to-day running of the business. The roles of Chairman and Chief Executive Officer are separately held and the Chairman was considered independent as at the date of his appointment. The Chairman is responsible for the effective conduct of the Board and shareholder meetings and for ensuring that each Director contributes to effective decision-making. The Chief Executive Officer has day-to-day executive responsibility for the running of the Company's businesses and his role is to develop and deliver the strategy to enable the Company to meet its objectives. The Chairman ensures that the Board is provided with the information necessary to discharge its duties. The Chairman holds other non-executive directorships and the Board considers that these do not interfere with the discharge of his duties to the Company.

Senior Independent Director

The Board has appointed Giles Davies as the Senior Independent Director. The role of the Senior Independent Director is mainly to:

- provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary;
- facilitate shareholders if they have concerns which contact through the normal channels of Chairman, or Executive Directors has failed to resolve or for which such contact is inappropriate;
- to hold a meeting with Non-Executive Directors at least annually (and on such other occasions as are deemed appropriate) to appraise the Chairman's performance, taking into account the views of Executive Directors; and
- to attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders.

Company Secretary

The Directors have access to the advice and services of the Company Secretary who advises the Board on governance matters. The Company's Constitution and Schedule of Matters reserved for the Board provide that the appointment or removal of the Company Secretary is a matter for the full Board.

Committees of the Board

The Board has established three committees with formal terms of reference: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. The duties and responsibilities of each of these committees are set out clearly in written terms of reference, which have been approved by the Board and are available on the Company's website at www.cairnhomes.com or from the Company Secretary.

Corporate Governance Report - continued

Key roles and responsibilities (continued)

Audit and Risk Committee

Membership: G Britton (Chair), A Bernhardt and G Davies.

The Audit and Risk Committee is chaired by Gary Britton, who is also an independent Non-Executive Director and is considered by the Board to have sufficient financial experience and sufficient understanding of financial reporting and accounting principles. All members of the Audit and Risk Committee are independent Non-Executive Directors and the Audit and Risk Committee is constituted in compliance with the UK Code. The Audit and Risk Committee is responsible for monitoring and reviewing the financial reporting and accounting policies of the Group, reviewing the adequacy of internal controls in respect of risk management, reviewing the activities of the Group's internal audit activities and overseeing the overall relationship with the external auditor.

There were eight meetings of the Committee during the year and attendance details of each of the members of the Committee are set out on page 53 of this report. The report of the Committee is set out on pages 62 to 66 of this report.

Nomination Committee

Membership: J Reynolds (Chair), G Britton and G Davies.

The Nomination Committee is responsible for reviewing, within the agreed terms of reference, the structure, size and composition of the Board, undertaking succession planning, leading the process for new Board appointments and making recommendations to the Board on all new appointments and the re-appointments of existing directors.

In line with its terms of reference the Nomination Committee meets at least once per year and as otherwise required.

There was one meeting of the Committee during the year and attendance details of each of the members of the Committee are set out on page 53 of this report. The report of the Committee is set out on page 67 of this report.

Mr Aidan O'Hogan resigned as a member of the Nomination Committee on 13 December 2016 and Mr Giles Davies was appointed to the Committee on 16 December 2016.

Corporate Governance Report - continued

Key roles and responsibilities (continued)

Remuneration Committee
Membership: G Davies (Chair), A Bernhardt and G Britton.

The Remuneration Committee has responsibility for determining, within its agreed Terms of Reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for the Executive Directors and the Non-Executive Chairman, including pension rights and compensation payments. It is also responsible for making recommendations for grants of options and performance shares under share-based schemes for Group employees. The remuneration of the Non-Executive Directors is a matter for the Board. No Director may be involved with any discussions as to their own remuneration.

There were ten meetings of the Committee during the year and attendance details of each of the members of the Committee are set out on page 53 of this report. The report of the Committee is set out on pages 68 to 89 of this report.

Mr Aidan O'Hogan resigned as a member of the Remuneration Committee on 13 December 2016 and Mr Gary Britton was appointed to the Committee on 16 December 2016.

Corporate Governance Report - continued

Internal control

The Board has overall responsibility for the Company's system of internal control, for reviewing its effectiveness and for confirming that there is an ongoing process in place for identifying, evaluating and managing the significant risks facing the Company. The process was in place throughout the year under review and up to the date of approval of the Annual Report and Financial Statements. The Board has reviewed the effectiveness of the Company's internal control systems, with the assistance of the Audit and Risk Committee. Effective risk management is critical to the achievement of the Company's strategic objectives. Risk management controls are in place across the business. The Group's risk framework continues to evolve, with some risk mitigants only in existence for a short period of time. The Group will continue to monitor and improve its risk management framework.

The Company has documented its financial policies, processes and controls which will be reviewed and updated on an ongoing basis. The key elements of the system of internal control include the following:

- Clearly defined organisation structure and lines of authority;
- Company policies for financial reporting, treasury management, information technology and security and project appraisal;
- Annual budgets and business plans; and
- Monitoring performance against budget.

The preparation and issue of financial reports is managed by the Company finance department.

The financial reporting process is controlled using the Company's accounting policies and reporting system. The financial information is reviewed by the Group Finance Director and the Chief Executive Officer.

The interim and preliminary results and the Annual Report and Financial Statements are reviewed by the Audit and Risk Committee on behalf of the Board.

Risk management

The Company considers risk management to be of paramount importance. The Board, together with the senior management, deals with risk management on behalf of the Company as part of its regular monitoring of the business. The Board and the Audit and Risk Committee have put in place procedures designed to ensure that all applicable risks pertaining to the Company can be identified, monitored and managed at all times.

The Board has carried out a robust assessment of the principal risks of the Group. The Board has considered, approved and maintains on an ongoing basis a Risk Register in which the risks pertaining to the Group are identified and assessed. The Board considers the appropriateness of risk mitigation measures and any gaps identified in such measures are addressed. The Risk Register is updated and reviewed by the Board and the Audit and Risk Committee at least annually or more frequently if specifically required. The Board has reviewed the effectiveness of the risk management systems and is satisfied that the Group's risk management function has the necessary authority, resources, expertise and access to relevant information to fulfil its role. Further information on the principal risks applicable to the Group is given on pages 39 to 43.

Corporate Governance Report - continued

Financial risk management

The financial risk management objectives and policies of the Company are set out in Note 28 to the Consolidated Financial Statements.

Shareholder engagement

The Company attaches considerable importance to shareholder communication. There is regular dialogue with institutional shareholders, including detailed presentations and roadshows after the announcement of interim and full year results. The Executive Directors meet with institutional investors during the year and participate in broker/investor conferences.

The Executive Directors report regularly to the Board on their contacts with shareholders.

The Chairman, Chief Executive and other Directors will be available at the Annual General Meeting to answer shareholder questions. The Annual Report for 2016 will be made available 20 working days prior to the Annual General Meeting.

General meetings

The Company holds a general meeting each year as its annual general meeting in addition to any other meeting in that year. Not more than 15 months shall elapse between the date of one Annual General Meeting and that of the next. The Board is responsible for the convening of general meetings. Information is distributed to shareholders at least 20 business days prior to the Annual General Meeting.

Voting Rights

(a) Votes of Members: Votes may be given either personally or by proxy. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person and every proxy shall have one vote, so, however, that no individual shall have more than one vote, and on a poll every member shall have one vote for every share carrying voting rights of which he is the holder. The Chairman shall be entitled to a casting vote where there is an equality of votes.

(b) Resolutions: Resolutions are categorised as either ordinary or special resolutions. The essential difference between an ordinary resolution and a special resolution is that a bare majority of more than 50% of the votes cast by members voting on the relevant resolution is required for the passing of an ordinary resolution, whereas a qualified majority of more than 75% of the votes cast by members voting on the relevant resolution is required in order to pass a special resolution. Matters requiring a special resolution include for example:
- altering the Objects of the Company;
- altering the Constitution of the Company; and
- approving a change of the Company's name.

Corporate Governance Report - continued

General meetings (continued)

Other

The Company discloses information to the market as required by the Listing Rules of the London Stock Exchange and Financial Conduct Authority, including inter alia:

(a) periodic financial information such as annual and half yearly results;
(b) price-sensitive information, which might be a significant change in the Company's financial position or outlook, unless there is a reason not to disclose such information (e.g. prejudicing commercial negotiations);
(c) information regarding major developments in the Company's activities;
(d) information regarding dividend decisions;
(e) any changes to the Board must be announced immediately once a decision has been made, and
(f) information in relation to any significant changes notified to the Company of shares held by a substantial shareholder.

The Company will make an announcement if it has reason to believe that a leak may have occurred about any ongoing negotiations of a price-sensitive nature. Any decisions by the Board which might influence the share price must be announced before the start of trading the next day. Information relayed at a shareholders' meeting, which could be price-sensitive, must be announced no later than the time the information is delivered at the meeting.

In relation to any uncertainty regarding the communication of a particular matter, advice will be sought from the Company's sponsors and/or legal advisor(s).

Corporate Governance Report - continued

Health and Safety policy

It is the policy of the Company and its subsidiaries to comply with the following legislation as a minimum standard for all work activities:

- Safety, Health and Welfare at Work Act, 2005;
- the Safety, Health and Welfare at Work (General Application) Regulations, 2007;
- the Safety Health and Welfare at Work (Construction) Regulations, 2013 and all amendments to date; and
- All codes of practice applicable to the work undertaken by the Company or its subsidiaries.

In complying with the statutory requirements and implementing our safety management system the Company ensures so far as reasonably practicable the safety, health and welfare of all employees, while at work, and provides such information, training and supervision as is required for this purpose.

It is the policy of the Company to protect, so far as is reasonably practicable, persons not employed by this organisation who may be affected by our activities.

It is the policy of the Company to ensure that adequate consultation takes place between management, employees, contractors and others on all health and safety related matters and employees are encouraged to notify management of identified hazards in the work place.

All employees have the responsibility to co-operate with supervisors and management to achieve a healthy and safe work place and to take reasonable care of themselves and others.

The policy is to be available at all work locations for consultation and review by all employees. The policy will be kept up to date and amended as necessary to meet changes in the nature and size of the business. The policy is communicated to the employees at commencement of their employment and on an annual basis thereafter as the safety statement review is carried out.

The Company will strive to work for the ongoing integration of health and safety into all of its activities, with the objective of attaining high standards of health and safety performance. The Company seeks the full co-operation of all concerned in the carrying through of its commitment.

Corporate Governance Report - continued

Annual General Meeting

The Annual General Meeting of the Company is to be held at The Westbury Hotel, Grafton Street, Dublin 2, D02 CH66, at 11.00am on 17 May 2017. The Notice of the Annual General Meeting will be circulated separately to this report and will be available to download from the Company's website. The Notice contains a description of the business to be transacted at the Annual General Meeting.

Every shareholder has the right to attend and vote at the Annual General Meeting and to ask questions related to the items on the agenda of the Annual General Meeting.

Report of the Audit and Risk Committee

Dear Shareholder,

As Chairman of Cairn Homes plc Audit and Risk Committee, I am pleased to present the Committee's Report for the year ended 31 December 2016.

The Audit Committee comprises of three Independent Non-Executive Directors. The members are G Britton (Chairman), G Davies and A Bernhardt. There were eight meetings of the Committee and details of the members' attendance are set out on page 53.

The key responsibilities of the Audit and Risk Committee as set out in its terms of reference are as follows:

Financial Reporting

Monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports and accounts and any other formal announcement relating to its financial performance.

The Audit and Risk Committee also reviews and reports to the Board on summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

In particular, the Audit and Risk Committee reviews and challenges where necessary:

(a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
(b) the methods used to account for significant or unusual transactions, where different approaches are possible;
(c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Auditor;
(d) the clarity and completeness of disclosures in the Company's financial reports and the context in which statements are made; and
(e) all material information presented with the financial statements, such as the operating and financial reviews and the corporate governance statement (insofar as it relates to the audit and risk management).

The Audit and Risk Committee also reviews the content of the Annual Report and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Report of the Audit and Risk Committee - continued

Internal Controls and Risk Management Systems

The Audit and Risk Committee keeps under review the categorisation, monitoring and overall effectiveness of the Company's risk assessment and internal control processes, including the methodology adopted. It sets a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance, in order to allow for a reviewing framework that focuses on material potential risks and those outside of agreed tolerance levels. The Audit and Risk Committee also reviews and approves any statements to be included in the Company's Annual Report concerning internal controls and risk management.

Whistleblowing and Fraud Prevention

The Audit and Risk Committee reviews the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns in confidence about possible wrongdoing in the Company in terms of financial reporting or other areas. The Audit and Risk Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The Audit and Risk Committee also reviews the following:

(a) the Company's procedures for detecting fraud;
(b) the Company's systems and controls for the prevention of bribery; and
(c) the adequacy and effectiveness of the Company's compliance function.

Internal Audit

Towards the end of 2015, the Company developed an outsourced internal audit function. The Committee approved the internal audit plan for 2016 and monitored progress against the plan throughout the year.

Internal Audit reports were reviewed by the Committee after each audit and the Committee, where necessary, monitored progress against actions identified in these reports.

During the year, the Committee reviewed the adequacy of the current arrangement in relation to internal audit and the Committee was satisfied that the arrangement is satisfactory. The Committee will continue to keep the arrangement under review.

Report of the Audit and Risk Committee - continued

External Audit

The Audit and Risk Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Auditor.

The Audit and Risk Committee oversees the relationship with the Auditor, including Auditor independence and meets regularly with the Auditor, including at least once at the planning stage before the audit and at least once after the audit at the reporting stage. The Audit and Risk Committee also meets the Auditor at least once a year, without executive management being present, to discuss their remit and any issues arising from the audit.

The Audit and Risk Committee reviews and approves the annual external audit plan and ensures that it is consistent with the scope of the audit engagement and reviews the findings of the audit with the Auditor. The review of the findings of the audit includes the following:

(a) a discussion of any major issues which arose during the audit;
(b) any significant or material accounting estimates and audit judgements;
(c) levels of errors identified during the audit; and
(d) the effectiveness of the audit process.

Matters considered at the meetings during the year included:
- the year-end and interim financial statements;
- the reports and findings of the Auditor on the year-end and interim financial statements;
- fees payable to the Auditor;
- independence of the Auditor;
- the external audit plan; and
- the provision of non-audit services by the Auditor.

The Committee has approved a policy on the engagement of the external auditor to provide non-audit services. In considering any proposal for the provision of non-audit services by the external auditor the Committee will consider a number of matters including:

- Threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's integrity and objectivity;
- The nature of the non-audit services;
- Whether the skills and experience of the external audit firm make it the most suitable supplier of the non-audit services;
- The fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and
- Any relevant legislation.

Report of the Audit and Risk Committee - continued

External Audit (continued)

The Policy provides that the approval of the Committee must be obtained prior to engagement of the external auditor for any non-audit fees exceeding 40% of the total annual audit fee in aggregate in any year. The engagement of the external auditor for the provision of routine services including regular taxation advice does not require pre-approval by the Committee. The auditors described how auditor independence is managed in their firm and also confirmed that they complied with all regulatory and ethical guidelines in this matter. The Committee was satisfied with the explanations received.

During the year ended 31 December 2016, non-audit fees paid to the external auditor exceeded audit fees. The breakdown is set out in Note 10 to the consolidated financial statements. The Committee considered the nature and scale of these fees in the context of the assessment of external auditor independence. The Committee is satisfied that the services were best provided by the external auditor given the nature of the work, which primarily related to additional fundraising on capital markets and related due diligence projects. The Committee is conscious of the relationship between audit and non-audit fees and expects the relationship to move to a more normal level of less than 1:1 as the business matures.

Financial Statements including significant judgements

In accordance with the reporting requirements of the UK Code, the Audit and Risk Committee confirms to the Board that, in our view, the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. As part of this work, the Committee considered whether the financial statements are consistent with the operating and financial reviews elsewhere in the Annual Report and, in particular, whether the financial statements contain any significant matters that are not addressed in those reviews. The Committee reviewed and approved the Group's policy in respect of the arrangements in place to ensure that the Annual Report is fair, balanced and understandable. The key areas of judgement considered by the Committee in relation to the financial statements for the year ended 31 December 2016 and how these were addressed are outlined below. In addition, each of these areas received particular focus from the external auditor, who provided detailed analysis and assessment of the matter in their report to the Committee.

