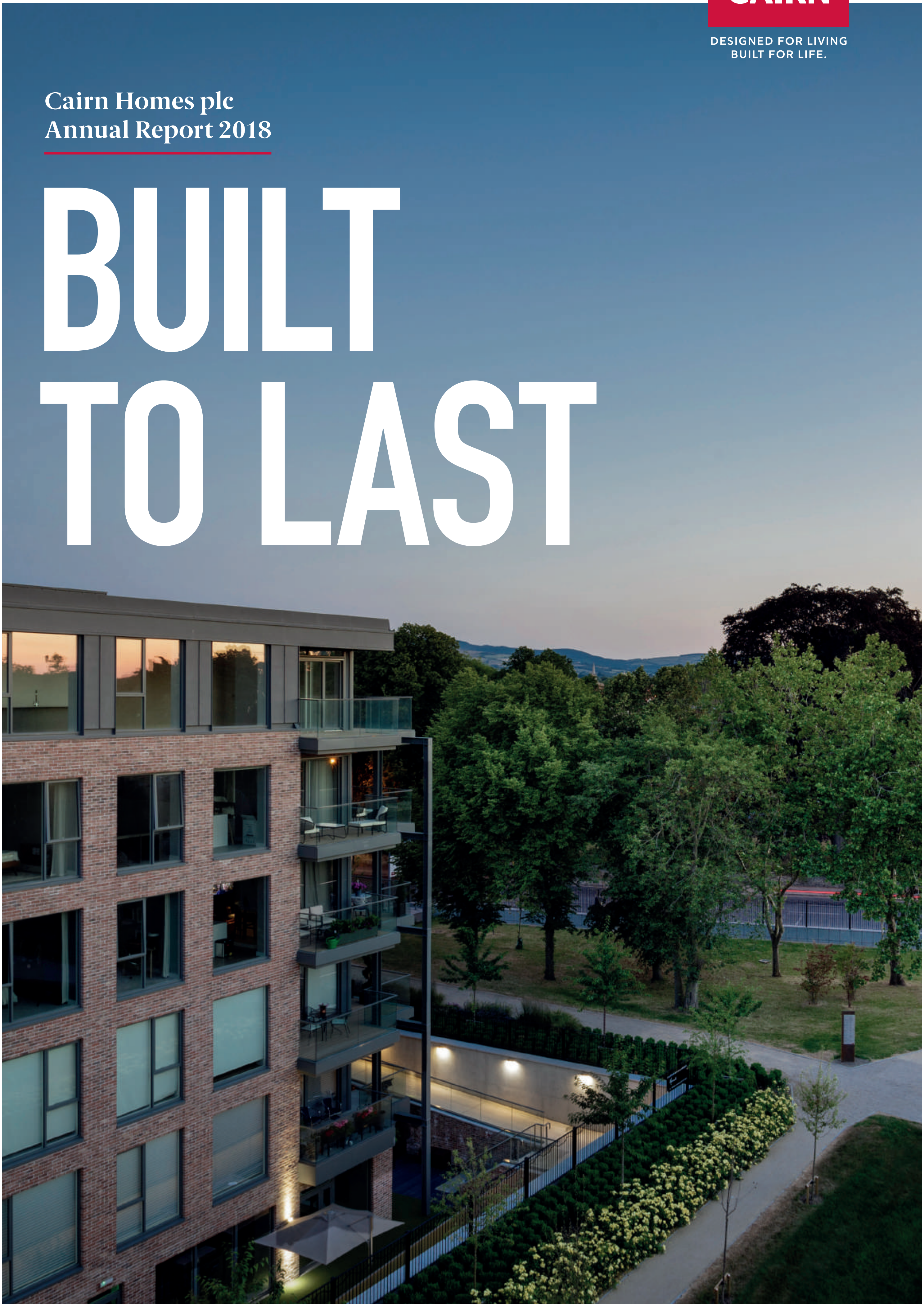
CAIRN

DESIGNED FOR LIVING
BUILT FOR LIFE.

Cairn Homes plc
Annual Report 2018

BUILT TO LAST



STRATEGIC REPORT
01 – 65

CORPORATE GOVERNANCE
66 – 107

FINANCIAL STATEMENTS
108 – 155

ADDITIONAL INFORMATION
156

WE BUILD PLACES & HOMES WHERE PEOPLE LOVE TO LIVE.

"Cairn is committed to building high quality, competitively-priced, sustainable new homes in great locations. We operate a defined and established business model which brings together the best town planners, architects, subcontractors and designers in collaboration with our own experienced team. At Cairn, the homeowner is at the very centre of the design process and we strive to provide an unparalleled customer service throughout each stage of the home-buying journey. A new Cairn home is thoughtfully designed and built to last with a focus on creating shared spaces and environments where communities prosper."

Michael Stanley, Co-Founder and Chief Executive Officer

Read more about What We Are on pages 12 to 19 and in Strategy in Action on pages 34 to 39

A YEAR OF GROWTH & PROGRESS

REVENUE
€337.0m

'18	€337.0m
'17	€149.5m
'16	€40.9m

GROSS PROFIT/GROSS MARGIN
€69.1m/20.5%

'18	€69.1m/20.5%
'17	€27.1m/18.2%
'16	€7.1m/17.3%

OPERATING PROFIT
€53.2m

'18	€53.2m
'17	€14.5m
'16	€2.3m

INVENTORIES
€933.4m

'18	€933.4m
'17	€911.5m
'16	€727.2m

ADJUSTED EPS*
4.4 cent

'18	4.4 cent
'17	0.7 cent
'16	(0.1 cent)

OPERATING CASH FLOW
€40.1m

'18	€40.1m
'17	(€128.6m)
'16	(€121.2m)

NET DEBT
€134.4m

'18	€134.4m
'17	€159.4m
'16	€76.0m

See more in Group Finance Director's Review on pages 54 and 55

* see note 26 to the consolidated financial statements.

OPERATIONAL HIGHLIGHTS

Mature Business

- Active on 13 sites – 5,000 new homes
- 5 upcoming site commencements, including 4 large-scale multifamily PRS sites
- Talented and experienced homebuilding team

Quality & Location Driving Sales Demand

- Selling on 9 sites – 5 sales launches planned
- Strong sales rates – 2.8 units per active site per week
- House price inflation c. 4.5%

Enhancing Inherent Land Value

- 2,106 units – granted planning in 2018
- Total planning gains – 3,000 units
- 15,100 unit land bank

Operational Efficiencies

- Procurement advantage through scale
- Established subcontractor base
- Off-site manufacturing
- 2.75% build cost inflation

Land Acquisition Strategy

- No large sites acquired
- Focused on more strategic opportunities

Cash Generation

- Significant free cash flow and expected €550 million share premium conversion underpinning capital returns
- First dividend to be announced in September 2019
- Land bank to normalise to c. 6-7 year supply

See more in Operating Review on pages 40 to 49

"I am pleased to report that 2018 was another year of strong growth and development in your Company with substantial increases in construction activity, revenue and profitability achieved."

JOHN REYNOLDS
CHAIRMAN

Cairn is now generating significant free cash flow which supports the development of the Company and the implementation of a progressive capital return policy which will reward our shareholders for their support and investment in our business.