Key Areas

Carrying Value of Inventories and Profit Recognition

The Group has continued to invest significant capital in development land during 2016 and the work in progress carrying values have also increased as the business continues to scale its construction activities. Consequently, the carrying value of inventories is a critical area in terms of judgement from a management and audit perspective. The Group engaged in a detailed annual impairment test during 2016, to ensure that the investment in such development land and the related work in progress is not impaired. The impairment exercise was conducted with input from the relevant stakeholders across the business and external input, where appropriate. The annual impairment test looks at all aspects of site performance on a site by site basis, in order to determine the net realisable value of the individual site. This involves assessing the number of units that can be achieved on each individual site, together with a full assessment of the likely sales prices of those individual units, which are then compared to a third party sales agent assessment of the sales value of those units.

Report of the Audit and Risk Committee - continued

Financial Statements including significant judgements (continued)

Carrying Value of Inventories and Profit Recognition (continued)

All costs associated with the development are assessed and updated on a regular basis as new information becomes available, based on actual experience. In the event that the net realisable value is lower than the cost of any particular site, the individual site would be considered impaired and it would be written down to its net realisable value. This process is reviewed by senior management and is also tested extensively as part of the annual audit process. The annual impairment test did not show any evidence of impairment on a site by site basis.

The Group recognises its gross profit on each sale, based on the particular unit sold and the total cost attaching to that unit.

As the build cost on the site can take place over a number of reporting periods the determination of the cost of sale to release on each individual unit sale is dependent on up to date cost forecasting and expected profit margins across the scheme. There is a risk that one or all of the assumptions could be inaccurate, with a resulting impact on the carrying value of inventory or the amount of profit recognised. This risk is managed through ongoing site profitability reforecasting, with any necessary adjustments being accounted for in the relevant reporting period.

The Committee considered the evidence from impairment reviews and profit forecasting models across the various sites and discussed the results with management and is satisfied with the carrying values of inventories (development land and work in progress) and with the methodology for the release of costs on the sale of individual houses.

Accounting Treatment for the Acquisition of the Argentum group

On 21 April 2016, the Company acquired the Argentum group and its related sites for €91.2m. This acquisition has been treated as a business combination in accordance with IFRS 3. In addition to acquiring its development sites, the Company also acquired the existing business processes of the Argentum group, which was a key factor in determining the correct accounting treatment to follow. In concluding on the correct allocation of the purchase price to the fair values of the development land inventories and other identifiable assets and liabilities acquired, consideration was given to the financial and other information of the Argentum group and the Company's plans for the acquired business. As a consequence of this assessment, it was concluded that no goodwill arose on the acquisition.

The Committee is satisfied that the acquisition has been correctly treated as a business combination and has been appropriately accounted for in accordance with IFRS 3 in the financial statements.

G Britton
Chairman, Audit and Risk Committee

Report of the Nomination Committee

Dear Shareholder,

As Chairman of Cairn Homes plc Nomination Committee, I am pleased to present the Committee's Report for the year under review.

The Nomination Committee comprises of the Group Chairman and two Independent Non-Executive Directors. The members are J Reynolds (Chairman), G Britton and G Davies. There was one meeting of the Committee during the year and details of the members' attendance are set out on page 53.

The Nomination Committee reviews the structure, size and composition (including the skills knowledge, experience and diversity) required of the Board and makes recommendations to the Board with regard to any changes. It assesses the effectiveness and performance of the Board and each of its committees, including consideration of the balance of skills, experience, independence and knowledge on the Board, its diversity, including gender, how the Board works together as a unit, and other factors.

The Nomination Committee gives full consideration to succession planning for the Company on behalf of the Board, taking into account the challenges and opportunities facing the Company and the skills and expertise that will be needed in the future to address these to ensure the continued ability of the Company to compete effectively in the marketplace. The Nominations Committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Nominations Committee shall also make recommendations to the Board concerning the re-appointment of any Non-Executive Director at the conclusion of his or her specified term of office and the re-election by shareholders of Directors having due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

No external recruitment consultants were used in the recruitment of the current Board who were all appointed while the Company was still a private limited company and prior to the establishment of the Nomination Committee and the listing of the Company. A Non-Executive position has arisen with the departure of Aidan O'Hogan from the Board. Processes of Board selection and recruitment will be undertaken in respect of the Non-Executive Director vacancy and the Group Finance Director position and the outcome of these processes will be announced in due course.

J Reynolds
Chairman, Nomination Committee

Report of the Remuneration Committee

Dear Shareholder,

As Chairman of Cairn Homes plc Remuneration Committee, I am pleased to present our Remuneration Report for the year ended 31 December 2016.

The Remuneration Committee comprises three independent Non-Executive Directors. The members of the Remuneration Committee are Giles Davies (Chairman), Andrew Bernhardt and Gary Britton. Biographical details for the members of the Remuneration Committee are set out on pages 34 to 37.

The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'UK Regulations') are in effect in the UK. While Cairn Homes, as an Irish incorporated company, is not subject to these regulations, we recognise that they represent best practice in remuneration reporting and we have accordingly, substantially applied the UK Regulations to this Remuneration Report on a voluntary basis.

The Remuneration Policy and the Annual Report on Remuneration, as set out on pages 71 to 85, will therefore be put to a non-binding advisory vote by shareholders at the 2017 Annual General Meeting.

Review of LTIP and revised Remuneration Policy

Last year's Report of the Remuneration Committee stated that once the Committee considers that the Company has completed its initial development phase, it would put in place a new share-based long-term incentive scheme to steer the business in its next stage of development. The Company has completed its initial development stage, delivered its business plan and is now scaling its operations. Therefore over the last few months the Committee has undertaken a review of possible long-term incentives. This comprehensive review took into account all elements of long-term incentive design and the Company's business needs, alignment with shareholders as well as typical practice at comparators, in addition to institutional shareholder guidelines.

The results of our review have led to the development of the Cairn Homes plc Long-Term Incentive Plan (LTIP) which replaces the current use of market priced options. The LTIP provides for annual awards of performance shares vesting on the achievement of 3-year EPS and Total Shareholder Return (TSR) targets, with a 2-year post-vest holding period for the most senior participants, with first awards under the LTIP being eligible for grant following the 2017 AGM. The design features of the LTIP align with the remuneration principles used by the Committee for all aspects of remuneration decisions. Further details on this plan are set out on pages 74 to 75 in the Remuneration Policy.

Report of the Remuneration Committee - continued

Review of LTIP and revised Remuneration Policy (continued)

Those Executives who already hold Founder Shares will not receive an award under the LTIP for the duration of the performance period relating to their Founder Shares. This includes the Chief Executive Officer, Michael Stanley; Executive Director, Alan McIntosh; and MD Corporate Development, Kevin Stanley. Therefore, the only Executive Directors who can participate in the proposed LTIP will be the new Group Finance Director and any other future new hires.

The proposed LTIP will be put to shareholders for their advisory vote at the 2017 AGM.

The Committee has also decided to implement share ownership guidelines from 2017 of 300% of salary for the Chief Executive Officer and 100% of salary for his direct reports. Executives will be required to hold 50% of any vested shares until the applicable ownership level is achieved.

The Committee has decided to increase the upper limit of pension contribution that can be paid to Executive Directors from 10% of salary to 25% of salary. This change has been made to rebalance the pay structure to be made consistent with the market. No changes have been made to current pension arrangements. No other major changes have been made to the Remuneration Policy from last year. Minor changes have been made to the Policy to improve alignment to market.

Performance in 2016

The Committee reviewed the performance of the Executive Directors and other Executives for 2016. In conducting this review the Committee considered the progress made during the year and in particular:

- Total revenue of €40.9m delivered;
- The commencement of construction on three additional sites, Marianella, Ashbourne and Hanover Quay;
- The acquisition of the Argentum group of companies, which gave the Company access to six development sites in the greater Dublin area;
- The acquisition of 7 separate sites, including sites at Cherrywood in South Dublin, Hanover Quay in Dublin City Centre and Maynooth in Kildare;
- The successful completion of a Firm Placing and Placing and Open Offer of approximately €176.5 million, before costs;
- 105 completed house sales;
- Excellent progress in securing critical talent to scale the business; and
- Operating profit which significantly exceeded budget.

The Committee considered how the Executive Directors had performed against the Company's objectives and how each of them had contributed to the overall performance of the Company and the attainment of personal objectives. As a result, annual incentive payments earned by the Executive Directors in respect of the year ended 31 December 2016 range from 75% to 105% of salary. Further detail in relation to the Executive Directors' remuneration is set out on page 83.

Report of the Remuneration Committee - continued

Role and Responsibilities

The role and responsibilities of the Committee which are set out in detail in its Terms of Reference include the following:

- To determine and agree with the Board the policy for the remuneration of the Chief Executive Officer, the Group Finance Director and certain other Executives (as determined by the Committee);
- To determine the remuneration packages of the Chairman, Chief Executive Officer, Group Finance Director and certain other Executives, including salary, annual incentive, pension rights and compensation payments;
- To oversee remuneration structures for other Company and subsidiary senior management and to oversee any major changes in employee benefits structures throughout the Group;
- To nominate Executives for inclusion in the Company's LTIP, to grant awards under the LTIP, to determine whether the criteria for the vesting of awards have been met and to make any necessary amendments to the rules of the Plan;
- To ensure that contractual terms on termination or redundancy, and any payments made, are fair to the individual and the Company;
- To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- To obtain up to date information about remuneration in other companies of comparable scale and complexity; and
- To agree the policy for authorising claims for expenses from the Directors.

Remuneration in 2017

It is our intention that remuneration arrangements for 2017 operate in line with the approved Remuneration Policy, which has been further strengthened to ensure market alignment, best practice and as appropriate to deliver performance and retain our best people over the long term.

A key change in our remuneration strategy for 2017 will be the inclusion of the proposed LTIP, which is being presented to shareholders for their advisory vote. The context and timing of this plan is important as we have acquired a significant strategic landbank and are now focused on achieving core operational excellence and scale over the next three years. We chose EPS as the primary performance metric for the LTIP in order to clearly focus participants on execution and profitable, quality led delivery. We have also included a TSR secondary measure, which is further strengthened by the Founders alignment on TSR outcomes. We feel that this balances organisational focus on both controllable factors for participants and also ensures shareholder alignment.

We will continue our practice of rigorous benchmarking of compensation to ensure appropriate market alignment and value for shareholders.

We welcome and will consider any shareholder feedback on the Remuneration Policy and Annual Report on Remuneration.

Report of the Remuneration Committee - continued

Remuneration Policy

Cairn Homes' Remuneration Policy ('the Policy') is set out below. This Policy will be subject to an advisory vote at the 2017 AGM and will be applicable from the 2017 AGM onwards.

Through the implementation of the Policy, the Board seeks to align the interests of Executive Directors and other Executives with those of shareholders, within the framework set out in the UK Corporate Governance Code. Central to this policy is the Company's commitment to long-term, performance based incentivisation and the encouragement of share ownership.

The basic objective under the Policy is to have overall remuneration reflect business performance and personal contribution, while having basic salary rates and the short term element of incentive payments at the median of an appropriate comparator group.

Through the operation of the Policy, the Committee seeks to ensure:

- that the Company will attract, motivate and retain individuals of the highest calibre;
- that Executives are rewarded in a fair and balanced way which promotes the long term success of the Company;
- that Executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- that the overall approach to remuneration has regard to the sectors and geographies within which the Company operates and the markets from which it draws its Executives; and
- that risk is properly considered in setting remuneration policy and in determining remuneration packages.

The Policy requires well-designed incentive plans that reward the creation of shareholder value through organic and acquisition growth, while maintaining high returns on capital employed, strong cash generation and a focus on good risk management. The elements of the remuneration package for the Executive Directors and other Executives are annual salary, retirement benefits and allowances, annual performance related incentives and participation in a long term incentive plan, which promotes the creation of sustainable shareholder value.

The Committee takes external advice from remuneration consultants (Mercer), to help ensure that the remuneration structure continues to support the key remuneration objectives, the Company's business priorities and suitably takes into account market practice.

Report of the Remuneration Committee - continued

Remuneration Policy (continued)

The key elements of the remuneration for Executive Directors and other Executives under the Policy are set out in the table below.

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Salary		
Attract and retain skilled and experienced Executives.	Annual salaries are reviewed annually. The factors taken into account in the review include: • Role and experience; • Company performance; • Personal performance; • Competitive market practice; and • Benchmarking against an appropriate comparator group. When setting salaries, account is taken of movements in salaries generally across the Company.	The target position for salaries will be generally market median. Any annual salary increases will be considered in that context.

Report of the Remuneration Committee - continued

Remuneration Policy (continued)

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Annual Incentives		
Reward the achievement of annual performance targets.	Annual Incentive payments to Executive Directors and other Executives are based on (a) meeting the Company's financial objectives and (b) the overall contribution and attainment of personal objectives. The contribution and personal targets are focused on areas such as delivery on strategy, organisational development, risk management and talent development/succession planning. The measures, their weighting and the objectives are reviewed on an annual basis. The Committee can apply appropriate discretion in specific circumstances in respect of determining the incentive payment to be awarded. A formal clawback policy is in place for the Executive Directors (and other Executives), under which Annual Incentive payments are subject to clawback for a period of three years in the event of a material restatement of financial statements or other specified events. Further details on the clawback policy are set out on page 76.	The target and maximum awards, as a percentage of annual salary, for the Executive Directors are as follows: Target / Max. Chief Executive Officer: 70% / 105% Other Executive Directors: 50% / 75%

Report of the Remuneration Committee - continued

Remuneration Policy (continued)

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Cairn Homes plc Long-Term Incentive Plan ('LTIP')		
Align the interests of Executive Directors and Executives with those of the Company's shareholders and reflect the Company's policy of long term performance-based incentivisation.	The LTIP provides for annual awards of Performance Shares. It is the Committee's intention that the primary long-term incentive vehicle will be made through regular awards of Performance Shares. Holders of Founder Shares will be excluded from participation in the LTIP for the duration of the performance period relating to their Founder Shares. Performance Share awards vest based on 3-year financial performance. For the first cycle, to be granted in 2017, the vesting condition will be based 80% on cumulative EPS and 20% on Total Shareholder Return. The Committee will consider the appropriate measures and targets for each subsequent cycle depending on strategic priorities. Performance Shares will vest after 3 years, with awards made to the Executive Directors and other senior Executives subject also to an additional two-year holding period after vesting.	Annual awards of Performance Shares of up to 100% of salary can be made. In exceptional circumstances, such as recruitment, awards of up to 200% of salary can be made. The actual grant size will be dependent on individual performance and potential. No more than 5% of the issued ordinary share capital may be issued or reserved for issuance under the LTIP over any ten year period.

Report of the Remuneration Committee - continued

Remuneration Policy (continued)

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Cairn Homes plc Long-Term Incentive Plan ('LTIP') - continued		
	A formal clawback policy is in place for the Executive Directors (and other Executives), under which LTIP awards are subject to clawback for a period of three years from the vesting date in the event of a material restatement of financial statements or other specified events. Further details on the clawback policy are set out on page 76. Any unvested awards will also be subject to malus.	
Retirement Benefits		
Reward sustained contribution.	Executive Directors and Executives participate in a defined contribution pension scheme or receive cash in lieu of a pension. The pension scheme gives the Company full discretion to pay appropriate contribution levels. The Committee takes account of market and benchmarking data for pension contributions for each employee group.	For the Executive Directors the pension contribution is set at a maximum of 25% of salary.

Report of the Remuneration Committee - continued

Remuneration Policy (continued)

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Allowances		
Provide market competitive benefit.	The main benefit is a car allowance. The Committee reviews market and benchmarking data in relation to allowances.	Maximum levels have not been set as payments depend on the individual Executive's circumstances.

Existing Arrangements

Subject to the achievement of the applicable performance conditions, certain Executives participate in arrangements made prior to the approval and implementation of the Remuneration Policy detailed in this report. This includes awards made under the previous LTIP (share option plan) to the Group Finance Director (see page 87).

Clawback Policy

Incentive payments made to the Executive Directors and other Executives may be subject to clawback for a period of three years from date of payment in certain circumstances including:

- a material restatement of the Company's audited financial statements;
- business or reputational damage to the Company or a subsidiary arising from a criminal offence, serious misconduct or gross negligence by the individual Executive; or
- a material breach of applicable health and safety regulations by the individual Executive.

The rules of the LTIP also allow for the giving of discretion to the Committee to reduce or impose further conditions on awards prior to or subsequent to vesting in the circumstances outlined above. Malus conditions will also apply to any unvested LTIP awards and will be applicable for the same circumstances.

Share ownership guidelines

To encourage general share ownership and ensure alignment of Executive interests with those of shareholders, the Chief Executive Officer is required to hold shares equivalent to 300% of base salary while his direct reports are required to hold 100% of base salary calculated by reference to the value of their shares held at the then market value on the acquisition date. Executives will be required to hold 50% of any vested shares, until the applicable ownership level is achieved.

Report of the Remuneration Committee - continued

Remuneration Policy for Recruitment of New Executives

In determining the remuneration package for new Executives, the Committee will be guided by the principle of offering such remuneration as is required to attract, retain and motivate a candidate with the particular skills and experience required for a role. The Remuneration Committee will generally set a remuneration package which is in accordance with the terms of the approved Remuneration Policy in force at the time of the appointment, though the Committee may make payments outside of the Policy if required in the particular circumstances and if in the best interests of the Company and its shareholders. Any such payments which relate to the buyout of variable pay (annual incentives or long-term incentive awards) from a previous employer will be based on matching the estimated fair value of that variable pay and will take account of the performance conditions and the time until vesting of that variable pay.

For an internal appointment, any variable pay element awarded in respect of the prior role and any other ongoing remuneration obligations existing prior to the appointment will be honoured.

Remuneration Policy for Other Employees

While the Committee's specific oversight of individual Executive remuneration packages extends only to the Executive Directors and a number of Executives, it aims to create a broad policy framework, to be applied by management to Executives throughout the Company, through its oversight of remuneration structures for other Company and subsidiary senior management and of any major changes in employee benefits structures throughout the Company. For example, senior managers are eligible to participate in the LTIP at the Committee's discretion.

Consultation with Shareholders

When determining remuneration, the Committee takes into account the views of representative investor bodies and shareholder views. The Committee is committed to engaging with major shareholders on any material changes to the remuneration policy, and recently consulted major shareholders on the structure of the LTIP.

The Committee acknowledges that shareholders have a right to have a 'say on pay' by putting the Remuneration Policy and the Annual Report on Remuneration as well as the new LTIP to advisory votes at the Annual General Meeting.

Report of the Remuneration Committee - continued

Policy for "Leavers"

The provisions for "leavers" in respect of each of the elements of remuneration are as follows:

Salary and Benefits

Payments are made in respect of annual salary and benefits for the relevant notice period. The notice period for the Chief Executive Officer is 12 months and for the other Executive Directors the notice period is a maximum of 12 months. In all cases, the notice period applies to both the Company and the Executive.

Annual Incentive

The Committee can apply appropriate discretion in respect of determining the annual incentives, if any, to be awarded based on actual achieved performance and the period of employment during the financial year. The Committee's consideration will include the individual's performance and contribution in the year in which they leave as well as the basis on which they are leaving the Company.

LTIP

The Committee would normally exercise its discretion when dealing with a participant who ceases to be an employee by reason of certain exceptional circumstances e.g. death, injury or disability, redundancy, retirement or any other exceptional circumstances. In such circumstances, any shares that have not already vested on the participant's cessation date would be eligible for vesting on the normal vest date or other date determined by the Committee. The number of shares vesting would be determined by the Committee, although the default position would be to pro-rate for the proportion of the vesting period elapsed at cessation and to continue to apply the performance conditions.

In the event that a participant ceases to be an employee due to resignation or by reason of a termination for serious misconduct, share awards held by the participant, whether or not vested, would lapse immediately on the service of notice of such termination, unless the Committee in its sole discretion determines otherwise.

Report of the Remuneration Committee - continued

Policy for Non-Executive Directors

Element and link to strategy	Operation	Maximum Opportunity
Fees		
The fees paid to Non-Executive Directors reflect their experience and ability and the time demands of their Board and Board Committee duties. A basic fee is paid for Board membership. Additional fees are payable to the Chairman, Chairman of the Audit and Risk Committee and the Senior Independent Director. Additional fees may be paid for membership of a Board Committee.	The remuneration of the Chairman is determined by the Remuneration Committee for approval by the Board. The remuneration of the other Non-Executive Directors is determined by the Chairman and the Chief Executive Officer for approval by the Board. The fees are reviewed from time to time, taking account of any changes in responsibilities and market practice.	No prescribed maximum annual increase but benchmarking and market practice will determine any change in fees. Non-Executive Directors do not participate in the Company's Annual Incentive and LTIP and do not receive any retirement benefits from the Company.

Non-Executive Directors Letters of Appointment

Non-Executive Directors have letters of appointment which set out their duties and responsibilities. The appointments are initially for a three year term but are terminable on one month's notice.

Policy on External Board Appointments

Executive Directors may accept external non-executive directorships with the prior approval of the Board. The fees received for such roles may be retained by the Executive Directors.

The Board recognises the benefits that such appointments can bring both to the Company and to the Executive Director in terms of broadening their knowledge and experience.

Report of the Remuneration Committee - continued

Annual Report on Remuneration

This section of the Remuneration Report sets out the basis of how Cairn Homes' Remuneration Policy will operate in the year to 31 December 2017 (subject to shareholder approval), gives details of remuneration outcomes for the year ended 31 December 2016 and explains how the Remuneration Committee works.

Remuneration in 2017

We have included the remuneration arrangements for the Group Finance Director, Eamonn O'Kennedy because at the date of publishing this report, he was still in position and his leaving date had not been confirmed. Until he leaves, he will be entitled to a salary, benefits and pensions in line with the implementation of the Remuneration Policy. Eamonn will receive his performance bonus on a pro-rata basis, for the duration of his notice period in line with his contractual entitlement. He will not receive an award under the proposed new LTIP.

Salary

The salaries of the Executive Directors for 2017 are set out below. Salaries are unchanged from 2016.

	From 1 January 2017 €
Michael Stanley	425,000
Alan McIntosh	325,000
Eamonn O'Kennedy	250,000

Report of the Remuneration Committee - continued

Annual Incentive

The annual incentive opportunity for the Executive Directors for 2017 is as follows:

	Target Incentive (% of salary)	Maximum Incentive (% of salary)
Michael Stanley	70%	105%
Alan McIntosh	50%	75%
Eamonn O'Kennedy	50%	75%

The annual incentive will be based 70% on financial performance (primarily on EPS) and 30% on the achievement of individual performance objectives (linked to leadership and operational targets).

The Committee will disclose the performance targets used for the 2017 annual incentive within 3 years following the end of the performance period subject to their being considered no longer commercially sensitive.

Retirement Benefits

The Executive Directors will continue to participate in the Defined Contribution Pension Scheme or receive a cash supplement in lieu of pension as detailed in the Remuneration Policy.

Report of the Remuneration Committee - continued

Long Term Incentives

The purpose of the LTIP is to align the Executive Directors and other eligible Executives with shareholder interests, to deliver exceptional performance. LTIP awards will be subject to performance targets set over a 3 year period, with an additional 2 year holding period for other senior Executives as defined by the Company, based on their role and contribution to the business.

2017 LTIP awards will vest 80% on 3-year cumulative EPS and 20% on 3 year Total Shareholder Return covering the financial years 2017-2019, as follows:

Cumulative EPS	Vesting of EPS-based award
Less than 16.7c	0%
16.7c	25%
Between 16.7c and 18.6c	Straight line basis between 25% and 40%
18.6c	40%
Between 18.6c and 26.0c	Straight line basis between 40% and 100%
26.0c or above	100%

Total Shareholder Return	Vesting of TSR-based award
Less than 8% p.a.	0%
8% p.a.	25%
Between 8% p.a. and 12.5% p.a.	Straight-line basis between 25% and 100%
12.5% p.a.	100%

The Committee considers the performance ranges above to be stretching but achievable and reinforce performance which is consistent with our key strategic objectives as well as consistency with the Founder Share performance condition. The performance orientation of the grant policy will ensure that the LTIP is focused appropriately on those who can make the most impact, regardless of their seniority, therefore ensuring that we penetrate down to ensure succession and performance of the business.

Report of the Remuneration Committee - continued

Remuneration outcomes for the period ended 31 December 2016

The table below sets out the details of the remuneration payable to the Executive Directors for the year ended 31 December 2016, with comparatives for the prior period from 12 November 2014 to 31 December 2015.

	Salary		Annual Incentive		Retirement Benefit		Car Allowance		Total	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Michael Stanley	**425**	455	**446**	212	**43**	46	**10**	6	**924**	719
Alan McIntosh	**325**	343	**244**	162	**27**	29	**10**	6	**606**	540
Eamonn O'Kennedy	**250**	230	**187**	185	**25**	23	**10**	9	**472**	447
Total	**1,000**	1,028	**877**	559	**95**	98	**30**	21	**2,002**	1,706

Notes:

1 The table above does not include 12,768,646 ordinary shares which were issued to Michael Stanley and Alan McIntosh during 2016 through the conversion of Founder Shares in their capacity as holders of Founder Shares.

2 The annual incentive paid to Eamonn O'Kennedy in 2015 includes a one off bonus of €40,000 as outlined in the Prospectus for the Initial Public Offering and which was determined to be payable by the Remuneration Committee.

3 The remuneration for Michael Stanley and Alan McIntosh in 2015 is from the date of incorporation of the Company (12 November 2014) and in the case of Eamonn O'Kennedy is from the date of his appointment.

2016 Annual Incentive outcomes

The 2016 Annual Incentive for the Executive Directors was based on a range of performance objectives as outlined on page 69.

The Remuneration Committee assessed performance against these objectives and determined the bonuses to be paid to the Executive Directors would be €877,000.

Retirement Benefit

A McIntosh received his retirement benefits for 2016 and 2015 as cash in lieu of pension contributions.

LTIP awards

No LTIP awards were granted in 2016 to the Executive Directors.

Report of the Remuneration Committee - continued

Performance graph

The following graph shows the cumulative Total Shareholder Return of the Company over the period since IPO relative to the (FTSE 250) Index (excluding Investment Trusts), an index considered by the Remuneration Committee to be an appropriate benchmark for comparison as it represents a broad equity market index of companies of similar market capitalisation to Cairn.

TOTAL SHAREHOLDER RETURN

Report of the Remuneration Committee - continued

Non-Executive Directors' Remuneration Details

The Chairman receives a fee of €100,000 per annum and the Non-Executive Directors are paid a basic fee of €50,000 per annum, with additional fees payable to the Chairman of the Audit and Risk Committee of €15,000 per annum and to the Senior Independent Director of €10,000 per annum.

The fees paid to Non-Executive Directors in respect of the year ended 31 December 2016 and the period ended 31 December 2015 are set out below:

	Basic Fee		Additional Fees		Total	
Non- Executive Directors[1]	**2016 €'000**	**2015 €'000**	**2016 €'000**	**2015 €'000**	**2016 €'000**	**2015 €'000**
John Reynolds (Chairman)	**100**	56	**-**	-	**100**	56
Andrew Bernhardt	**50**	35	**-**	-	**50**	35
Gary Britton (Chairman of Audit and Risk Committee)	**50**	35	**15**	-	**65**	35
Giles Davies (Senior Independent Director)	**50**	35	**10**	7	**60**	42
Aidan O'Hogan[2]	**50**	32	**-**	-	**50**	32
Total	**300**	193	**25**	7	**325**	200

[1] *2015 fees are from dates of appointment.*
[2] *Aidan O' Hogan resigned with effect from 13 December 2016.*

Report of the Remuneration Committee - continued

Executive and Non-Executive Directors' and Company Secretary's Interests

The interests of the Directors and Company Secretary who held office at 31 December 2016 in the issued ordinary share capital of the Company are set out in the table below. The interests disclosed below include both direct and indirect interests in shares.

	No. of Ordinary Shares at 31 December 2016	No. of Ordinary Shares at 31 December 2015
Directors		
Michael Stanley	**8,364,546**	3,106,868
Alan McIntosh	**24,439,582**	16,928,614
Eamonn O'Kennedy	**50,000**	50,000
Gary Britton	**50,000**	50,000
Giles Davies	**50,000**	50,000
John Reynolds	**-**	-
Andrew Bernhardt	**-**	-
Andrew Donagher (Company Secretary)	**-**	-
Total	**32,954,128**	20,185,482

All of the above interests were beneficially owned. Apart from the interests disclosed above and the Founder Shares and Deferred Shares held by the Founder Directors - see page 87, the Directors and the Company Secretary had no interests in the share capital of the Company or any other Company undertaking at 31 December 2016.

There were no changes in the above Directors and Secretary's interests between 31 December 2016 and 5 April 2017. Susan O'Connor was appointed as Company Secretary on 20 February 2017 in place of Andrew Donagher, and as at 5 April 2017, she did not hold any shares in the Company.

The Company's Register of Directors Interests (which is open to inspection) contains full details of Directors' shareholdings and share options.

The Company has a policy on dealing in shares that applies to all Directors. Under this policy, Directors are required to obtain clearance from the Company before dealing in Cairn Homes plc shares during designated close periods and at any other time when they are in possession of Inside Information (as defined by the Market Abuse Regulation).

Report of the Remuneration Committee - continued

Executive and Non-Executive Directors' and Company Secretary's Interests (continued)

The interests of Directors in Share Options as at 31 December 2016 is as follows:

	Issued	Balance at 31 December 2016	Exercise Price	Balance at 31 December 2015
Eamonn O'Kennedy	500,000	500,000	€1.00 each	500,000

The options were granted on 9 June 2015. 250,000 options will vest on the 3rd anniversary of the date of the admission of the shares on a regulated market and 250,000 options will vest on the 4th anniversary. The shares were admitted to trading on 15 June 2015. The expiry date of the options is 8 June 2025.

The market price of Ordinary Shares of €0.001 each was €1.35 at 31 December 2016 and ranged from €0.88 to €1.35 during the year ended 31 December 2016.

Additional interests of Founder Shareholders who are Founder Directors

In addition to the shareholdings noted above, the Founder Directors have the following additional interests:

	No. of Deferred Shares at 31 December 2016	No. of Founder Shares at 31 December 2016	No. of Deferred Shares at 31 December 2015	No. of Founder Shares at 31 December 2015
Founder Directors				
Michael Stanley	**9,990,000**	**29,742,322**	9,990,000	35,000,000
Alan McIntosh	**9,990,000**	**42,489,032**	9,990,000	50,000,000
Total	**19,980,000**	**72,231,354**	19,980,000	85,000,000

The total number of Founder Shares in issue at 31 December 2016 is 84,978,063 (100,000,000 at 31 December 2015).

The Founder Shares are convertible into Ordinary Shares subject to the Performance Condition, which is the achievement of a compound annual rate of return of 12.5% in the Company's share price.

The Founder Shares do not carry a right to a dividend or voting rights. The Performance Condition was tested initially over the first Test Period in 2016 (the first test period was 1 March 2016 to 30 June 2016), and is tested again over the six subsequent Test Periods (from 1 March to 30 June).

The Performance Condition is that for a period of 15 or more consecutive Business Days during the relevant Test Period, the Closing Price exceeds such price as is derived by increasing the Adjusted Issue Price by 12.5% for each Test Period, starting with the first in 2016 and ending with the last in 2022, such increase to be on a compound basis.

Report of the Remuneration Committee - continued

Additional interests of Founder Directors (continued)

In calculating whether the Performance Condition is satisfied during any Test Period, any dividends declared in the 12 months ending at the end of the relevant Test Period are added to the Closing Price.