Strategy

The Company's performance in 2018 illustrates the positioning and growing maturity of our business. We believe significant progress was made during the year by management in developing and implementing the Company's long-term strategy as agreed by the Board, with a number of key strategic decisions taken, including:

- The forward sale of our premium 120 unit apartment development at Six Hanover Quay for €101 million (incl. VAT) as a multifamily private rented sector ("PRS") opportunity. Significant opportunities exist in this sector into 2019 and beyond; and
- A debt refinancing of our existing €200 million term loan and revolving credit facility into a new attractively priced €277.5 million term loan and revolving credit facility and a €72.5 million private placement of loan notes, all of which provides additional financial flexibility in supporting the growth of our business.

Our People

The Board recognises its role in supporting and overseeing the evolution of our culture. Our people are the critical component in the success which the Company has delivered to date. The Company is committed to the ongoing development of a strong culture through our values and by extension how we work with each other on a daily basis. This extends to how we collaborate with our established subcontractor base and other sector professionals in delivering our high quality, competitively priced new homes. Currently, there are over 2,500 people employed across our active sites and our business continues to make a significant contribution to the broader Irish economy. Training the next generation of talented workers is key to underpinning the sustainability of our industry. We place a relentless focus on developing our employees and providing further opportunities to subcontractors to grow their businesses. We focus on the development and succession of our talent through continuous professional development, structured development planning and our reward strategy.

2018 was another year of significant growth in revenues and profitability for our business and these excellent results could not have been delivered without the dedication, expertise and capability of our management team, ably led by Michael, and all of our employees. On behalf of the Board, I would like to extend our appreciation to each of them for their contribution and commitment to the progress made during 2018.

OUR VISION

Be the most trusted, respected and safest homebuilder in Ireland.

Respect and trust are hard won and easily lost, so we do everything in our power to earn both by consistently living our values and treating our customers, staff and partners with respect.

We value everyone who is helping us to achieve our mission and consider their well-being to be of paramount importance. Health and safety is our number one priority and this is reflected in our culture and practices.

We are confident that our integrity and hard work are building a Company that we can all be proud to be a part of now and in the future.

OUR MISSION

Building in great locations to create places and homes where people love to live.

Our mission is what guides us throughout the homebuilding process; from acquisitions to after-sales we keep the customer in mind and work hard to create places where they will enjoy a great quality of life.

It's this drive that allows us to consistently build great homes, attractive and functional environments and vibrant communities that people are proud to be a part of and raise their families in. As we mature as a Company, we take great satisfaction from seeing our efforts translate into homes and neighbourhoods where people love to live.

CHAIRMAN'S STATEMENT

OUR VALUES

Agile & Innovative

We are creative and open to new ideas, ready to implement change if required. We are prepared and able to adapt to changing market conditions and customer requirements.

Honest & Straightforward

Maintaining an open and transparent dialogue. Saying what needs to be said and not just what people want to hear. Laying down the truth, warts and all, means that we can get to a better solution faster.

Collaborative

Collaboration is at the core of homebuilding. Projects involve hundreds of people from varied disciplines working together to achieve a clear common goal – to build great homes.

Commercially Minded

Being sector aware. Knowing the customer. Seeking value and making savings. As well as building great and competitively priced new homes we are building sustainable long-term value for our shareholders.

Committed & Engaged

We are all in. We'll be there to deliver on stakeholder needs throughout their journey with us, sharing our knowledge, our insights and our expertise to guide, support and reassure.

“Each new Board member brings a unique and highly relevant background, diversifying our existing Board composition and adding significant value to Board discussions as our business continues to grow.”

In an increasingly competitive market, we continue to attract and retain the best talent to ensure that we have the best team and trusted partners in place to effectively deliver on our long-term strategy. Our ability to do so is testament to the strong and positive culture we have developed.

Health and Safety

The Company is fully committed to the highest standards of health and safety on our sites. The health and safety of employees, subcontractors, customers and the general public is our number one priority. Increased construction activity levels increase the risk of accidents on active sites and the Company continually promotes the importance of a safe working environment and ensures the highest industry health and safety standards are set. Each active site has a dedicated health and safety manager, ensuring that our health and safety policies are implemented. Health and safety is a standing agenda item at all Board and Audit & Risk Committee meetings and the Company retains an independent external auditor to undertake a monthly audit of health and safety practices and management across all active sites.

Governance

Overview

As a collaborative Board, we try to ensure our time is spent productively, reviewing the challenges and opportunities of our business and setting a clear and agile strategic focus whilst ensuring we have the resources and capability to deliver on our strategic ambitions.

During the year, the Board completed an externally facilitated Board evaluation, embarked upon a process to appoint three new Non-Executive Directors through the Nomination Committee, reviewed corporate social responsibility practices across the Company and reviewed remuneration frameworks utilised throughout the Company through the Remuneration Committee. I, as Chairman of the Board, alongside Giles Davies, our Remuneration Committee Chairman, also engaged directly with many of our shareholders to ensure they remain appraised of our progress as a Board as well as garnering their opinion on future decisions to be taken relating to strategy, corporate governance and executive remuneration. This journey has continued into 2019 and will continue and evolve in the years ahead as we continue to operate our business in an open and transparent manner.

Board Evaluation

An externally facilitated Board evaluation was conducted by the Institute of Directors in Ireland following a thorough tender process, which I am delighted to report found that the Board runs smoothly and effectively, with robust, informed and inclusive debate taking place on key decisions. The process was comprehensive and gave positive, constructive and progressive recommendations which we will apply throughout 2019 and beyond. You are invited to read more about this process and the recommendations made on pages 71 and 72 of this report.

Board Composition

The Nomination Committee had a busy 2018 engaging Korn Ferry, an external recruitment consultant, to assist in its search for new independent Non-Executive Directors to complement the existing Board member skillsets. I was pleased to be able to welcome two new members to the Board in 2019; Jayne McGivern and David O’Beirne and I look forward to welcoming Linda Hickey to the Board on 12 April 2019. Each new Board member brings a unique and highly relevant background, diversifying our existing Board composition and adding significant value to Board discussions as our business continues to grow. In 2019, we will review Board Committee composition to ensure we diversify and refresh their membership as we continue on our impressive growth trajectory. Further details of this process and its outcome are set out in the Nomination Committee Report on page 83.

Remuneration

2018 has been an equally busy year for the Remuneration Committee, reviewing executive compensation, goals and bonus frameworks, long-term incentive arrangements and exploring additional avenues to enable the Company to reward employees at all levels of the organisation in a fair and measured way. This process is ongoing and I look forward to seeing these frameworks evolve as the Company continues to grow. Additional information on existing remuneration frameworks and the remuneration policy are set out in the Remuneration Committee Report on pages 86 to 104.

2018 UK Corporate Governance Code

During 2018, the Financial Reporting Council published a revised UK Corporate Governance Code (the “Code”), which includes a number of changes to the current governance regime for UK and Irish companies. Following the publication of the latest iteration of the Code in July 2018, the Board was appraised of the key alterations to the principles of the Code. Certain of these key changes are being made in areas where the Company has already made significant progress, including embedding our culture, strengthening engagement with our key stakeholders and putting in place robust channels to hear the views of the workforce. With support from our Committees, we will continue to evolve our governance framework to ensure that we remain compliant with the Code and meet best practice requirements.

Returns To Shareholders

The Company's intention to implement a progressive capital return policy is aligned with the commitment given to shareholders that a dynamic capital management policy would be pursued at the earliest opportunity.

The Board provided further clarity on its intention with regard to capital returns at the Extraordinary General Meeting held on 26 February 2019 when shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million. Subject to High Court approval of the capital reorganisation, the reserves resulting from this cancellation will be treated as realised profits.

The significant progress which our business has achieved will enable the Board to announce a first interim ordinary dividend of 2.5 cent per share in September 2019 and our recent actions, as outlined above, added to the significant free cash flow which is expected to be delivered by 2021 and beyond, supports and signals the likelihood of future capital returns while allowing the Company to continue its successful development.

Outlook

As I look to 2019 and beyond, I am confident that the management team, in conjunction with the Board, can continue to effectively implement and deliver on our strategic priorities. In less than four years since our IPO, we have created a homebuilder of scale, building on the best sites in the best locations, and have developed a brand synonymous with high quality, competitively priced new homes across the housing spectrum, from starter homes to premium homes and apartments. The Board is very positive about your Company's overall prospects and looks to 2019 as a year of further progress.

John Reynolds
Chairman


Co-Founder Alan McIntosh and Giles Davies

"I am delighted to be reporting strong results for 2018 across all of our key metrics and importantly to announce our intention to propose an interim ordinary dividend of 2.5 cent per share next September, a very proud and significant milestone for everybody associated with Cairn less than four years since our IPO."

MICHAEL STANLEY
CO-FOUNDER & CHIEF EXECUTIVE OFFICER

We are Ireland's most active homebuilder and the sites we are currently building on around the Greater Dublin Area ("GDA") will deliver 5,000 new homes. Our operational capability across our exceptional land bank, combined with the pent-up demand from homebuyers and institutional investors for houses and apartments will drive revenues, cash generation and profitability in 2019 and beyond. This momentum will enable us to return cash to shareholders by way of regular dividends and potentially through other capital return mechanics.

Cairn adopted a balanced portfolio approach in assembling our land bank, with a strategic decision taken in 2016 to expose more of our shareholders' capital to well located, high density apartment sites in and close to Dublin City Centre. This followed the acquisition of the majority of our suburban and commuter belt housing sites in 2015 and early 2016. The timing and manner in which the Company acquired our land bank, the location of our sites, our low land costs and the efficiency of our construction operations ensure that we deliver new homes across the price spectrum – from our c. 8,000 starter home units on large, multi-phase, multi-year sites where our average historic site cost of €26,000 per unit enables us to continue to sell these units to mortgage backed first time buyers at prices starting from €275,000 (including VAT) to competitively priced premium homes and apartments.

The growth and popularity of multifamily PRS as an asset class and the substantial quantum of international institutional capital seeking exposure to this sector provides the Company with options and significant opportunities across each of our sites over the coming years. Cairn estimates that as many as c. 2,500 – 3,000 units from our c. 4,400 apartment units could satisfy more than €1 billion of the capital seeking these multifamily PRS opportunities.

Our strategy is to integrate multifamily PRS into our apartment delivery pipeline in a measured and balanced manner to provide us with the flexibility and option to accelerate multifamily PRS delivery plans so as to maximise shareholder returns. Following on from the successful forward sale of 120 apartments at Six Hanover Quay (Dublin 2) for €101 million (including VAT), Cairn will commence four multifamily PRS schemes which we will potentially bring to the market as forward sales opportunities, including 280 apartment units in Citywest (Dublin 24), which launched in March 2019.

Our business turned cash flow positive in H2 2018, and we are now monetising our land bank. We will implement a progressive capital returns policy in 2019 and also retain the operational flexibility, working capital and liquidity to continue to take advantage of the favourable Irish residential market conditions.

Our vision is to be the most trusted, respected and safest homebuilder in Ireland and our strategy is to capitalise on the recovery of the Irish residential property market by building in great locations and creating places and high quality competitively priced homes where people love to live. 2018 was another year of excellent progress in executing this strategy.

Construction Activities

2018 was a year of significant growth in the breadth of the Company's construction activities and we are today active on 13 sites which will deliver 5,000 residential units. Cairn is supporting over 2,500 jobs across our active sites, including direct employees, subcontractors and other sector professionals. The Company commenced construction on three new housing sites at Gandon Park (Lucan), Oak Park (Naas) and Mariavilla (Maynooth) during 2018 which will deliver nearly 1,000 new homes to the market; five commencements are anticipated during 2019 across our housing and apartment sites which will deliver c. 2,200 new homes, including the recently commenced Citywest (Dublin 24) site. In addition in 2018, the construction of new phases commenced at our Parkside (Malahide Road), Glenheron (Greystones), Shackleton Park (Lucan), Churchfields (Ashbourne) and Elsmore (Naas) housing sites. Phase 1 of our award winning Marianella (Rathgar) apartment scheme is complete, while construction of both Six Hanover Quay (Dublin 2) and Donnybrook Gardens (Dublin 4) is progressing well.

Construction of our first investment venture development with NAMA at Parkside (Malahide Road) completed during 2018, and Cairn recently announced our second investment venture development with NAMA to build in excess of 550 new homes on a 14.5 acre site adjoining our successful Parkside development.

Cairn builds on large scale, multi-phase, multi-year housing sites which allows us to respond quickly to increased demand by accelerating construction, while effectively managing build cost. The Company is a developer contractor. Our directly employed site management teams, supported by the central team, manage and control a strong supply chain and a well-established, loyal subcontractor base. The Company has a current committed order book of €250 million on active sites (orders placed and prices fixed on labour and materials) and our top 15 subcontractors account for 60% of all procurement since IPO, working across an average of five developments each. Cairn's senior management have decades-long business relationships with most of our key subcontractors through our previous homebuilding companies. The Company is not experiencing any challenges with the availability of subcontractors or building materials. This is reflective of our business model, how closely we partner with our subcontractors and the scale and pipeline of work we provide them with. The average contract value awarded to Cairn's top 15 subcontractors is €18 million. The majority of the Company's subcontractors work across multiple sites and the longer duration of contracts allows them to employ skilled, full-time tradesmen. Cairn has fixed price contracts in place across all of our active construction sites – 81% of our 2019 and 71% of our 2020 construction costs on these active sites are fixed.

Subcontractors tender on a "supply and fit" basis and Cairn proactively manages cost inflation through direct procurement strategies, initiatives and fixed term framework agreements. Our experience of build cost inflation in the last 12 months is 2.75%. The efficiency of Cairn's construction activities, and importantly, tangible evidence of tightly managed costs, can be seen in the gross margin progression as volumes have increased year-on-year.

Sales Activities

Cairn delivered 804 closed sales in 2018 across nine developments at an average selling price ("ASP"), excluding VAT, of €366,000 comprising 612 houses at an ASP of €323,000 and 192 apartments at an ASP of €505,000 (2017: 418 closed sales at an ASP of €315,000 comprising 373 houses at an ASP of €286,000 and 45 apartments at an ASP of €552,000). Cairn sold our first duplex housing units in 2018 and delivered 73 Part V homes across our various sites to local authorities, including 68 units in H2 2018 at an ASP of €207,000. First time buyer starter homes remain our core product offering and represented over 60% of our housing sales in 2018. The ASP in 2018 across our three-bedroom starter homes was €286,000 (2017: €278,000), an important number for our business which demonstrates our ability to build and sell competitively priced starter homes at price points where our purchasers can secure mortgages off single or joint earnings of c. €80,000. House price inflation averaged 4.5% across our active sites during 2018.

Cairn's 2019 year to date closed sales and current forward sales pipeline is strong, with a sales value of €201.4 million (471 units at an ASP of €428,000) as at 6 March 2019, the day prior to our 2018 preliminary results announcement, which strongly underpins 2019 completions. The forward sales pipeline will be enhanced by Spring 2019 sales launches – sales suites reopened on seven of our active sites during Q1 2019, all of which are in excellent locations with proven demand. We also held our first sales launch of new homes at Mariavilla (Maynooth) at the end of February 2019 with additional initial launches scheduled at Gandon Park (Lucan), Oak Park (Naas) and Donnybrook Gardens (Dublin 4) during Q2 2019.