If the Performance Condition is satisfied, the Company may elect within 20 Business Days of the date on which the satisfaction of the Performance Condition was notified to the holders of Founder Shares, to convert Founder Shares into such number of Ordinary Shares which, at the Highest Average Closing Price of an Ordinary Share during the Test Period, have an aggregate value equal to the Founder Share Value. The “Founder Share Value” shall be calculated as 20% of the Total Shareholder Return in the periods described below.

The Total Shareholder Return is calculated as the sum of the increase in market capitalisation, plus dividends or other distributions in each case in the relevant period, being (i) the first time the Performance Condition is satisfied, the period from Admission to the Test Period in which the Performance Condition is first satisfied; and (ii) for subsequent Test Periods, the period from the end of the previous Test Period in respect of which Founder Shares were last converted or redeemed to the Test Period in which the Performance condition is next satisfied. In each Test Period, the increase in market capitalisation is calculated by reference to the Highest Average Closing Price.

The effect of this is that the calculation of Total Shareholder Return rebases to a “high watermark” equal to the market capitalisation used to calculate the most recent conversion or redemption of Founder Shares, so that the holders of Founders Shares only receive 20 per cent. of the incremental increase in Total Shareholder Return since the previous conversion or redemption (or, in respect of the first time the Performance Condition is satisfied, since Admission).

The calculation of Founder Share Value is made without reference to the 12.5% per annum hurdle so that once the Performance Condition is satisfied, the holders of Founder Shares are entitled to share in 20% of the Total Shareholder Return, not just that element of Total Shareholder Return above the hurdle contained in the Performance Condition.

Rather than convert the Founder Shares into Ordinary Shares, the Board may elect (subject to compliance with the Companies Act 2014 and provided the Company has sufficient distributable reserves) to redeem such Founder Shares for payment of a cash equivalent to that holder of Founder Shares.

Following the completion of the first Test Period, the Board confirms that the Founder Share Value in respect of the Founder Directors was satisfied by way of conversion of Founder Shares into 12,768,646 Ordinary Shares of €0.001 each ("New Ordinary Shares"). All New Ordinary Shares issued in respect of the conversion of Founder Shares are subject to a 1 year lock-up period, with 50% of the New Ordinary Shares remaining subject to a further 1 year lock-up period thereafter.

The holders of Deferred Shares do not have any voting rights and are not entitled to receive dividends other than the right to receive €1 in aggregate for every €100,000,000,000 paid to the holders of ordinary shares.

The Deferred Shares are not listed.

Report of the Remuneration Committee - continued

Governance

Meetings
The Committee met ten times during the year ended 31 December 2016. The main agenda items included determining the annual incentives payable for 2016, remuneration policy and the LTIP review, remuneration trends and market practice, the remuneration packages of Executive Directors and Executives, pension matters and approval of the Remuneration Report.

The Company Chairman, the Chief Executive Officer and the Group Finance Director may be invited to attend meetings of the Committee, except when their own remuneration is being discussed. No Director is involved in consideration of his or her own remuneration. The Company Secretary acts as secretary to the Remuneration Committee.

Reporting
The Chairman of the Remuneration Committee reports to the Board on the activities of the Committee, and attends the Annual General Meeting to answer questions on the report, on the Committee's activities and matters within the scope of the Committee's responsibilities.

External Advice
The Committee seeks independent advice when necessary from external consultants. Mercer acted as independent remuneration advisors to the Committee and have provided advice in relation to market trends, competitive positioning and developments in remuneration policy and practice. Mercer is a signatory to the Remuneration Consultants Group Code of Conduct and any advice was provided in accordance with this code. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice is objective and independent.

G Davies
Chairman, Remuneration Committee

Consolidated Financial Statements

For the year ended 31 December 2016

CONTENTS

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the consolidated and company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and company financial statements each year. Under that law, the Directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and have elected to prepare the company financial statements in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of Companies Act 2014.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that year. In preparing each of the consolidated 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 that the financial statements comply with IFRS as adopted by the European Union, and as regards the Company, as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

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 Group and Company, and which enable them to ensure that the financial statements of the Company comply with the provisions of the Companies Acts 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by the Company's subsidiaries, which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement of Directors' Responsibilities - continued

Responsibility Statement as required by the Transparency Directive and UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on pages 34 to 37 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- The consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, and the company financial statements, prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Group and Company at 31 December 2016 and of the loss of the Group for the year then ended;
- The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, provide the information necessary to assess the Group's position and performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board.

J Reynolds
Chairman
6 April 2017

G Britton
Director

Independent Auditor's Report

to the members of Cairn Homes plc

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Cairn Homes plc for the year ended 31 December 2016 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

In our opinion:

- the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of its loss for the year then ended;
- the company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016;
- the consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the company financial statements and consolidated financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

Independent Auditor’s Report to the members of Cairn Homes plc - continued

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the consolidated financial statements the risks of material misstatement that had the greatest effect on our group audit were as follows:

Carrying values of inventories and profit recognition

Refer to pages 65 to 66 (Report of the Audit and Risk Committee), page 108 (accounting policy for inventories) and Note 15 to the consolidated financial statements (financial disclosures - inventories).

The risk - Inventory represents the costs of land, materials, design and related production and site development costs to date. The Group has commenced construction on a number of its development sites and during 2016 sales of completed residential units were recorded from three of those sites. The carrying value of development land and work in progress depends on key assumptions relating to forecast selling prices, site planning (including planning consent), build costs and other direct cost recoveries, all of which contain an element of judgement and uncertainty.

The Group recognises profit on each sale, based on the particular unit sold, by reference to the overall expected site margin. As site development and the resulting sale of residential units can take place over a number of reporting periods the determination of profit is dependent on the accuracy of the forecasts about future selling prices, build costs and other direct costs. There is a risk that one or all of the assumptions could be inaccurate with a resulting impact on the carrying value of inventory or the amount of profit recognised.

Our response - In this area our audit procedures included:

- We tested the controls over the accuracy and completeness of the assumptions made in the Group’s financial models supporting the carrying value of development land and work in progress and the allocation of costs to completed residential units. This involved checking approvals over reviewing and updating selling prices and cost forecasts and the authorising and recording of costs.
- We examined management’s detailed year-end assessments of the net realisable value of development sites. These were primarily based on residual value calculations whereby the estimated costs of the development were deducted from forecast sales proceeds. We agreed forecast residential unit sales prices to estimates from independent property consultants. We tested a sample of forecast costs to supplier agreements/tenders and, for sites not yet in development, considered the consistency of estimates for the major cost categories with the estimates for sites in development. We evaluated the assumptions in relation to forecast unit numbers based on appropriate documentary support.
- For sites in development, we compared actual revenues and costs to estimates to ensure that net realisable values were updated and that the overall expected sales margin was adjusted. We evaluated the sensitivity of the margin to a change in sales prices and costs and considered whether this indicated a risk of impairment of the inventory balance.
- For new land acquisitions in the year, we inspected purchase contracts to agree the costs of acquisition including related purchase costs. We agreed amounts paid to corroborating documentary evidence. We agreed a sample of additions to construction work in progress during the period to invoices / payment certificates and examined whether these additions had been accordingly recorded as part of the costs of the relevant site.

Independent Auditor’s Report to the members of Cairn Homes plc - continued

2. Our assessment of risks of material misstatement (continued)

- For completed sales in the year, we tested the accuracy of the release from inventory to cost of sales recorded in the general ledger for consistency with the financial cost models for the relevant sites.
- We considered the adequacy of the Group’s disclosures regarding the carrying value of development land and work in progress.

Acquisitions in the year

Refer to page 66 (Report of the Audit and Risk Committee), page 106 (accounting policy for basis of consolidation) and Note 27 to the consolidated financial statements (financial disclosures - business combination).

The risk - A number of significant transactions were completed during the year ended 31 December 2016, including the acquisition of Argentum Property Holdco Limited and certain development sites. This gives rise to a risk of material misstatement if these acquisitions are not accounted for in accordance with relevant accounting standards. In particular for business combinations the consideration paid, the costs incurred, the fair value of the assets and liabilities acquired and goodwill arising, if any, must all be identified, measured and recorded appropriately.

Our response - Our audit procedures included, among others, inspecting acquisition agreements and related documentation, and considering whether the acquisitions were business combinations or asset purchases and accordingly whether the relevant accounting standards for each had been applied.

For the one business combination in the period, we evaluated the identification of, and allocation of the purchase price to, the fair values of the development land inventories and other identifiable assets and liabilities acquired, and accordingly we evaluated whether any goodwill arose on the acquisition. We did this by considering the financial and other information pertaining to the acquisition and related documents, and the Group’s plans for the acquired business. We agreed the date of commencement of control, and therefore of inclusion in the Group’s results, of the acquired business to documentary evidence. We agreed the costs incurred in relation to this business combination to relevant supporting documentation and assessed whether they had been expensed. We also considered the adequacy of the Group’s disclosures in relation to the business combination in the year.

For significant development site asset purchases in the year, we vouched their accounting treatment as inventory additions to appropriate documentary evidence, considering such matters as the substance of the transaction, legal agreements, support for the price payable including direct costs, and the timing of recognition / evidence of completion of the transactions.

Independent Auditor's Report to the members of Cairn Homes plc - continued

3. Our application of materiality and an overview of the scope of our audit

The materiality for the consolidated financial statements as a whole was set at €4.1m *(2015: €2.9m)*. This has been calculated with reference to a benchmark of total assets. Materiality represents approximately 0.5% of this benchmark, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group for the year, given that the principal focus of the Group to date has been in relation to asset acquisition and the commencement of residential developments and sales on some of the sites it has acquired to date. We reported to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.2m *(2015: €0.12m)*, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

We subjected all of the Group's reporting components to audits for group reporting purposes. The work on all components was performed by the Group audit team.

4. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statements on Risk Management on pages 39 to 43 and pages 57 to 58, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2019; or
- the disclosures in Note 1 of the consolidated financial statements concerning the use of the going concern basis of accounting.

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

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

In particular, we are required to report to you if:

- we have identified any inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider the Annual Report and financial statements as a whole is fair, balanced and understandable and provides information necessary for shareholders to assess the entity's position and performance, business model and strategy; or
- the Report of the Audit and Risk Committee does not appropriately disclose those matters that we communicated to the Audit and Risk Committee.

The terms of our engagement require us to review:

- the directors' statements, set out on page 44, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Report on pages 50 to 61 relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Independent Auditor’s Report to the members of Cairn Homes plc - continued

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

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

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

In our opinion the information given in the Directors’ Report is consistent with the financial statements and the description in the Corporate Governance Report of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated financial statements is consistent with the consolidated financial statements.

In addition we report, in relation to information given in the Corporate Governance Report on pages 50 to 61, that:

- based on knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;
- based on the work undertaken in the course of our audit, in our opinion:
  - the description of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014; and
  - the Corporate Governance Report contains the information required by the Companies Act 2014.

Independent Auditor's Report to the members of Cairn Homes plc - continued

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on pages 91 to 92, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated and company financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK & Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

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

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

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

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

6 April 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	Year ended 31 December 2016			Period from incorporation on 12 Nov 2014 to 31 December 2015		
		Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
	Note	€'000	€'000	€'000	€'000	€'000	€'000
Continuing operations							
Revenue	6	40,906	-	**40,906**	3,717	-	**3,717**
Cost of sales		(33,844)	-	**(33,844)**	(3,015)	-	**(3,015)**
Gross profit		7,062	-	**7,062**	702	-	**702**
Other income	7	4,425	-	**4,425**	-	-	**-**
Administrative expenses	8	(7,841)	(1,356)	**(9,197)**	(4,492)	(1,086)	**(5,578)**
Fair value charge relating to Founder Shares	19	-	-	**-**	-	(29,100)	**(29,100)**
Operating profit/(loss)		3,646	(1,356)	**2,290**	(3,790)	(30,186)	**(33,976)**
Finance income	9	89	-	**89**	114	-	**114**
Finance costs	9	(5,194)	-	**(5,194)**	(1,800)	(1,858)	**(3,658)**
Loss before taxation		**(1,459)**	**(1,356)**	**(2,815)**	**(5,476)**	**(32,044)**	**(37,520)**
Income tax credit	11			**752**			**312**
Loss for the year/period attributable to owners of the Company				**(2,063)**			**(37,208)**
Other comprehensive income				**-**			**-**
Total comprehensive loss for the year/period attributable to owners of the Company				**(2,063)**			**(37,208)**
Basic loss per share	26			**0.3 cents**			**15.9 cents**
Diluted loss per share	26			**0.3 cents**			**15.9 cents**

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Non-current assets			
Property, plant and equipment	12	894	130
Intangible assets	13	485	130
Restricted cash	17	27,000	27,000
		28,379	**27,260**
Current assets			
Loan assets	14	16,000	382,951
Inventories	15	727,223	149,331
Deposits paid	27	-	5,000
Trade and other receivables	16	17,015	2,962
Cash and cash equivalents	17	45,645	6,551
		805,883	**546,795**
Total assets		**834,262**	**574,055**
Equity			
Share capital	18	794	637
Share premium	18	697,733	521,390
Share-based payment reserve	19	24,779	29,118
Retained earnings		(58,935)	(53,155)
Total equity		**664,371**	**497,990**
Liabilities			
Non-current liabilities			
Loans and borrowings	20	148,631	63,543
Derivative liability	28	-	514
Deferred taxation	21	5,490	815
		154,121	**64,872**
Current liabilities			
Trade and other payables	22	15,770	11,193
Total liabilities		**169,891**	**76,065**
Total equity and liabilities		**834,262**	**574,055**

On behalf of the Board:

J Reynolds
Chairman

G Britton
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital							
	Ordinary shares €'000	A Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
As at 1 January 2016	517	-	20	100	521,390	29,118	(53,155)	497,990
Total comprehensive loss for the year								
Loss for the year	-	-	-	-	-	-	(2,063)	**(2,063)**
	-	-	-	-	-	-	**(2,063)**	**(2,063)**
Transactions with owners of the Company								
Issue of ordinary shares for cash	157	-	-	-	176,343	-	-	**176,500**
Share issue costs	-	-	-	-	-	-	(8,088)	**(8,088)**
Conversion of founder shares to ordinary shares	15	-	-	(15)	-	(4,371)	4,371	**-**
Equity-settled share-based payments	-	-	-	-	-	32	-	**32**
	172	**-**	**-**	**(15)**	**176,343**	**(4,339)**	**(3,717)**	**168,444**
As at 31 December 2016	**689**	**-**	**20**	**85**	**697,733**	**24,779**	**(58,935)**	**664,371**

Consolidated Statement of Changes in Equity

For the period from incorporation on 12 November 2014 to 31 December 2015

	Share Capital							
	Ordinary shares €'000	A Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
As at 12 November 2014	-	-	-	-	-	-	-	-
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	-	(37,208)	**(37,208)**
	-	-	-	-	-	-	**(37,208)**	**(37,208)**
Transactions with owners of the Company								
Issue of ordinary shares for cash	490	-	-	-	494,660	-	-	**495,150**
Share issue costs	-	-	-	-	-	-	(15,947)	**(15,947)**
Issue of founder shares for cash	-	-	-	100	100	-	-	**200**
Issue of ordinary shares for business combination	27	-	-	-	26,630	-	-	**26,657**
Issue of A ordinary shares for cash	-	20	-	-	-	-	-	**20**
Conversion of A ordinary shares to deferred shares	-	(20)	20	-	-	-	-	**-**
Equity-settled share-based payments	-	-	-	-	-	29,118	-	**29,118**
	517	**-**	**20**	**100**	**521,390**	**29,118**	**(15,947)**	**535,198**
As at 31 December 2015	**517**	**-**	**20**	**100**	**521,390**	**29,118**	**(53,155)**	**497,990**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 December 2015 €'000
Cash flows from operating activities		
Loss for the period	(2,063)	(37,208)
Adjustments for:		
Share-based payments expense	32	29,118
Non-cash expense in relation to the acquisition of Emerley Holdings Limited	-	2,944
Other finance costs	5,194	1,800
Finance income	(89)	(114)
Depreciation of property, plant and equipment	112	-
Amortisation of intangible assets	32	-
Taxation	(752)	(312)
	2,466	**(3,772)**
Increase in inventories	(151,105)	(105,521)
Decrease/(increase) in loan assets	26,768	(382,951)
Increase in deposits paid	-	(5,000)
Increase in trade and other receivables	(3,796)	(2,048)
Increase in trade and other payables	4,464	8,186
Net cash used in operating activities	**(121,203)**	**(491,106)**
Cash flows from investing activities		
Acquisition of Argentum	(86,074)	-
Cash acquired on acquisition of Argentum	818	-
Cash acquired on acquisition of Emerley Holdings Limited	-	1,963
Purchases of property, plant and equipment	(876)	(130)
Purchases of intangible assets	(434)	(83)
Interest received	89	114
Transfer to restricted cash	-	(27,000)
Net cash used in investing activities	**(86,477)**	**(25,136)**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	167,716	480,174
Proceeds from borrowings	99,285	64,375
Repayment of loans	(15,500)	(18,130)
Interest paid	(4,727)	(3,626)
Net cash from financing activities	**246,774**	**522,793**
Net increase in cash and cash equivalents in the year/period	**39,094**	**6,551**
Cash and cash equivalents at beginning of year/period	6,551	-
Cash and cash equivalents at end of year/period	**45,645**	**6,551**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. Basis of Preparation

(a) Reporting entity

Cairn Homes plc ("the Company") is a company domiciled in Ireland. The Company's registered office is 7 Grand Canal, Grand Canal Street Lower, Dublin 2. These consolidated financial statements cover the year ended 31 December 2016 for the Company and its subsidiaries (together referred to as "the Group"). The comparative period was for the period from incorporation on 12 November 2014 to 31 December 2015. The Group is predominantly involved in the development of residential property for sale.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB), as adopted by the European Union (EU), and those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

(c) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for financial periods beginning on various dates after 1 January 2017, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it intends to apply them from their effective dates as determined by their dates of EU endorsement.

The following standards are not yet endorsed by the EU and the potential impact of these standards on the Group is under review:

- IFRS 14 Regulatory Deferral Accounts. The EU has decided not to launch the endorsement process of this interim standard.
- Sale or contribution of assets between an investor and its associate or joint venture (September 2014) (Amendments to IFRS 10 and IAS 28). Endorsement postponed indefinitely.
- Recognition of Deferred Tax Assets for Unrealised Losses (January 2016) (Amendments to IAS 12). Expected to be endorsed Q2 2017.
- Disclosure Initiative (January 2016) (Amendments to IAS 7). Endorsement expected Q2 2017.
- Clarifications to revenue from contracts with customers (April 2016) (Clarifications to IFRS 15). Expected to be endorsed Q2 2017.
- Classification and Measurement of Share-based Payment Transactions (June 2016) (Amendments to IFRS 2). Expected to be endorsed Q3 2017.
- Annual Improvements to IFRS Standards 2014-2016 Cycle (December 2016). Expected to be endorsed Q3 2017.
- Foreign Currency Transactions and Advance Consideration (December 2016) (IFRIC Interpretation 22). Expected to be endorsed Q3 2017.
- Transfers of Investment Property (December 2016) (Amendments to IAS 40). Expected to be endorsed Q3 2017.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

1. Basis of Preparation (continued)

From an initial consideration of upcoming endorsed and unendorsed standards and amendments, the Directors have determined that the following in particular may have an effect on the consolidated financial statements of the Group. The potential impact of these standards on the Group is under review.

	EU effective date (periods beginning)	IASB effective date (periods beginning)
IFRS 15: *Revenue from contracts with customers (May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (September 2015)*	1 January 2018	1 January 2018
IFRS 16 *Leases (January 2016)*	Not endorsed at time of approval.	1 January 2019
IFRS 9 *Financial Instruments (July 2014)*	1 January 2018	1 January 2018

(d) Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the functional currency of the Company and presentation currency of the Group, rounded to the nearest thousand.

(e) Basis of accounting

The Directors consider that it is appropriate that the financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The significant accounting policies applied in the preparation of these financial statements are set out in Note 3.

2. Key Judgements and Estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The key judgements and estimates impacting these financial statements are:

- carrying value of inventories and allocations from inventories to cost of sales (See Notes 3(f) and 15);
- accounting for acquisitions, including allocation of fair value of consideration (Note 27); and
- transfer of loan assets to development land collateral within inventories (Notes 14 and 15).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies

The accounting policies set out below have been applied in these financial statements.

(a) Basis of consolidation

The consolidated financial statements include the results of Cairn Homes plc and all its subsidiary undertakings for the year ended 31 December 2016. The financial statements of the subsidiary undertakings are consolidated from the date when control passes to the Group using the acquisition method of accounting and up to the date control ceases.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired. Any goodwill that arises is capitalised and tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

(b) Property, plant and equipment

Property, plant and equipment are initially recognised at cost. Depreciation is provided using the straight-line method to write off the cost less any residual value over the estimated useful life of the asset on the following basis:

Leasehold Improvements 7 years
Computers & Equipment 3-7 years

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Leases

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(d) Intangible Assets

Computer Software

Acquired computer software is capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software costs are amortised over their estimated useful lives from seven to ten years for specialised software which is expected to provide benefits over those periods. Other costs in respect of computer software are recognised as an expense as incurred.

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

(e) Revenue

Revenue represents the fair value of consideration received or receivable, net of value-added tax. Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have been transferred. Revenue is recognised on residential property sales at legal completion.

Booking and contract deposits on units sold by the Group are held by the Group's legal advisors, externally to the Group, until legal completion of the sale, at which point all such deposits are paid to the Group and recognised as revenue. Where a contract, on which a contract deposit has been paid, is not completed, the Group will recognise the forfeited deposit (arising in accordance with the contract's terms) as revenue.

Rental income is recognised on a straight-line basis over the life of the operating lease. This income principally arises from existing rental properties on acquired development sites which will be demolished or vacated (see policy (f)).

(f) Inventories

Units in the course of development and completed units are valued at the lower of cost and net realisable value. Cost includes the cost of land, raw materials, stamp duty, direct labour and development costs, but excludes indirect overheads. Land purchased for development, including land in the course of development, is initially recorded at cost. For development property acquired through business combinations, cost is the sum of the fair value at acquisition plus subsequent direct costs. The Group's developments can take place over several reporting periods and the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate the costs to completion of such developments. In making these assessments, which impact on estimating the appropriate amounts from inventory to be recognised as cost of sales on units sold, there is a degree of inherent uncertainty.

Inventories are carried at the lower of cost and net realisable value, such that provision is made, where appropriate, to reduce the value of inventories and work in progress to their net realisable value.

Where a site has commenced selling houses, the Group compares the margin recognised on a site in the year to the forecast margin on a site over the life of the development, taking account of updated sales prices and cost estimates. Where a site has not yet commenced selling, the Group compares the most recent forecast to prior forecasts for that site. The Group assesses whether any such updated margin forecasts indicate that the inventory balance needs to be adjusted to reflect the net realisable value.

Where a site purchased for redevelopment includes existing rental properties which will be demolished or vacated as part of the planned redevelopment of the site, the full cost of the site is classified within inventory.

Contract deposits for purchases of development property are recognised as deposits when paid and are transferred to inventory on legal completion of the contract when the remainder of the contract price is paid.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

(g) Share-based payments

The Group has issued equity-settled share-based payments to certain employees (share options) and founders (founder shares).

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity over the vesting period of the awards. The amounts recognised as an expense are adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions, where applicable at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised in other comprehensive income or equity.

Current tax is the expected tax payable on taxable profit or loss for the period and any adjustment to tax payable in respect of previous periods. It is measured using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

(i) Pensions

The Group operates defined contribution schemes for all employees. The Group's contributions to the schemes are charged to profit or loss in the period in which the contributions fall due.

(j) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and bank balances in bank accounts with no notice or on short-term deposits which are subject to insignificant risk of changes in value.

Cash and bank balances that are not available for use by the Group are presented as restricted cash. Amounts of restricted cash which are restricted from being exchanged or used to settle a liability for at least 12 months after the end of the reporting period are classified as non-current assets.

(k) Provisions

Provisions are recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

(l) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity through retained earnings.

(m) Exceptional items

Items that are material in size and unusual or infrequent are presented as exceptional items in the statement of profit or loss and other comprehensive income. The Directors are of the opinion that the separate presentation of exceptional items provides helpful information about the Group's underlying business performance.

(n) Segmental reporting

Operating segments are reported in a manner consistent with the internal organisational and management structure and the internal reporting information provided to the Chief Operating Decision Maker (designated as the Board of Directors), who is responsible for allocating resources and assessing the performance of operating segments.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

(o) Finance income and costs

Interest income and expense is recognised using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income, interest expense and fees paid and received over the relevant period.

Commitment fees in relation to undrawn loan facilities are accounted for on the accruals basis, within finance costs.

(p) Financial instruments

The Group classifies non-derivative financial assets into the categories: (1) financial assets at fair value through profit or loss; (2) held to maturity financial assets, (3) loans and receivables; and (4) available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the following categories: (5) financial liabilities at fair value through profit or loss and (6) other financial liabilities. During the year, the Group held no financial instruments in the following categories, (1), (2), (4) and (5), as referred to above.

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition

The Group initially recognises loans and receivables and borrowings on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, as adjusted for any impairments.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

For interest-bearing borrowings any difference between initial carrying amount and redemption value is recognised in profit or loss over the period of the borrowings on an effective interest basis.

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any directly attributable transaction costs are recognised in profit or loss as incurred.

Embedded derivatives are separated from the host contract and accounted for at fair value through profit or loss if certain criteria are met.

(q) Impairment of financial assets

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss when they occur and are reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment is reversed through profit or loss.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

4. Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined in IFRS 13, *Fair Value Measurement*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- *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 (i.e. as prices) or indirectly (i.e. derived from prices);
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further disclosure about the assumptions made in measuring fair values is included in the following notes:
- Note 14 - Loan assets;
- Note 16 - Trade and other receivables;
- Note 17 - Restricted cash and cash and cash equivalents;
- Note 20 - Loans and borrowings;
- Note 22 - Trade and other payables;
- Note 27 - Business combination; and
- Note 28 - Financial instruments and risk management.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

5. Segmental Information

Segmental information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The CODM has been identified as the Board of Directors of the Company.

Having considered the criteria in IFRS 8 *Operating Segments* and considering how the Group manages its business and allocates resources, the Group has determined that it has one reportable segment. In particular, the Group is managed as a single business unit, building and property development.

Management of the loan receivables acquired in December 2015 (Note 14) forms an integral part of the single reportable segment as the value of these loans was primarily derived from the underlying value of development properties on which they were secured.

As the Group operates in a single geographic market, Ireland, no geographical segmentation is provided.

6. Revenue

	Year ended 31 Dec 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 Dec 2015 €'000
Residential property sales	35,540	3,401
Residential site sales	4,205	-
Income from property rental	1,161	316
	40,906	**3,717**

Residential property sales include €4.5 million from the sale of residential properties acquired in Project Clear (Note 14).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

7. Other Income

	Year ended 31 Dec 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 Dec 2015 €'000
Loan income	2,643	-
Other gains	1,782	-
	4,425	**-**

During the year, loan income of €2.6 million arose on accrued income on and the settlement of certain loans acquired in the Project Clear distressed loan portfolio (Note 14), relating to development sites which the Group will not develop itself.

Other gains mainly relate to the release of liabilities which had been assumed for certain expected payments to third parties, arising on the Project Clear distressed loans acquisition, that are no longer payable.

8. Administrative Expenses

	Year ended 31 Dec 2016			Period from incorporation on 12 Nov 2014 to 31 Dec 2015		
	Before Exceptional Items €'000	Exceptional Items €'000	Total €'000	Before Exceptional Items €'000	Exceptional Items €'000	Total €'000
Employee benefits expense (Note 10)	5,126	-	**5,126**	3,003	-	**3,003**
Other expenses	2,715	1,356	**4,071**	1,489	1,086	**2,575**
	7,841	**1,356**	**9,197**	**4,492**	**1,086**	**5,578**

Costs of €1.4 million treated as exceptional relate to costs incurred as part of the acquisition of Argentum during 2016, see Note 27.

In the prior period, costs of €1.1 million were treated as exceptional, which related to costs assumed as part of the acquisition of Emerley Holdings, see Note 27.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

9. Finance Income and Finance Costs

		Period from incorporation on 12 Nov 2014 to 31 Dec 2015		
	Year ended 31 Dec 2016	Before Exceptional Items	Exceptional Items	Total
	€'000	€'000	€'000	€'000
Finance income				
Interest income on short term deposits	**89**	114	-	**114**
Finance costs				
Interest expense on financial liabilities measured at amortised cost	**(5,067)**	(1,927)	(1,858)	**(3,785)**
Other finance costs	**(127)**	127	-	**127**
	(5,194)	**(1,800)**	**(1,858)**	**(3,658)**

The interest expense for the year ended 31 December 2016 relates to interest on the drawn Term Loan and Revolving Credit Facility (Note 20), amortised finance costs and transaction costs, plus commitment fees on the undrawn facility during the year. Other finance costs in 2016 represent the reversal of a fair value gain on a derivative recognised in December 2015 (see Note 28).

Exceptional items charged within finance costs in the prior period amounted to €1.9 million, which related to the pre-exisiting interest cost of Emerley Holdings Limited prior to its acquisition by the Group, that the Group assumed on acquisition of Emerley Holdings Limited as part of the Group's Initial Public Offering process (see Note 27).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

10. Statutory and Other Information

(i) Employees

The average number of persons employed by the Group (including executive directors) during the period was:

	2016	2015
Number of employees	**38**	**14**

	Year ended 31 Dec 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 Dec 2015 €'000
The aggregate payroll costs of these employees were:		
Wages and salaries	5,443	2,884
Social welfare costs	545	277
Pension costs - defined contribution schemes	260	170
Other	35	33
	6,283	**3,364**
Amounts capitalised into inventories	(1,157)	(361)
Employee benefit expense	**5,126**	**3,003**

(ii) Other Information

	€'000	€'000
Operating lease rental expense	409	36
Net foreign currency losses/(gains) recognised in profit or loss	18	(8)
Auditor's remuneration		
Audit of Group, Company and subsidiary financial statements*	170	138
Other assurance services	11	-
Tax advisory services	143	72
Other non-audit services	398	339
	722	**549**
Directors' remuneration**		
Salaries, fees and other emoluments	2,663	2,193
Pension contribution - defined contribution schemes	90	93
	2,753	**2,286**

* *Inclusive of review of interim financial statements.*

** *Includes remuneration of connected persons as defined by Companies Act 2014.*

15,021,937 ordinary shares were issued to directors and connected persons during 2016 through the conversion of Founder Shares (Note 18).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

11. Taxation

	Year ended 31 Dec 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 Dec 2015 €'000
Current tax charge for the period	-	-
Deferred tax credit for the period	(752)	(312)
Total income tax credit	**(752)**	**(312)**

The tax assessed for the period differs from the standard rate of tax in Ireland for the period. The differences are explained below

	Year ended 31 Dec 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 Dec 2015 €'000
Loss before tax	**(2,815)**	**(37,520)**
Tax credit at standard Irish income tax rate of 12.5%	(352)	(4,690)
Effects of:		
Income taxed/expenses deductible at the higher rate of corporation tax	399	(423)
Expenses not deductible for tax purposes	14	3,781
Unused tax losses not recognised as deferred tax assets	-	1,020
Losses not recognised in prior period*	(813)	-
Total income tax credit	**(752)**	**(312)**

** Relates to certain prior period unused tax losses which were not recognised as a deferred tax asset at 31 December 2015.*

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

12. Property, Plant and Equipment

	Leasehold Improvements €'000	Computers & Equipment €'000	2016 Total €'000
Cost			
At 1 January 2016	67	63	130
Additions	393	483	876
At 31 December 2016	**460**	**546**	**1,006**
Accumulated Depreciation			
At 1 January 2016	-	-	-
Depreciation	(66)	(46)	(112)
At 31 December 2016	**(66)**	**(46)**	**(112)**
Net Book Value			
At 31 December 2016	**394**	**500**	**894**

	Leasehold Improvements €'000	Computers & Equipment €'000	2015 Total €'000
Cost			
At 12 November 2014	-	-	-
Additions	67	63	130
At 31 December 2015	**67**	**63**	**130**
Accumulated Depreciation			
At 12 November 2014	-	-	-
Depreciation	-	-	-
At 31 December 2015	**-**	**-**	**-**
Net Book Value			
At 31 December 2015	**67**	**63**	**130**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

13. Intangible Assets

Software	2016 €'000
Cost	
At 1 January 2016	130
Additions	387
At 31 December 2016	**517**
Accumulated Amortisation	
At 1 January 2016	-
Amortisation	(32)
At 31 December 2016	**(32)**
Net Book Value	
At 31 December 2016	**485**

Software	2015 €'000
Cost	
At 12 November 2014	-
Additions	130
At 31 December 2015	**130**
Accumulated Amortisation	
At 12 November 2014	-
Amortisation	-
At 31 December 2015	**-**
Net Book Value	
At 31 December 2015	**130**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

14. Loan Assets

	2016 €'000	2015 €'000
Loan receivables	16,000	378,681
Construction bonds	-	4,270
Total loan assets	**16,000**	**382,951**

The loan receivables were acquired in December 2015 (Project Clear) at a substantial discount to their nominal value reflecting their distressed state at the time of acquisition. The fair value of the loan receivables at acquisition was based on the value of the secured real estate collateral. Direct transaction costs incurred relating to the acquisition of these loans were capitalised.