We also recently brought 280 apartment units in Citywest (Dublin 24) to the market as a multifamily PRS opportunity, a further sign of the depth and breadth of our potential buyer pool.

Land and Planning

Cairn's c. 15,100 unit land bank comprises 32 separate residential development sites (containing an average of c. 475 units) all in great locations with proven demand. Some 98% of these units have the benefit of full planning permission, are residentially zoned or are within a Strategic Development Zone ("SDZ"). Cairn's strategic approach to assembling this unique land bank, the favourable planning environment in Ireland and importantly our planning expertise provides a constant conversion of sites into active development sites. This underpins our confidence in achieving our medium term run rate of c. 1,400 to c. 1,500 unit sales completions annually from 2021.

Cairn obtained full planning permission for 2,106 units in 2018 (2017: 1,187 units) from 24 separate successful grants of planning. Cairn's track record in delivering planning grants and gains continues and almost all of our planning applications have utilised the single-step Strategic Housing Development ("SHD") or fast-track SDZ process including:

- Nine applications granted full planning permission (c. 2,500 units);
- Five applications are in the SHD process (c. 1,800 units); and
- Nine further SHD and SDZ planning submissions (c. 3,000 units) are being progressed through detailed design and local authority engagement, with a view to lodging each application over the course of the next six months.

Cairn's core strength in planning is also evidenced by the significant planning gains that we have achieved. Cairn has materially enhanced the value of existing sites through the planning process, and we expect to deliver an extra c. 400 units on our existing sites in addition to the c. 2,600 incremental units previously gained.

Cairn significantly reduced expenditure on site acquisitions in 2018 to €33.7 million (2017: €150.0 million), including €25.7 million in deferred consideration for sites acquired in prior years. This reflects our evolving site acquisition strategy and the fact that we have already acquired the majority of the land which we need to deliver on our strategic objectives. Our focus is now on strategic opportunities, including acquiring land adjoining existing sites and exploring further joint development and investment opportunities.

Economy

Notwithstanding Brexit, Ireland's strong economic performance continues as our economy grew by 6.7% in 2018 (source: CSO). Employment growth (+2.3%), wage inflation (+3.4%) and consumer spending (+3.1%) (source all: CSO) are important ingredients for affordability which all continue to trend positively, as does Ireland's future economic growth prospects.

Residential Property Market

The medium-term annual demand for new homes in Ireland is 35,000 units (source: ESRI). The Company believes that the GDA alone requires c. 20,000 new homes per annum driven by a growing population, increasing employment driven by foreign direct investment ("FDI") and Brexit job gains, annual obsolescence and 8 years of chronic undersupply. 18,072 new homes were built nationally in the year to December 2018. With 4,699 (26%) one off homes built, only 13,373 new homes related to multi-unit developments (source: CSO New Dwelling Completions Q4 2018). In the GDA, 10,245 new homes were built, including 1,833 apartments and 830 one off homes. The undersupply of apartments in the GDA, and in Dublin City Centre in particular, is alarming for a capital city growing at pace and attracting continued FDI and Brexit related jobs.

Mortgage Market

The Irish mortgage market landscape continues to improve with competition amongst mortgage providers intensifying. Attractive headline fixed mortgage interest rates are now on offer, in addition to cash back offers, and we expect competition to increase further with the entry of new mortgage providers to the market during 2019.

The value of mortgage drawdowns rose by 19.2% in 2018 to €8.7 billion (2017: €7.3 billion), while mortgage approval values increased by 9.8% to €10.1 billion (2017: €9.2 billion) (source: BPFI Mortgage Approvals December 2018 and BPFI Mortgage Drawdowns December 2018). The mortgage market (drawdowns) is forecast to expand by 16% in 2019 to €10.1 billion (source: Goodbody – Irish Economy Q1 2019 Health Check).

The mortgage market continues to be driven by first time buyers who accounted for 60% of all drawdowns and all approvals by volume in 2018.

Government Initiatives

A number of welcome initiatives have been implemented in recent years:

- the launch of the €226 million Local Infrastructure Housing Activation Fund (the Company owns five sites which will benefit from this funding) with an additional allocation of €50 million in Budget 2019;
- the introduction of new fast-track planning for developments greater than 100 residential units through the SHD process;
- the first time buyer Help to Buy income tax rebate scheme; and
- the launch of the Rebuilding Ireland Home Loan product for first time buyers.

New apartment design and urban development and building height guidelines have been implemented which remove numerical height caps and actively encourages higher density developments, while the new National Planning Framework, known as "Project Ireland 2040", will be underpinned by €116 billion in capital spending on infrastructure priorities by 2027.

Despite these Government initiatives, the supply of new, and in particular affordable, starter homes remains constrained.

People

Our achievements as a business to date could not have happened without quality people with the right combination of expertise and homebuilding experience, across housing and apartments. We continued to invest in our people throughout 2018 and increased our headcount from 126 direct employees at the end of 2017 to 155 direct employees at the end of 2018.

I was delighted to strengthen my senior management team further with the recent appointment of Sarah Murray as our new Director of Customer with responsibility for our sales and marketing teams. Sarah brings a wealth of experience to our business and will help us to continue to deliver a brilliant customer experience from brand promise through our product quality, customer buying journey and after-sales experience.

We have a highly experienced and committed team of people to deliver our mission of building in great locations to create places and homes where people love to live.

I share my Chairman's sentiments in thanking each of my colleagues for their hard work, dedication and contribution to our business in 2018, while I would also like to thank our established and loyal subcontractor base and the other property sector professionals with whom we collaborate in delivering our high quality, competitively priced new homes.

Finally, I would also like to extend a warm welcome to our two new independent Non-Executive Directors, Jayne McGivern and David O'Beirne, and I look forward to welcoming Linda Hickey to the Board on 12 April 2019. I look forward to working closely with them all over the coming years.