During the year ended 31 December 2016, the Group realised gross proceeds of €28.2 million from the settlement of loans. At 31 December 2016, a loan with a carrying value of €16.0 million is expected to be repaid. Net gains on loan settlements and accrued income of €2.6 million arose in the year (Note 7).

The key risk in relation to the remaining loan at 31 December 2016 is credit risk. In the event that the loan cannot be repaid, as the underlying collateral to this loan is a residential development site, its recoverability would be directly linked to movements in residential property prices. In that event, given the Group's business, the assessment and measurement of risks relating to residential property prices forms part of its ongoing risk management framework, as outlined in the principal risks and uncertainties section of the Directors' Report. The Directors believe that a five per cent reduction in property prices would not negatively impact on the carrying value of the underlying site collateral and hence the loan receivable balance.

In February 2016, following the end of the sub-participation period, the Group commenced the foreclosure process, whereby the substantial majority of loans are recovered by obtaining the underlying collateral. Accordingly, the loans in foreclosure were derecognised as financial assets, and the related collateral assets were transferred to inventory, as detailed further in Note 15, which reflects the substance of these assets.

As a consequence, the related construction bonds and sundry receivables (amounts due from appointed receivers) associated with the underlying collateral have been transferred to trade and other receivables (Note 16). The carrying value of construction bonds and sundry receivables originating from the Project Clear acquisition as at 31 December 2016 was €3.4 million and €2.8 million respectively.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

15. Inventories

	2016 €'000	2015 €'000
Land held for development	559,032	132,074
Construction work in progress	37,277	17,257
Development land collateral (for loans in the foreclosure process)	130,914	-
	727,223	**149,331**

The Directors consider that all inventories are essentially current in nature although the Group's operational cycle is such that a considerable proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventories will be realised as this will be subject to a number of factors, such as consumer demand and the timing of planning permissions.

Having considered the current market conditions and development potential, the directors do not consider there to be any factors that give rise to concern in relation to the net realisable value of the Group's inventories as at 31 December 2016. Consequently, the Directors believe that the carrying value of inventories is stated at the lower of cost and net realisable value.

Following the end of the sub-participation period in February 2016, as further detailed in Note 14, the Group commenced the foreclosure process of transferring development land collateral into its direct ownership. Consequently, the cost of the development land collateral attaching to the relevant Project Clear distressed loan assets is now shown within inventories. The carrying value of collateral property (where the final steps in the foreclosure process will be completed in 2017) at 31 December 2016 was €130.9 million, with a further €43.9 million transfered to direct ownership subsequent to the year-end.

During the year assets attached to 15 of the original distressed loans acquired, with a total cost of €201.1 million, transferred from development land collateral to directly owned land held for development. In addition, the Group realised proceeds of €4.5 million from the sale of residential properties and €4.2 million from the sale of residential sites acquired as collateral properties in Project Clear, which are included in revenue (Note 6).

The total amount charged to cost of sales from inventories during the year was €33.7 million (2015: €3.0 million).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

16. Trade and Other Receivables

	2016 €'000	2015 €'000
VAT recoverable	6,888	2,101
Construction bonds	4,440	-
Other receivables	5,687	861
	17,015	**2,962**

Other receivables mainly represent amounts due from appointed receivers in relation to Project Clear assets and accrued loan income.

The carrying value of all trade and other receivables is approximate to their fair value.

17. Restricted Cash and Cash and Cash Equivalents

	2016 €'000	2015 €'000
Non-current		
Restricted cash	27,000	27,000

€27 million of restricted cash is required to be maintained in an interest-bearing blocked deposit account for the duration of the Group's senior debt facilities (Note 20), as part of the collateral for those facilities. The estimated fair value of restricted cash at 31 December 2016 is its carrying value.

	2016 €'000	2015 €'000
Current		
Cash and cash equivalents	45,645	6,551

Cash deposits are made for varying short-term periods, depending on the immediate cash requirements of the Group. All deposits can be withdrawn without significant changes in value and accordingly the fair value of current cash and cash equivalents is identical to the carrying value.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

18. Share Capital and Share Premium

Authorised	Number	2016 €'000	Number	2015 €'000
Ordinary Shares of €0.001 each	1,000,000,000	1,000	1,000,000,000	1,000
Founder Shares of €0.001 each	100,000,000	100	100,000,000	100
Deferred Shares of €0.001 each	120,000,000	120	120,000,000	120
A Ordinary Shares of €1.00 each	20,000	20	20,000	20
Total authorised share capital		**1,240**		**1,240**

Issued and fully paid As at 31 Dec 2016	Number	Share Capital €'000	Share Premium €'000	Total €'000
Ordinary Shares of €0.001 each	689,274,623	689	697,648	698,337
Founder Shares of €0.001 each	84,978,063	85	85	170
Deferred Shares of €0.001 each	19,980,000	20	-	20
A Ordinary Shares of €1.00 each	-	-	-	-
Total issued and fully paid		**794**	**697,733**	**698,527**

Issued and fully paid As at 31 Dec 2015	Number	Share Capital €'000	Share Premium €'000	Total €'000
Ordinary Shares of €0.001 each	516,663,977	517	521,290	521,807
Founder Shares of €0.001 each	100,000,000	100	100	200
Deferred Shares of €0.001 each	19,980,000	20	-	20
A Ordinary Shares of €1.00 each	-	-	-	-
Total issued and fully paid		**637**	**521,390**	**522,027**

The Company has four authorised classes of shares: Ordinary Shares; A Ordinary Shares; Founder Shares; and Deferred Shares.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per Ordinary Share at meetings of the Company.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

18. Share Capital and Share Premium (continued)

The holders of Founder Shares are not entitled to receive dividends and do not have voting rights at meetings of the Company save in relation to a resolution to wind up the Company or to authorise the directors to issue further Founder Shares. Founder Shares entitle New Emerald LP (the sole limited partner and economic beneficiary of which is the Emerald QIAIF, the ultimate beneficiaries of which are Alan McIntosh, a director, and his spouse), Michael Stanley and Kevin Stanley to receive 20% of the Total Shareholder Return (which is the increase in the market capitalisation of the Company, plus dividends or distributions in the relevant periods), over the seven years following Admission of the Company's Ordinary Shares to the London Stock Exchange, subject to the satisfaction of the Performance Condition, being the achievement of a compound rate of return of 12.5% per annum in the Company's share price, as adjusted for any dividends paid in the period. The Founder Shares will be converted into Ordinary Shares or paid out in cash, at the option of the Company, in an amount equal to the return earned by the Founders, if any.

The holders of Deferred Shares do not have voting rights at meetings and are not entitled to receive dividends except for the right to receive €1 in aggregate for every €100,000,000,000 paid to the holders of Ordinary Shares.

The holders of A Ordinary Shares are not entitled to receive dividends and do not have voting rights at meetings of the Company.

Share Issues

Year ended 31 December 2016

On 19 April 2016, the Company issued 46,875,000 Ordinary Shares at €1.12 each through a Firm Placing and 110,713,709 Ordinary Shares at €1.12 each through a Placing and Open Offer, raising gross proceeds of €176.5 million.

On 16 August 2016, the Company issued 15,021,937 Ordinary Shares (through the conversion of 15,021,937 Founder Shares) to the Founder Group of Michael Stanley, Alan McIntosh and Kevin Stanley.

Share issue costs of €8.1 million in 2016 were charged directly in equity to retained earnings.

Period ended 31 December 2015

On incorporation, on 12 November 2014, the Company issued 100 Ordinary Shares for cash consideration of €100.

On 2 April 2015, the Company passed a resolution whereby every one Ordinary Share of €1 each was sub-divided into 1,000 Ordinary Shares of €0.001 each.

On 2 April 2015, the Company issued 100 Ordinary Shares for cash consideration of €100,000.

On 2 April 2015, 20,000 A Ordinary Shares were issued for cash consideration of €20,000.

On 2 April 2015, 100,000,000 Founder Shares of €0.001 each were issued for cash consideration of €200,000.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

18. Share Capital and Share Premium (continued)

On 4 May 2015, the Company issued 4 Ordinary Shares for cash consideration of €0.04.

On 9 June 2015, 20,000 A Ordinary Shares were converted to 20,000 Ordinary Shares of €0.001 each and 19,980,000 Deferred Shares of €0.001 each.

On 10 June 2015, the Company issued 400,000,000 Ordinary Shares at €1.00 each by way of an Initial Public Offering, raising gross proceeds of €400 million.

On 10 June 2015, the Company issued 26,657,224 Ordinary Shares at €1.00 each in consideration for the transfer to the Company of the entire share capital of Emerley Holdings Limited (See Note 27).

On 10 June 2015, the Company issued 2,579,900 Ordinary Shares at €1.00 each as part of the Admission Founders Subscription, raising proceeds of €2,579,900.

On 10 June 2015, the Company issued 380,000 Ordinary Shares at €1.00 each as part of the Additional Persons Subscription, raising proceeds of €380,000.

On 23 June 2015, the Company issued 40,000,000 Ordinary Shares at €1.00 each by way of the exercise of an Over-Allotment Option, raising gross proceeds of €40 million.

On 2 December 2015, the Company issued 46,926,749 Ordinary Shares at €1.11 each by way of a Share Placing, raising gross proceeds of €52.1 million.

Issue costs of €15.9 million in relation to Ordinary Shares issued in 2015 were charged directly in equity to retained earnings.

The proceeds of share issues were or will be used to acquire assets to develop the Group's business of property development and construction of residential units and for general corporate purposes.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

19. Share-Based Payments

Founder Shares

A valuation exercise was undertaken to fair value the Founder Shares (the terms of which are outlined in Note 18), which resulted in a non-cash charge in the period to 31 December 2015 of €29.1 million, with a corresponding increase in the share-based payment reserve in equity such that there was no overall impact on total equity. This non-cash charge to profit or loss for the period ended 31 December 2015 was for the full fair value of the award relating to the Founder Shares, all of which was required to be recognised up front under the terms and conditions of the Founder Share agreement. No charge will be recognised in subsequent years.

The valuation exercise was completed using the "Monte Carlo" simulation methodology and the following key assumptions:

- Share price volatility of 25% per annum, based on a basket of comparative UK listed entities;
- Risk free rate of 0.1% per annum;
- Dividend yield of 3% per annum, effective from 2018;
- 15% discount based on restrictions on sale once Founder Shares convert to Ordinary Shares.

As detailed in Note 18, during the year ended 31 December 2016, 15,021,937 Founder Shares (15.02% of the total) were converted to ordinary shares and a proportionate amount of the €29.1 million amount referred to above, totalling €4.4 million, was transferred from the share-based payment reserve to retained earnings.

Share Options

500,000 ordinary share options were issued in the period ended 31 December 2015, to a director. 250,000 of these options vest during 2018 and the remaining 250,000 vest during 2019. The exercise price of each ordinary share option is €1.00. At grant date, the fair value of the options that vest during 2018 was calculated at €0.219 per share while the fair value of options that vest in 2019 was calculated at €0.220 per share. The valuation exercise undertaken to fair value the share options resulted in a non-cash charge in administrative expenses in the year ended 31 December 2016 of €0.032 million (2015: €0.018 million), with a corresponding increase in the share-based payment reserve in equity.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

20. Loans and Borrowings

	2016 €'000	2015 €'000
Non-current liabilities		
Bank loans		
Repayable as follows:		
Between two and five years (repayable in December 2019)	148,631	63,543
	148,631	**63,543**

On 8 February 2016, €42 million was drawn down on the Term Loan by the Group. A further €8 million was drawn on 11 March 2016, with a further €50 million drawn on 3 May 2016, in line with the terms of the Term Loan.

On 9 June 2016, the Group repaid the Revolving Credit Facility of €15.5 million. The Group has an undrawn Revolving Credit Facility of €50 million available as at 31 December 2016.

The amount presented in the financial statements is net of related unamortised arrangement fees and transaction costs.

The loan facilities are repayable by 11 December 2019 and are secured by way of a floating charge over the assets of the Company and its subsidiaries. The Directors confirm that all covenants have been complied with and are kept under regular review. The key covenants under the Facility Agreement include that the Group must convert 60% of all loan assets into direct site ownership within 12 months of acquisition, which it successfully completed. In addition, loan assets must not represent greater than 70% of the Gross Asset Value (as defined in the Facility Agreement) of the Group during year 1 of the Facilities, 35% during year 2 and 20% during year 3. In addition, Total Debt (as defined in the Facility Agreement) must not exceed 40% of Gross Asset Value and in the event that Senior Debt (i.e. the amount due under the Facility Agreement) exceeds 30% of Gross Asset Value, the Group must achieve defined EBITDA hurdles in each of 2017, 2018 and 2019.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

21. Deferred Taxation

Movements in deferred tax/liability:

	2016 €'000	2015 €'000
Opening balance	815	-
Liability on acquisition of Emerley Holdings Limited (Note 27)	-	1,127
Liability on acquisition of Argentum (Note 27)	5,427	-
Credited to profit or loss	(752)	(312)
As at year/period end	**5,490**	**815**

Deferred tax arises from temporary differences relating to:

2016	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	1,546	(2,361)	(815)
Acquired in business combinations			
- land held for development	-	(6,564)	(6,564)
- tax losses	1,137	-	1,137
Recognised in profit or loss	130	622	752
Closing balance	**2,813**	**(8,303)**	**(5,490)**

2015	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	-	-	-
Acquired in business combinations			
- land held for development	-	(2,361)	(2,361)
- tax losses	1,234	-	1,234
Recognised in profit or loss	312	-	312
Closing balance	**1,546**	**(2,361)**	**(815)**

There are no unrecognised deferred tax assets at 31 December 2016. In the prior period, potential deferred tax assets of €1.0 million were not recognised as at 31 December 2015.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

22. Trade and Other Payables

	2016 €'000	2015 €'000
Trade payables	7,659	583
Accruals	6,945	10,233
Other creditors	1,166	377
	15,770	**11,193**

Other creditors represents amounts due for payroll taxes and Relevant Contracts Tax.

The carrying value of all trade and other payables is approximate to their fair value.

23. Dividends

There were no dividends declared and paid by the Company during the year and there were no dividends proposed by the Directors in respect of the year up to the date of authorisation of these financial statements.