Outlook

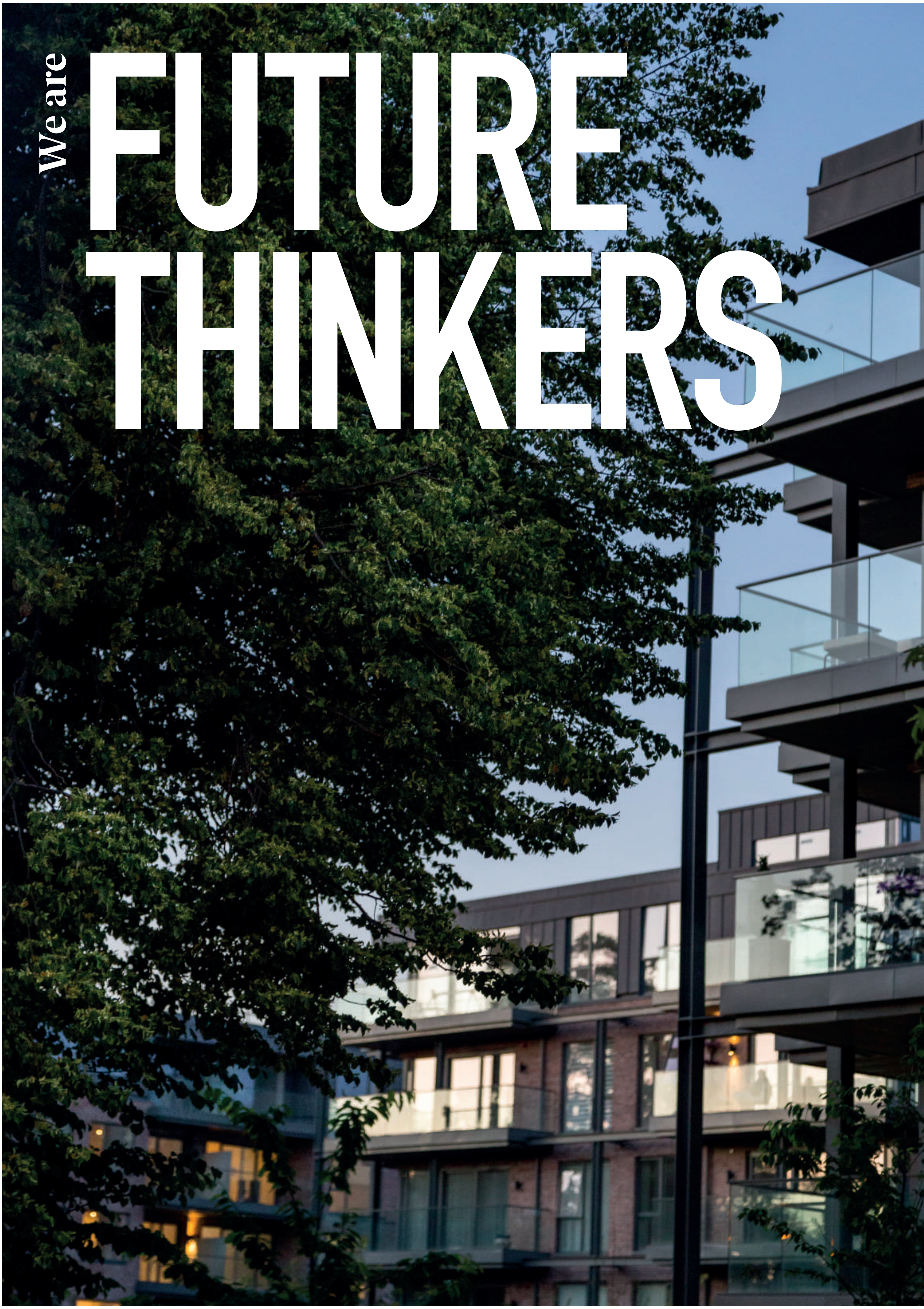
Construction activity has increased since the start of 2019 with five further site commencements planned which will deliver an additional c. 2,200 new homes, including four large-scale multifamily PRS sites. Our positive momentum from 2018 continued into 2019 as evidenced by our closed and forward sales pipeline, all of which underpins the Company's medium-term target.

Following the substantial investment in scaling our business and our investment in construction work in progress over the last number of years, Cairn is now generating significant free cash flow and all profits generated from 2019 onwards will add to our distributable reserves. We expect to generate significant free cash of c. €350 million to €400 million by the end of 2021 and in addition to a 2.5 cent per share interim ordinary dividend which we will announce in September, we will also outline our approach to ordinary dividends, special dividends and/or share buybacks at that time.

I am very proud to lead a team that has delivered such strong results for us in 2018 and look forward to another year of excellent progress in 2019.

Michael Stanley
Co-Founder & Chief Executive Officer

Gary Britton, Jayne McGivern, John Reynolds, Gerry Butcher and David O'Beirne at Shackleton Park


We are
FUTURE
THINKERS

WHAT THIS MEANS FOR US

When we say built for life, we mean just that; solid homes that will stand the test of time, places that provide a great quality of life and a business model that takes a long term approach, creating a sustainable future for our customers, our Company, the homebuilding sector and also providing long term value for our shareholders.

01
Long term approach

02
Sustainable future

03
Shareholder value

Our design teams of planners, architects, landscapers and urban designers collectively consider how families and indeed communities will grow into the spaces that we create. There are many decisions taken that our customers may not fully appreciate for years to come – future-proofed homes that are designed to adapt to a family's changing needs, trees planted today that will fully mature in 15 or 20 years, inventive engineering solutions that ensure our neighbourhoods are climate-change ready and shared spaces that facilitate the growth of vibrant and cohesive communities.

Built for life also means asking ourselves – what will success look like tomorrow and how will we build towards it today? A business model that places an emphasis on sustainability, anticipating market conditions and demand and having the agility to adapt, creating jobs and training the next generation, addressing the shortfall of new homes in Ireland and helping to provide access to great homes for everyone. For us, taking a long term approach means imagining the future we want to live in and working hard with all of our stakeholders to make it a reality.

"Built for life also means asking ourselves – what will success look like tomorrow and how will we build towards it today?"

5,000

New homes delivery across our active sites

We are PEOPLE PEOPLE

Gerry Butcher,
Ian Cahill, Jillian Conway
and John Grace.

Other page: Ciaran Trainor,
Richard Irving, Robbie Thornton.

WHAT THIS MEANS FOR US

People come first. We never lose sight of the fact that our business is all about people, partnerships, respect and trust. This is evident in how we work with our customers, subcontractors, investors and each other. We are committed and engaged on a personal level.

01
Respect

02
Trust

03
Safety

From our design processes to our after-care commitment, it's our dedication to treating people with respect that really comes through. By listening to our customers, we can get to the core of what matters and factor these insights into the way we design, build and sell houses and apartments. Identifying the highs and lows along our customers' journeys allows us to be there when they need us and ensure that they feel valued and in safe hands.

Our team are smart, talented, commercial and honest. That's why we value them so much and provide support, resources and opportunities for growth and development. This approach enables us to retain and attract the best people in our sector. The task ahead of us is a challenging but exciting one, and by getting down to work with a shared sense of purpose and mutual respect we know we can achieve great things together.

2,500

Cairn is proud to support over 2,500 jobs across our active sites

"It's our dedication to treating people with respect that really comes through."

We are

COM–MUNITY SPIRITED

School run in Parkside.

WHAT THIS MEANS FOR US

Family life is what happens inside a home: community is what happens in the spaces between and around the new homes we build. We place great emphasis on the importance of cohesive and vibrant communities and this influences our thinking at every level.

The social infrastucture which we deliver across our new home developments differentiates a Cairn development from the rest of the market. Our focus is not just on the new homes we build – we ensure that these new homes benefit from recreational areas which we build to enhance the sense of community within our developments.

Our investment in green infrastructure ensures our shared spaces are more visually appealing, comfortable and unique, enhancing the quality of life and the health of our customers.

We create sustainable neighbourhoods which fully integrate with existing communities.

01
We are part of the community

02
A sustainable approach

03
A shared sense of ownership

9

Playgrounds and outdoor gyms delivered across our active developments

"We provide amenities that encourage social interaction to create a stronger sense of community in our new home developments."

We are COMMER-CIALLY MINDED

Elena Popa.
Other page: Landscaping in Glenheron, Padraic Ward, Liam O'Brien and Kathy Naughton

WHAT THIS MEANS FOR US

We are an established business with a clear strategy and a defined business model, offering a broad range of new homes across the price spectrum which appeal to all segments of the market from first time buyers to institutional investors. Our core business is focused on the delivery of quality, competitively priced starter homes to first time buyers.

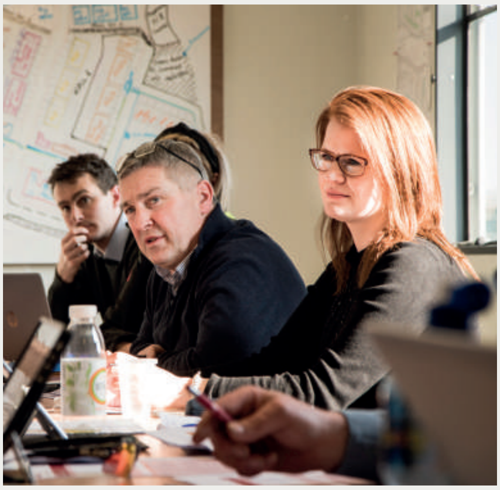
Our portfolio approach to our land bank, which contains prime suburban and commuter belt housing sites and premium apartment sites in and close to Dublin City Centre, and our established housing and high density apartment operating platforms, deliver a broad range of products from competitively priced starter homes for first time buyers, to larger four and five bedroom homes for up-sizers and premium apartments for down-sizers and investors. This diversification of sales risk ensures that we are not overly exposed to any individual buyer profile and the scale of our land bank enables us to continually and immediately adapt to market conditions.

We are a "developer-contractor" building on multi-phase, multi-year large scale residential sites containing an average of 475 units. A housebuilder can only operate efficiently and manage build costs in a measured and disciplined manner when building at the scale and pace which we are. Our business model is based on the use of subcontactors and construction cost economies of scale are driven by our purchasing power and through the standardisation of house types, both in terms of building envelope and identical internal finishes. Our €242 million spend on procurement in 2018 delivered 2.75% build cost inflation. With our low land cost, this ensured we continued to deliver competitively priced starter homes to the market.

01
Agile Strategy

02
Competitively priced starter homes

03
Broad buyer pool



€240k

Average selling price (incl. VAT) of 110 new homes sold or forward contracted to various local authorities to satisfy Part V obligations

"We are a "developer-contractor" building on multi-phase, multi-year large scale residential sites containing an average of 475 units."

A BUSINESS BUILT TO LAST

OUR LAND BANK

€751m
Invested in land bank

90%
Targeted capital allocation focused on the Greater Dublin Area ("GDA")

c.15,100
Land bank units (90% of units acquired within 1 year of IPO)

32 sites
17 housing (average c. 475 units)
6 housing & apartments (average c. 575 units)
9 high density apartments (average c. 325 units)

WHAT WE ARE DOING NOW

Established operating platform across housing and apartments – defined supply chain and established subcontractor base

13 active
Sites which will deliver 5,000 new homes

5 new
Site commencements in 2019 delivering an additional c. 2,200 new homes

1,500
New homes will be built across our active sites in 2019

GUIDANCE

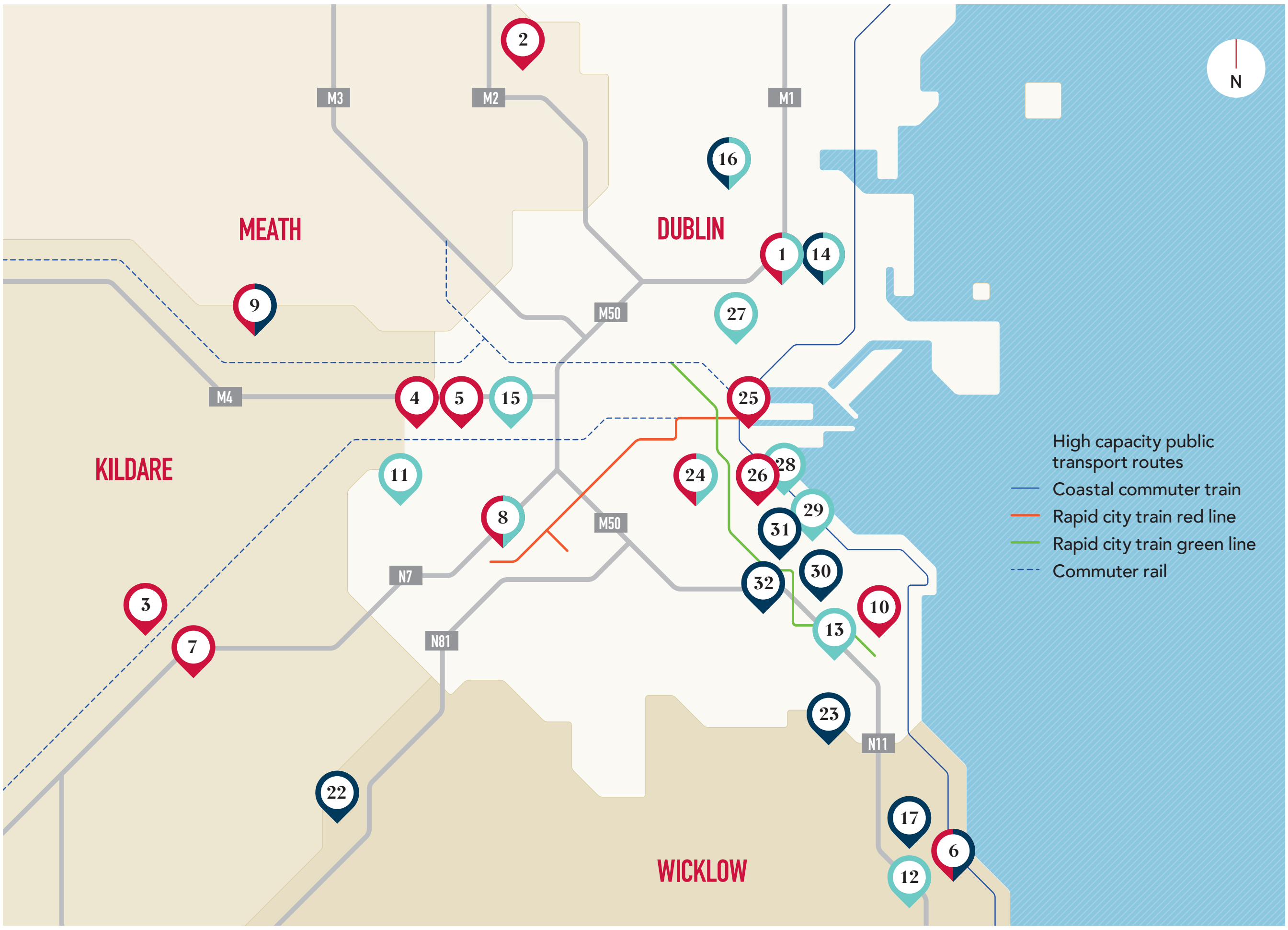
2.5 cent
First interim ordinary dividend to be announced in September 2019

€350m – €400m
Free cash generation by the end of 2021

Capital Returns
Approach to ordinary dividends, special dividends and/or share buybacks to be outlined in September 2019

1,400 – 1,500
Unit medium-term target by 2021

THE BEST SITES IN THE BEST LOCATIONS



HOUSING

Well located housing sites with excellent public transport and infrastructure links

Active

1 Parkside, Malahide Road
2 Churchfields, Ashbourne, Co. Meath
3 Elsmore, Naas, Co. Kildare
4 Shackleton Park, Lucan
5 Gandon Park, Lucan
6 Glenheron, Greystones, Co. Wicklow
7 Oak Park, Naas, Co. Kildare
8 Citywest, Dublin 24
9 Mariavilla, Maynooth, Co. Kildare
10 Albany, Killiney

2019/2020 Commencements

11 Newcastle, Co. Dublin
12 Farrankelly, Delgany, Co. Wicklow
13 Cherrywood, South Co. Dublin
14 Parkside, Malahide Road (NAMA JV)
15 Clonburris, Dublin 22
16 Swords, Co. Dublin