24. Related Party Transactions

For the year ended 31 December 2016, the following related party transactions have taken place requiring disclosure:

- Edward Square Limited, an entity directly owned by Alan McIntosh, a director, recharged €0.105 million in the period to the Group for professional services and expenses incurred on behalf of the Group.
- Compensation (as defined by IAS 24 "Related Party Disclosures") of key management personnel (which comprise the Board of Directors of the Company) was as follows:

	2016 €'000	2015 €'000
Short-term employee benefits	2,259	1,837
Post-employment benefits (pension contributions - defined contribution schemes)	68	69
Share-based payment expense - share options	32	18
Total remuneration of key management personnel	**2,359**	**1,924**
Share-based payment expense - fair value charge relating to Founder Shares of key management personnel (Note 19)	-	**24,735**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

24. Related Party Transactions (continued)

Period ended 31 December 2015

For the period from incorporation on 12 November 2014 to 31 December 2015, the following related party transactions took place which required disclosure:

- On 15 June 2015, 100% of the share capital of Emerley Holdings Limited, subsequently renamed Cairn Homes Holdings Limited, was acquired by the Company from Everleigh Investment Partners Limited (an entity, in which the ultimate beneficiaries are Alan McIntosh, a director, and his spouse) and Stanbro Property Holdings Limited (a company, of which over 96 per cent. of the ultimate beneficial interest is held by Michael Stanley, a director, together with family members) for €26.7 million, the consideration for which was satisfied by the issue of 26,657,224 Ordinary Shares of €0.001 each in the Company (see Note 27);
- As part of the acquisition of Emerley Holdings Limited, subsequently renamed Cairn Homes Holdings Limited, a loan of €18.1 million ("the Emerley Properties Loan") due to Northern Trust Fiduciary Services Ireland Limited (acting in its capacity as trustee to the Emerald QIAIF, the ultimate beneficiaries of which are Alan McIntosh, a director, and his spouse) was acquired. The loan was secured by a fixed and floating charge over the assets of Emerley Properties Limited, subsequently renamed Cairn Homes Properties Limited. If all of any part of the loan were repaid by 31 December 2015, a minimum interest amount of €3.6 million was payable and thereafter interest would accrue at a rate of 20 per cent per annum. This loan was repaid in full by 31 December 2015, incurring the minimum interest charge of €3.6 million which was paid on 3 December 2015.
- Butterly Business Park, Kilmore Road, Artane, Dublin 5 was acquired by Cairn Homes Butterly Limited, a 100% subsidiary of the Company, from Butterly Capital Investments Limited, an entity in which the ultimate economic interest is indirectly held by Alan McIntosh, a director, and his spouse, for cash consideration of €9.3 million. In addition, Cairn Homes Butterly Limited was charged management fees of €0.1 million in the period by Butterly Capital Investments Limited in respect of the Butterly Business Park;
- Development land at Letteragh Road, Rahoon, Galway was acquired by Cairn Homes Galway Limited, a 100% subsidiary of the Company, from Emerald Opportunity Investment (Galway) Limited, an entity in which the ultimate economic interest is indirectly held by Alan McIntosh and his spouse, for cash consideration of €4.9 million;
- Development land at Albany House, Shanganagh Road, Ballybrack, Co. Dublin was acquired by Cairn Homes Killiney Limited, a 100% subsidiary of the Company, from Albany House Investments Limited, an entity in which the ultimate economic interest is indirectly held by Alan McIntosh and his spouse, for cash consideration of €5.7 million;
- Development land at Moathill, Navan, Co Meath was agreed to be conditionally acquired by Cairn Homes Navan Limited, a 100% subsidiary of the Company, from Sonbrook Property Moathill Limited, an entity in which the ultimate economic interest is held by Kevin Stanley, a member of the management team, and his spouse. Given the size of this site (approximately 100 units) relative to the average site size that the Group has acquired, the Group have decided not to acquire the Moathill site.
- Edward Square Limited, an entity directly held by Alan McIntosh, a director, recharged €0.35 million in the period to the Group for professional services and expenses incurred on its behalf.
- Emerald Opportunity Investment Fund, an entity indirectly held by Alan McIntosh, a director, recharged €0.2 million in the period Group for professional services incurred on its behalf.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

25. Group Entities

The Company's subsidiaries are set out below. All of the Company's subsidiaries are resident in Ireland, with their registered address at 7 Grand Canal, Grand Canal Street Lower, Dublin 2. All Group companies operate in Ireland only.

Group Company	Principal Activity	Company's holding as at 31 December 2016	
		Direct	Indirect
Cairn Homes Holdings Limited	Holding company	100%	-
Cairn Homes Properties Limited	Holding of property	-	100%
Cairn Homes Construction Limited	Construction company	-	100%
Cairn Homes Butterly Limited	Holding of property	100%	-
Cairn Homes Galway Limited	Holding of property	100%	-
Cairn Homes Killiney Limited	Holding of property	100%	-
Cairn Homes Navan Limited	No activity in period	100%	-
Cairn Homes Finance Designated Activity Company	Financing activities and acquisition/management of loan assets	100%	-
Balgriffin Cells P13-P15 Designated Activity Company	No activity in period	100%	-
Cairn Homes Property Holdco Limited (formerly Argentum Property Holdco Limited)	Holding company	-	100%
Cairn Homes Property Management Limited (formerly Argentum Property Management Limited)	Management company	-	100%
Cairn Homes Property Holding One Limited (formerly Argentum Property Holding One Limited)	Holding of property	-	100%
Cairn Homes Property Holding Two Limited (formerly Argentum Property Holding Two Limited)	Holding of property	-	100%
Cairn Homes Property Holding Three Limited (formerly Argentum Property Holding Three Limited)	Holding of property	-	100%
Cairn Homes Property Holding Four Limited (formerly Argentum Property Holding Four Limited)	Holding of property	-	100%

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

25. Group Entities (continued)

Group Company	Principal Activity	Company's holding as at 31 December 2016	
		Direct	Indirect
Cairn Homes Property Holding Five Limited (formerly Argentum Property Holding Five Limited)	Holding of property	-	100%
Cairn Homes Property Holding Six Limited (formerly Argentum Property Holding Six Limited)	Holding of property	-	100%
Cairn Homes Property Holding Seven Limited (formerly Argentum Property Holding Seven Limited)	Holding of property	-	100%
Cairn Homes Property Holding Eight Limited (formerly Argentum Property Holding Eight Limited)	Holding of property	-	100%

26. Earnings Per Share

The basic loss per share for the year ended 31 December 2016 is based on the loss attributable to ordinary shareholders of €2.1 million and the weighted average number of ordinary shares outstanding for the year. There is no difference between basic and diluted loss per share. The potential ordinary shares to be issued relating to share-based payment arrangements are not dilutive in view of the loss made in the period.

	2016	2015
Loss for the year/period attributable to ordinary shareholders (€'000)	(2,063)	(37,208)
Weighted average number of ordinary shares for year/period	632,830,319	233,546,612
Basic and diluted loss per share	0.3 cents	15.9 cents

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

27. Business Combination

On 21 April 2016, the Company acquired 100% of the share capital of Argentum Property Holdco Limited ("Argentum") for a consideration of €91.2 million. This acquisition had been conditional on the successful completion of the Company's Firm Placing and Placing and Open Offer (Note 18). The purpose of the acquisition was to acquire Argentum's business of the development of residential properties at Ashbourne, Naas, Greystones, Griffith Avenue, Dollymount and Swords.

The fair value of recognised amounts of assets acquired and liabilities assumed were as follows:

	2016 €'000
Inventories	94,324
Receivables	1,050
Deposit paid	1,600
Cash and cash equivalents	818
Current liabilities	(1,178)
Deferred tax liability	(5,427)
Total fair values of net assets acquired	**91,187**
Consideration satisfied by:	
Cash paid to date (including €5 million deposit paid in 2015)	91,074
To be paid	113
Consideration fair value	**91,187**

The total fair value of assets acquired was €91.2 million, which has been satisfied by the cash consideration of €91.2 million, consisting of a deposit of €5 million paid in 2015 and a payment of €86.1 million in 2016, with €0.1 million payable in 2017. The fair value of contingent consideration was assessed as nil by the Directors at the acquisition date. The maximum amount of contingent consideration payable is €8.75 million (see Note 30).

Inventories of €94.3 million reflect the fair value, as at the date of acquisition, of development properties owned by Argentum and a conditional purchase contract to acquire the Greystones site. The purchase of the Greystones site completed at a cost of €14.4 million on August 24 2016, which was paid to the vendors of the Greystones site and is separate from the business combination. The combined total of the consideration for the Argentum business and the payment to complete the Greystones site purchase was €105.6 million.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

27. Business Combination (continued)

Transaction costs relating to the business combination of €1.4 million have been charged to profit or loss in accordance with IFRS 3. As the acquisition of a business (as opposed to site purchases) is a non-routine transaction for the Group which is not currently expected to recur frequently, these have been classified as an exceptional item.

From the acquisition date to 31 December 2016, this acquisition contributed revenue of €0.3 million and profit of nil to the consolidated results of the Group. If the acquisition had occurred with effect from the beginning of the period, it would have contributed revenue of €0.3 million and profit of nil to the consolidated results of the Group for the period.

Prior period business combination

On 15 June 2015, the Company acquired 100% of the share capital of Emerley Holdings Limited (subsequently renamed Cairn Homes Holdings Limited), for a consideration of €26.7 million, all of which was satisfied by the issue of 26,657,224 ordinary shares in the Company (Note 18). This acquisition had been conditional on the successful completion of the Company's IPO. The fair value of the consideration was €26.7 million based on the Company's IPO share issue price of €1.00 per share. The purpose of the acquisition was to acquire Emerley Holdings Limited's business of the development of residential property at Parkside, Dublin.

The fair value of recognised amounts of assets acquired and liabilities assumed were as follows:

	2015 **€'000**
Inventories	43,810
Cash and cash equivalents	1,963
VAT recoverable	369
Other receivables	546
Trade payables	(60)
Accruals	(3,658)
Borrowings	(18,130)
Deferred tax liability	(1,127)
Total fair value at net assets acquired	**23,713**
Charge to profit or loss - exceptional items	**2,944**
Consideration - fair value of shares issued	**26,657**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

27. Business Combination (continued)

The fair value of consideration exceeded the fair value of net assets and liabilities acquired by €2.94 million. The Directors believed that certain expenses incurred directly by Emerley Holdings Limited in advance of the acquisition were incurred for the benefit of the Company and its shareholders and the Group assumed these pre-existing costs at its own expense. The costs assumed were as follows:

- €0.94 million of certain costs relating to the restructuring of the Emerley Holdings Limited Group prior to its acquisition by the Group as part of the Initial Public Offering and €0.15 million of other administrative expenses;
- €1.86 million in accrued interest in relation to the Emerley Properties Loan (see Notes 9 and 24);

The above costs were expensed to profit or loss and disclosed as exceptional items in 2015 (see Notes 8 and 9).

From the acquisition date to 31 December 2015, this acquisition contributed revenue of €3.6 million and a loss of €1.9 million to the consolidated results of the Group. If the acquisition had occurred with effect from the beginning of the period, it would have contributed revenue of €3.6 million and a loss of €4.8 million to the consolidated results of the Group for the period (including the impact of the €2.9 million exceptional costs noted above).

28. Financial Instruments and Risk Management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

(a) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Committee keeps under review the adequacy and effectiveness of the Group's internal financial controls and the internal control and risk management systems.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loan assets, trade and other receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Exposure to credit risk

The Group's main financial assets are loan receivables and cash and cash equivalents (including restricted cash).

Loan receivables, which totalled €16 million (Note 14) at 31 December 2016 and are secured on real estate collateral in Ireland, are expected to be repaid. As at 31 December 2016, the Directors estimate that in the event of non-repayment, the value of real estate collateral less costs that would be incurred in acquiring underlying properties approximates to the carrying value of loan receivables and accrued loan income.

As at 31 December 2015, based on the nature of the loan receivables, there was a concentration of risk in these assets which related to the value of development property in Ireland and the achievability of future profitable development of such property. As the substantial majority of loan assets were recovered through transfer to inventories during 2016, risks in relation to development of such property now attach to inventories (Note 15).

Group management in conjunction with the Board manage risk associated with cash and cash equivalents and restricted cash by depositing funds with a number of Irish financial institutions and AAA rated international institutions. At 31 December 2016, the Group's deposits were held in three Irish financial institutions with a minimum credit rating of BBB-.

The maximum amount of credit exposure is therefore:

	2016 €'000	**2015 €'000**
Loan receivables (Note 14)	16,000	378,681
Construction bonds and other receivables	10,127	5,131
Restricted cash - non-current	27,000	27,000
Cash and cash equivalents - current	45,645	6,551
	98,772	**417,363**

Construction bonds and other receivables of €10.1 million at 31 December 2016 were all neither past due nor impaired.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(b) Credit risk (continued)

At 31 December 2016, the aging of loan receivables was as follows:

	2016 €'000	2015 €'000
Neither past due nor impaired	-	-
Past due, in default and not impaired	16,000	378,681
Total loan receivables	**16,000**	**378,681**

As described in Note 14, the Group purchased these loan receivables, which are all in default, in December 2015 for their fair value, plus directly attributable transaction costs. Based on the value of collateral held and discussions to date with the borrowers, the Directors are satisfied that the carrying value of these assets is not impaired as at 31 December 2016.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing 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.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and commitments. All trade and other payables at 31 December 2016 are considered current, with the expected cash outflow equivalent to their carrying value.

Management monitors the adequacy of the Group's liquidity reserves (comprising undrawn borrowing facilities as detailed in Note 20 and cash and cash equivalents as detailed in Note 17) against rolling cash flow forecasts. In addition, the Group's liquidity risk management policy involves monitoring short term and long term cash flow forecasts.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(c) Liquidity risk (continued)

	2016 €'000	2015 €'000
Liabilities due in less than one year		
Trade and other payables	15,770	11,193
Total liabilities due in less than one year	**15,770**	**11,193**
Liabilities due after more than one year		
Borrowings	148,631	63,543
Derivative liability	-	514
Total liabilities due after more than one year	**148,631**	**64,057**
Total funds available:		
Cash and cash equivalents (excluding restricted cash)	45,645	6,551
Revolving credit facility undrawn	50,000	34,500
Term loan facility undrawn	-	50,000
Total funds available	**95,645**	**91,051**

During the year ended 31 December 2015, an embedded interest-rate floor in the Group's loan agreement was recognised as a derivative liability and its value at 31 December 2015 was estimated at €0.5 million. Following further guidance issued in 2016 by the IFRS Interpretations Committee, it is no longer considered appropriate to treat this as a derivative. Accordingly the carrying value of the derivative of €0.5 million at 31 December 2015 was reclassified to borrowings with effect from 1 January 2016 and a gain of €0.1 million recorded in 2015 was reversed in 2016 (Note 9).

The Board has reviewed the Group financial forecasts and associated risks for the period beyond one year from the date of approval of the financial statements. The forecasts reflect key assumptions, based on information available to the Directors at the time of the preparation of this financial information. These forecasts are based on:

- detailed monthly forecasting by site for the period 2017-2019, reflecting trends experienced up to the date of preparation; and
- future revenues for 2017-2019 based on management's assessment of trends across principal development sites.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(c) Liquidity risk (continued)

The critical assumptions underlying the forecasts were then stress-tested to ensure sufficient financial covenant headroom exists to cope with a reasonable level of negative movement in the key assumptions.

Having completed this forecasting process, the Directors expect that the Group will meet the covenants under its bank facilities and consider that there is sufficient liquidity available to the Group for the period beyond one year from the date of approval of these financial statements.

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

31 December 2016

		Contractual cash flows				
	Carrying Amount €'000	Total €'000	6 months or less €'000	6-12 months €'000	1-2 years €'000	2-5 years €'000
Non-derivative financial liabilities						
Trade payables and accruals	14,604	(14,604)	(14,604)	-	-	-
Loans and borrowings	148,631	(164,867)	(2,529)	(2,571)	(5,100)	(154,667)
	163,235	**(179,471)**	**(17,133)**	**(2,571)**	**(5,100)**	**(154,667)**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(c) Liquidity risk (continued)

31 December 2015

	Carrying Amount €'000	Total €'000	Contractual cash flows 6 months or less €'000	6-12 months €'000	1-2 years €'000	2-5 years €'000
Non-derivative financial liabilities						
Trade payables and accruals	10,816	(10,816)	(10,816)	-	-	-
Loans and borrowings	63,543	(73,868)	(977)	(1,009)	(2,180)	(69,702)
	74,359	**(84,684)**	**(11,793)**	**(1,009)**	**(2,180)**	**(69,702)**
Derivative financial liabilities						
Embedded interest-rate floor	**514**	(514)	(48)	(68)	(144)	(254)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is not exposed to currency risk. The Group operates only in the Republic of Ireland.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(d) Market risk (continued)

(ii) Interest rate risk

At 31 December 2016, the Group had Term Loan and Revolving Credit facilities with AIB and Ulster Bank that had a principal drawn balance of €150 million, with a variable interest rate of Euribor (with a 0% floor), plus a margin of 3%. The Group has an exposure to cashflow interest rate risk where there are changes in Euribor rates. On 17 August 2016, the Group amended the interest rate terms in its loan agreements such that interest on €70 million of its Term Loan was fixed at an interest rate of 0% (benchmark) plus a margin of 3%, which is fixed until the loan matures in December 2019.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and the rate change is only applied to the portion of the Term Loan that is exposed to movements in Euribor.