Future

17 Coolagad, Greystones, Co. Wicklow
18 Douglas, Cork
19 Callan Road, Kilkenny
20 Rahoon, Galway
21 Ballymoneen, Galway
22 Blessington, Co. Wicklow
23 Enniskerry, Co. Wicklow

APARTMENTS

Prime apartment sites in and near Dublin City Centre

Active

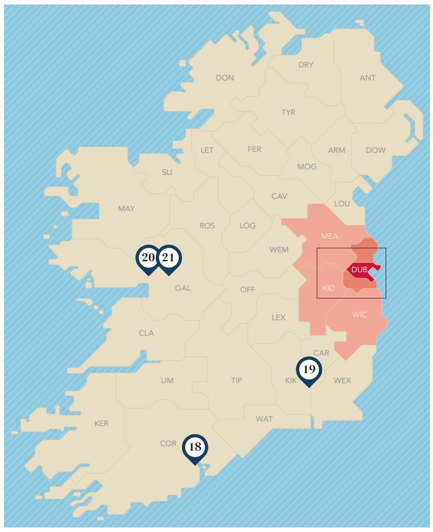
4 Shackleton Park, Lucan
24 Marianella, Rathgar, Dublin 6W
25 Six Hanover Quay, Dublin 2
26 Donnybrook Gardens, Dublin 4

2019/2020 Commencements

1 Parkside, Malahide Road
8 Citywest, Dublin 24
24 Marianella, Rathgar, Dublin 6W (new phase)
27 Griffith Avenue, Dublin 9
28 Montrose, Donnybrook, Dublin 4
29 Cross Avenue, Blackrock, Co. Dublin

Future

6 Glenheron, Greystones, Co. Wicklow
9 Mariavilla, Maynooth, Co. Kildare
14 Parkside, Malahide Road (NAMA JV)
16 Swords, Co. Dublin
30 Barrington Tower, Carrickmines, Dublin 18
31 Stillorgan, Co. Dublin
32 Glenamuck Road, Carrickmines, Dublin 18



OUR BUSINESS MODEL

The steps we take to ensure our future success.

INPUTS

OUR PEOPLE AND RELATIONSHIPS

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.

OUR LAND BANK

15,100

Owned land bank units

A significant number of new homes will be delivered to the Irish new homes market into the long-term from a defined business model supported by a strong and robust balance sheet.

OUR CUSTOMERS

We engage with our customers to ensure that the new homes we design and build meet their every need, whether they are a first time buyer, an up-sizer or a down-sizer. We understand that buying a new home is one of the biggest decisions each of our customers will make in their life. Every home buyer benefits from the Cairn Customer Satisfaction Commitment, which extends to our after-sales service.

CREATING VALUE

1. LAND

15,100 units owned, majority acquired within one year of IPO in 2015

Land cost to Net Development Value* – 12.9%

Agility of 32 core sites

Unit mix across the price spectrum

Average site size c. 475 units

Amortise fixed preliminary costs over longer term construction programme

Acquisitions targeted on land adjoining existing sites and joint ventures

2. PEOPLE

High calibre, talented team assembled

Support functions and site management teams fully resourced

Focus on developing talent and building careers

Business has been aligned operationally to manage the two elements of our construction activities – housing and apartments – more efficiently

3. PLANNING & DESIGN

Land bank has no material planning risk

Design driven by creating communities

2,106 units granted planning permission in 2018

c. 3,000 incremental units granted planning permission or expected to be gained on existing sites through increased densities

Understanding our market and customer needs and designing homes accordingly

* is defined as the estimated total revenue from all of the units in the Cairn land bank (ex. house price inflation and ex. VAT).

OUTPUTS

4. THE HOMES WE BUILD

Standardised starter home product across multiple sites

Developer-Contractor – site management teams supported by central support functions

Manage strong and established sub-contractor and supplier relationships

Central procurement with fixed price framework agreements with major suppliers

Large scale sites drive construction cost economies of scale

Energy efficient homes with high energy ratings

5. CUSTOMER EXPERIENCE

Connect with customers when they start the journey of buying a new home

Investment in customer service operations with full after-sales operations support across all selling sites

Fully integrated Customer Relationship Management system streamlined across sales and customer legal management process

Provide information, advice and support during every step of the home-buying journey

WE BUILD COMMUNITIES

We create sustainable, vibrant communities centred around well designed and high quality landscaped environments.

€337.0m

Revenue increased from €149.5m in 2017

€69.1m

Gross profit and a gross profit margin of 20.5% (from €27.1m and 18.2% in 2017)

€53.2m

Operating profit (2017: €14.5m)

4.4 cent

Adjusted earnings per share* (2017: 0.7 cent)

2.5 cent

First interim ordinary dividend to be announced in September 2019

€350m – €400m

Free cash generation by the end of 2021

* see note 26 to the consolidated financial statements.

PERFECTLY POSITIONED FOR GROWTH

With a talented and experienced team, a long-term land bank containing the best housing and apartment sites in the best locations and a defined operating model, Cairn is uniquely positioned to meet Ireland's growing housing and apartment demands.

MARKET OPPORTUNITY

The fundamentals of the Irish new homes market, and in particular in the Greater Dublin Area ("GDA"), are strong as demand continues to significantly exceed supply. Demand is strong across all buyer profiles from first time buyers to international institutional investors and Cairn continues to deliver product across the price spectrum.

Growing Economy

Notwithstanding Brexit, Ireland's robust economic performance continued in 2018 when our economy recorded the highest growth rate in the EU at 6.7% for a fifth consecutive year (source: CSO). 2018 was another year of rapid employment growth with the total number of people employed growing by 2.3% (or 50,500), which supported wage inflation of 3.4%. Importantly, employment growth is widespread with construction the fastest growing sector in 2018, up 8.3% year on year with 144,000 people now employed in the construction industry. Employment in Ireland has grown by 418,000 in the 6 years to the end of 2018. The unemployment rate fell to 5.6% in February 2019 from 6.1% in January 2018, its lowest rate since early 2008. Consumer spending continues to grow and increased by 3.1% in 2018 (source all: CSO), underpinning future GDP growth forecasts of 3.5% in 2019 and 3.0% in 2020 (source: Goodbody).

Strong Demographics

The population of Ireland increased by 8.3% between 2008 and 2018 (source – CSO) to just under 4.9 million people. This population growth is three times the EU average and is being driven by:

- A high birth rate (13.5 births for every 1,000 of population in 2017 – highest in EU);
- One of the highest household formation sizes in the EU at 2.8x (average 2.3x); and
- Inward migration.

Ireland has one of the youngest populations in the EU with 33.3% of our population under the age of 25 (6.8% above EU average). Nearly 22% of our population are aged between 25 and 39. This cohort of the population account for 58% of all houses rented in Ireland, and only 16% of all houses owned. It is this cohort of the population which is stuck in a rental trap because the supply of new, affordable and well located homes remains constrained.

Continuing Housing Undersupply

The ESRI estimate national demand at 35,000 new home units per annum. Within this, we estimate GDA demand at 20,000 units. This level of demand can be calculated as follows:

- Population in 2016 (4.8 million) x headship rate (35.2%) = 1.691 million houses needed
- Population in 2021 (5.0 million) x headship rate (36.8%) = 1.836 million houses needed
- (1.836 million – 1.691 million) = 0.145 million/5 years = 28,900 houses per annum + (2.04 million houses in Ireland x 0.3% annual obsolescence = 6,100 obsolescence) = 35,000 units

There were 18,072 new homes built in Ireland in 2018 (of which 4,699 or 26% were one-off homes), including only 10,245 new homes in the GDA. Excluding one-off houses, the number of apartment and multi-unit development homes delivered in the GDA was 9,415, less than half the level of demand.