	Profit or loss		Equity	
	100 bp increase €'000	**100 bp decrease €'000**	**100 bp increase €'000**	**100 bp decrease €'000**
31 December 2016				
Variable-rate instruments - borrowings	(700)	700	(700)	700
Cash flow sensitivity (net)	**(700)**	**700**	**(700)**	**700**

	Profit or loss		Equity	
	100 bp increase €'000	**100 bp decrease €'000**	**100 bp increase €'000**	**100 bp decrease €'000**
31 December 2015				
Variable-rate instruments - borrowings	(36)	36	(36)	36
Cash flow sensitivity (net)	**(36)**	**36**	**(36)**	**36**

The Group is also exposed to interest rate risk on its cash and cash equivalents. These balances attract low interest rates and therefore a reasonably possible relative increase or decrease in their interest rates could not have a material effect on profit or loss.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base (defined as shareholders' equity) so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group takes a conservative approach to bank financing and the debt to total asset value ratio was 18% at 31 December 2016.

(f) Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

The following table shows the Group's financial assets and liabilities and the methods used to calculate fair value.

Asset/Liability	Carrying value	Level	Method	Assumptions
Loan assets as at 31 Dec 2016	Amortised cost	2	Discounted Cash Flow	Valuation based on discounted cash flows from expected settlement proceeds.
Loan assets as at 31 Dec 2015	Amortised cost	3	Assessed in relation to collateral value	Valuation of collateral is subjective based on agents' guide sales prices and market observation of similar property sales where available, expected scale of development, and development costs assumptions.
Borrowings	Amortised cost	2	Discounted Cash Flow	Valuation based on future repayment and interest cashflows discounted at a year-end market interest rate.

The method for estimating the fair value of loan assets changed from December 2015 to December 2016 as the majority of loan assets at 31 December 2015 have transferred into direct ownership, or are currently in the foreclosure process, and therefore are no longer recognised as loan assets at 31 December 2016. The remaining loan assets at 31 December 2016 are expected to be repaid and the fair value estimate is now classified as Level 2.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

28. Financial Instruments and Risk Management (continued)

(f) Fair value of financial assets and financial liabilities (continued)

The following table shows the carrying values of financial assets and liabilities, including their values in the fair value hierarchy. The table does not include fair value information for certain financial assets and liabilities not measured at fair value where the carrying amount is a reasonable approximation of fair value.

	2016		Fair Value	
	Carrying Value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial assets measured at amortised cost				
Loan assets	16,000		16,000	
Other receivables	10,127			
Cash and cash equivalents - current	45,645			
Restricted cash - non-current	27,000			
	98,772			
Financial liabilities measured at amortised cost				
Trade payables and accruals	14,604			
Borrowings	148,631		148,631	
	163,235			

	2015		Fair Value	
	Carrying Value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial assets measured at amortised cost				
Loan assets	382,951			382,951
Other receivables	861			
Cash and cash equivalents - current	6,551			
Restricted cash - non-current	27,000			
	417,363			
Financial liabilities measured at amortised cost				
Trade payables and accruals	10,816			
Borrowings	63,543		63,543	
	74,539			
Financial liabilities measured at fair value				
Derivative liability	514		514	
	514			

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

29. Operating Lease Commitments

The Group's operating lease commitments relate to the lease of its Head Office property.

At the year/period end, the Group had outstanding commitments under this non-cancellable operating lease which fall due as follows:

	2016 €'000	2015 €'000
Less than one year	389	389
Later than one and no later than five years	1,558	1,558
Later than five years	400	789
	2,347	**2,736**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

30. Other Commitments and Contingent Liabilities

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities of its subsidiary undertakings for their financial years ending 31 December 2016 and as a result such subsidiary undertakings have been exempted from the filing provisions of the Companies Act 2014. The subsidiary undertakings are listed in Note 25.

The Group has a conditional contract to acquire a directly adjoining lot to its Cherrywood site at a cost of €9.2 million, on the grant of planning consent for that site.

The Group has contracted to pay the vendors a further €8.75 million in the event that the Swords site (acquired as part of the Argentum transaction) (Note 27), is successfully rezoned as residential by 31 December 2018.

The Group has also contractually committed to acquiring the remainder of a site in Delgany, Co. Wicklow in May 2018 at a cost of €14.25 million.

The Group is not aware of any other commitments and contingent liabilities that should be disclosed in these financial statements.

Capital commitments

	2016	**2015**
	€'000	**€'000**
Contracted not provided for	-	150
Authorised not contracted for	-	-
	-	**150**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2016

31. Profit/(Loss) of the Parent Company

The parent company of the Group is Cairn Homes plc. In accordance with Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual statement of profit or loss and other comprehensive income to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit after tax for the year ended 31 December 2016, determined in accordance with IFRS as adopted by the EU, is €2.8m.

32. Events After the Reporting Period

Subsequent to year end, development land collateral for loans in the foreclosure process with a total value of €43.9 million transferred into the Group's direct ownership.

Subsequent to year end, an agreement was entered into with the National Asset Management Agency (NAMA) to jointly develop a site adjoining the Group's Parkside site. The Group has a 65% controlling shareholding in this venture.

33. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 6 April 2017.

Company Financial Statements

For the year ended 31 December 2016

CONTENTS

Company Statement of Financial Position

At 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Non-current assets			
Property, plant and equipment	2	515	75
Intangible assets	3	485	130
Investments in subsidiaries	4	26,657	26,657
Deferred tax asset		118	-
		27,775	**26,862**
Current assets			
Amounts due from subsidiary undertakings	5	610,106	394,712
Inventories	6	-	72,899
Deposits paid		-	5,000
Trade and other receivables	7	1,318	990
Cash and cash equivalents		37,075	4,506
		648,499	**478,107**
Total assets		**676,274**	**504,969**
Equity			
Share capital	8	794	637
Share premium	8	697,733	521,390
Share-based payment reserve	9	24,779	29,118
Retained earnings		(49,674)	(48,732)
Total equity		**673,632**	**502,413**
Liabilities			
Current liabilities			
Trade and other payables	10	2,642	2,556
Total liabilities		**2,642**	**2,556**
Total equity and liabilities		**676,274**	**504,969**

On behalf of the Board:

J Reynolds
Chairman

G Britton
Director

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital							
	Ordinary shares	A Ordinary shares	Deferred shares	Founder shares	Share premium	Share-based payment reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
As at 1 January 2016	**517**	**-**	**20**	**100**	**521,390**	**29,118**	**(48,732)**	**502,413**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	2,775	**2,775**
	-	-	-	-	-	-	**2,775**	**2,775**
Transactions with owners of the company								
Issue of ordinary shares for cash	157	-	-	-	176,343	-	-	**176,500**
Share issue costs	-	-	-	-	-	-	(8,088)	**(8,088)**
Conversion of founder shares to ordinary shares	15	-	-	(15)	-	(4,371)	4,371	**-**
Equity-settled share-based payments	-	-	-	-	-	32	-	**32**
	172	**-**	**-**	**(15)**	**176,343**	**(4,339)**	**(3,717)**	**168,444**
As at 31 December 2016	**689**	**-**	**20**	**85**	**697,733**	**24,779**	**(49,674)**	**673,632**

Company Statement of Changes in Equity

For the period from incorporation on 12 November 2014 to 31 December 2015

	Share Capital							
	Ordinary shares €'000	A Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
As at 12 November 2014	-	-	-	-	-	-	-	-
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	-	(32,785)	**(32,785)**
	-	-	-	-	-	-	**(32,785)**	**(32,785)**
Transactions with owners of the company								
Issue of ordinary shares for cash	490	-	-	-	494,660	-	-	**495,150**
Share issue costs	-	-	-	-	-	-	(15,947)	**(15,947)**
Issue of founder shares for cash	-	-	-	100	100	-	-	**200**
Issue of ordinary shares for business combination	27	-	-	-	26,630	-	-	**26,657**
Issue of A ordinary shares for cash	-	20	-	-	-	-	-	**20**
Conversion of A ordinary shares to deferred shares	-	(20)	20	-	-	-	-	**-**
Equity-settled share-based payments	-	-	-	-	-	29,118	-	**29,118**
	517	**-**	**20**	**100**	**521,390**	**29,118**	**(15,947)**	**535,198**
As at 31 December 2015	**517**	**-**	**20**	**100**	**521,390**	**29,118**	**(48,732)**	**502,413**

Company Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December 2016 €'000	Period from incorporation on 12 Nov 2014 to 31 December 2015 €'000
Cash flows from operating activities		
Profit/(loss) for the period	2,775	(32,785)
Adjustments for:		
Share-based payments expense	32	29,118
Finance income	(89)	(114)
Depreciation of property, plant and equipment	95	-
Amortisation of intangible assets	32	-
Taxation	(118)	-
	2,727	**(3,781)**
Decrease/(increase) in inventories	72,899	(72,899)
Increase in amounts due from group undertakings	(124,320)	(394,712)
Increase in deposits paid	-	(5,000)
Increase in trade and other receivables	(328)	(990)
Increase in trade and other payables	829	1,758
Net cash used in operating activities	**(48,193)**	**(475,624)**
Cash flows from investing activities		
Acquisition of Argentum	(86,074)	-
Cash acquired on acquisition of Argentum	-	-
Purchases of property, plant and equipment	(535)	(75)
Purchases of intangible assets	(434)	(83)
Interest received	89	114
Net cash used in investing activities	**(86,954)**	**(44)**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	167,716	480,174
Net cash from financing activities	**167,716**	**480,174**
Net increase in cash and cash equivalents in the year/period	**32,569**	**4,506**
Cash and cash equivalents at beginning of year/period	4,506	-
Cash and cash equivalents at end of year/period	**37,075**	**4,506**

Notes to the Company Financial Statements

For the year ended 31 December 2016

1. Significant Accounting Policies

The individual financial statements of the Company have been prepared in accordance with IFRS, as adopted by the EU and as applied in accordance with the Companies Act 2014. As described in Note 31 of the consolidated financial statements, the Company has availed of the exemption from presenting its individual statement of profit or loss and other comprehensive income. The Company's profit after tax for the year ended 31 December 2016 is €2.8 million.

The significant accounting policies applicable to these individual company financial statements, which are not reflected within the accounting policies for the consolidated financial statements, are detailed below.

(a) Investments in subsidiaries

Investments in subsidiaries are accounted for in these individual financial statements on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of investees. Investments in subsidiaries are carried at cost less impairment.

(b) Intra-group guarantees

The Company has given guarantees in respect of borrowings and other liabilities arising in the ordinary course of business of the Company and its subsidiaries. The Company considers these guarantees to be insurance contracts and accounts for them as such. These guarantees are treated as contingent liabilities until such time as it becomes probable that a payment will be required under such guarantees.

Notes to the Company Financial Statements - continued

For the year ended 31 December 2016

2. Property, Plant and Equipment

	Leasehold Improvements €'000	Computers & Equipment €'000	2016 Total €'000
Cost			
At 1 January 2016	67	8	75
Additions	393	142	535
At 31 December 2016	**460**	**150**	**610**
Accumulated Depreciation			
At 1 January 2016	-	-	-
Depreciation	(66)	(29)	(95)
At 31 December 2016	**(66)**	**(29)**	**(95)**
Net Book Value			
At 31 December 2016	**394**	**121**	**515**

	Leasehold Improvements €'000	Computers & Equipment €'000	2015 Total €'000
Cost			
At 12 November 2014	-	-	-
Additions	67	8	75
At 31 December 2015	**67**	**8**	**75**
Accumulated Depreciation			
At 12 November 2014	-	-	-
Depreciation	-	-	-
At 31 December 2015	**-**	**-**	**-**
Net Book Value			
At 31 December 2015	**67**	**8**	**75**

Notes to the Company Financial Statements - continued

For the year ended 31 December 2016

3. Intangible Assets

For further information on Intangible Assets refer to Note 13 of the consolidated financial statements.

4. Investment in Subsidiaries

Shares in subsidiary undertakings	2016 €'000	2015 €'000
At beginning of year/period	26,657	26,657
Additions during the year/period	91,187	-
Transfer to group undertaking	(91,187)	-
At end of year/period	**26,657**	**26,657**

Details of subsidiary undertakings are given in Note 25 of the consolidated financial statements.

On 21 April 2016, the Company acquired 100% of the share capital of Argentum Property Holdco Limited ("Argentum") for a consideration of €91.2 million. See Note 27 of the consolidated financial statements for further information.

During the year, as part of an internal group reorganisation, the Company sold its shares in Argentum to a subsidiary entity within the Group.

5. Amounts due from Subsidiary Undertakings

Amounts due from subsidiary undertakings are repayable on demand.

6. Inventories

	2016 €'000	2015 €'000
Land held for development	-	72,899

During the year, land held for development was sold by the Company to a subsidiary entity within the Group with the consideration satisfied by way of an intercompany loan.

Notes to the Company Financial Statements - continued

For the year ended 31 December 2016

7. Trade and Other Receivables

	2016 €'000	2015 €'000
VAT recoverable	773	792
Other receivables	545	198
	1,318	**990**

8. Share Capital and Share Premium

For further information on Share Capital and Share Premium refer to Note 18 of the consolidated financial statements.

9. Share-Based Payments

For further information on Share-Based Payments refer to Note 19 of the consolidated financial statements.

10. Trade and Other Payables

	2016 €'000	2015 €'000
Trade payables	428	248
Accruals	1,250	1,986
Other creditors	964	322
	2,642	**2,556**

11. Financial Instruments

The carrying value of the Company's financial assets and liabilities, comprising amounts due from subsidiary undertakings, other receivables, cash and cash equivalents, trade payables and accruals, are a reasonable approximation of their fair value. Relevant disclosures on Group financial instruments and risk management are given in Note 28 of the consolidated financial statements.

Notes to the Company Financial Statements - continued

For the year ended 31 December 2016

12. Related Party Transactions

Under IAS 24, Related Party Disclosures, the Company has related party relationships with key management and with its subsidiary undertakings (see Note 25 of the consolidated financial statements).

Key management compensation is set out in Note 24 of the consolidated financial statements.

For the year ended 31 December 2016, the following related party transactions have taken place requiring disclosure:

- Edward Square Limited, an entity directly owned by Alan McIntosh, a director, recharged €0.105 million in the period to the Company for professional services and expenses incurred on behalf of the Company.

Period ended 31 December 2015

For the period from incorporation on 12 November 2014 to 31 December 2015, the following related party transactions took place which required disclosure:

- On 15 June 2015, 100% of the share capital of Emerley Holdings Limited, subsequently renamed Cairn Homes Holdings Limited, was acquired by the Company from Everleigh Investment Partners Limited (an entity, in which the ultimate beneficiaries are Alan McIntosh, a director, and his spouse) and Stanbro Property Holdings Limited (a company, of which over 96 per cent of the ultimate beneficial interest is held by Michael Stanley, a Director, together with family members) for €26.7 million, the consideration for which was satisfied by the issue of 26,657,224 Ordinary Shares of €0.001 each in the Company (see Note 27 of the consolidated financial statements);
- Edward Square Limited, an entity directly held by Alan McIntosh, a Director, recharged €0.35 million in the period to the Company for professional services and expenses incurred on its behalf; and
- Emerald Opportunity Investment Fund, an entity indirectly held by Alan McIntosh, a Director, recharged €0.2 million in the period to the Company for professional services.

13. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 6 April 2017.

NOTES

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