Despite the large number of apartment schemes that are through planning or in planning, and benefitting from density and height changes, we estimate that only c. 4,000 apartments will be delivered by the end of 2021 in Dublin's Central Business District (CBD). This is a critical undersupply for a capital city that is growing at the pace of Dublin and attracting continued FDI and Brexit displacement jobs.

Only 1,754 apartment units are currently under construction in the CBD and therefore this is the maximum number of apartments that can be delivered by the end of 2020 due to the known construction timeline of an apartment development.

New Home Supply Constraints

A report issued by Goodbody Stockbrokers in September 2018 stated that the top 20 homebuilders in Ireland only sold c. 1,600 new homes in the first half of 2018, equating to 19.9% of new homes supplied in the period. By way of comparison, the top 20 homebuilders in the UK delivered 50% of total UK supply in 2017. With annual demand estimated at 35,000 units, the output of the top 20 homebuilders in Ireland equates to c. 9.1% of total demand on an annualised basis.

Increasing supply in the Irish homebuilding industry is being constrained by the inability of Irish homebuilders to scale at pace, with constraints including, but not limited to:

- Sourcing equity;
- High bank funding costs;
- High land costs;
- Building on smaller sites;
- Small subcontractor bases;
- Not operating at scale;
- Inability to price new homes competitively; and
- Low margin returns.

OPPORTUNITY:

FASTEST GROWING ECONOMY IN THE EU

+10.6%

Average 5 year GDP and +418,000 employment growth since 2012

Ireland has been the fastest growing and best performing economy in the EU for each of the last 5 years.

UNDERSUPPLY OF NEW HOMES

13,373

Supply in 2018 versus demand of 35,000 (ESRI)

Supply still less than 50% of annual demand.

DEMOGRAPHICS

+350,000

Population growth and increasing employment has broadened our addressable market. Irish Revenue statistics indicate that there are +350,000 couples who can afford to buy a house priced between €275,000 and €375,000.

ATTRACTIVE PRS MARKET

€7bn

Capital seeking multifamily PRS opportunities in the GDA.

POSITION:

BEST LOCATED, LOW COST LAND BANK

€49,000

Average land cost per unit:

- Housing €37,000
- Apartments €76,000

PIPELINE AND PLANNING MATURITY

70%

70% of our sites are active or "ready to go" in 2019 and 2020 underpinning medium term guidance.

COMPETITIVELY PRICED STARTER HOMES

c. 8,400

Of our starter homes can be priced between €275,000 and €375,000.

MULTIFAMILY PRS

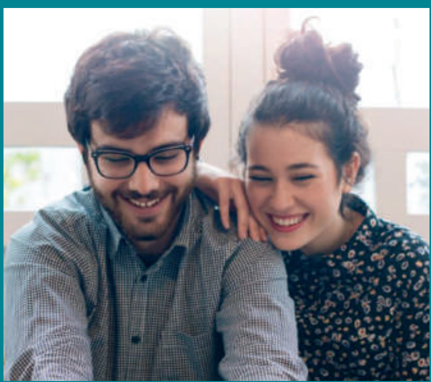
c. 2,500 – 3,000

Apartment units

c. 2,500 – 3,000 of our apartment units can satisfy more than €1 billion of multifamily PRS demand.

PROFILE AND OUTLOOK FOR OUR MARKET SEGMENTS

One of our key strengths is our ability to conduct effective and relevant proprietary research. Our scale provides us with a broad sample of market and customer data to draw from; our experience gives us the knowledge and intuition to turn this data into actionable insights in driving the strategic direction of our business.



The First Time Buyer

PROFILE

- Individuals earning in excess of €70,000 (or combined for couples) with a preference for 3 bedroom houses (equals 60% of Cairn's first time buyers)
- Mortgage dependent
- Help to Buy support

OUTLOOK

- Demand is at its strongest in this segment of the owner occupier market
- Significant supply constraints remain
- Very positive outlook

The Up-sizer

PROFILE

- Seeking a 4 or 5 bedroom house to accommodate expanded families
- Generally mortgage dependent – levels of equity vary with those who bought pre-2000 carrying significantly more equity into their new homes
- Location important

OUTLOOK

- Supply challenged as they are location specific and new homes at their price points are not being built
- Strong demand and positive outlook for those who bought their first home before 2005 and after 2010 (have equity), while challenged for those who bought between 2005 and 2008 (in negative equity)

The Down-sizer

PROFILE

- Empty nesters downsizing from larger houses purchased in the 1970s – 1990s containing significant equity
- Generally cash purchasers, mainly seeking smaller houses or apartments

OUTLOOK

- Very strong demand in this segment – 60% of apartment purchasers in Marianella are Down-sizers
- Positive outlook

Our research methodology

Our research methodology is multi-faceted; it includes independently commissioned research, interviews and focus groups; it utilises our CRM raw data and analytics; it factors in frontline anecdotal stories and insights from our site and customer service teams; it makes use of market data, financial patterns and market trend analysis. Our success in putting the customer first and being commercially agile is driven by our ability to turn all this data into insights that inspire design processes and inform business decisions.

The Young Professional

PROFILE

- Individuals earning in excess of €80,000, city centre location focused – want to live near where they work in 1 and 2 bedroom apartments
- Mortgage dependent and less price sensitive than first time buyers

OUTLOOK

- Very strong demand in this segment but limited number of new apartments being built near where they work
- Growing market driven by an increasing number of higher paid jobs in Dublin's CBD, with numerous tech firms continuing to expand and Brexit relocations
- Very positive outlook

Individual Investors

PROFILE

- Generally cash purchasers seeking 2 or 3 bedroom apartments for onward rental
- Living and working in Ireland, or Irish working overseas buying a residential property in Dublin as a potential future home

OUTLOOK

- Residential "buy to let" (BTL) investment is generally discouraged from a tax perspective, albeit full interest relief is now available in Ireland
- Improving funding environment – 20% of purchasers in Marianella were investors
- Neutral outlook

Institutional Investors

PROFILE

- International institutional investors, multifamily PRS operators and Irish REITs seeking entire apartment blocks to build multifamily PRS portfolios of scale
- Particular focus on Dublin (strong rents and attractive yields)

OUTLOOK

- Institutional investors actively seeking multifamily PRS opportunities
- Rents continue to increase and the supply of apartments, particularly in the CBD, will continue to be constrained
- Very positive outlook

GOVERNMENT INITIATIVES – SUPPORTING THE HOMEBUILDING INDUSTRY

Project Ireland 2040 (National Planning Framework)

Seeks to achieve ten strategic outcomes as prescribed in the National Planning Framework which guides at a high-level strategic planning and development for the country over the next 20+ years.

550,000 new houses are required in Ireland up to 2040 (25,000 annually) to meet the needs of a growing population with a focus on the sustainable growth of Dublin and other major urban areas.

€116bn

Capital spending on infrastructure priorities by 2027.

Impact for Cairn

All Cairn sites are well located on or in close proximity to excellent public transport links. Increased investment will benefit accessibility of our sites further.

Strategic Housing Development – Fast-Track Planning

Introduction of a fast-track one step planning process for developments greater than 100 residential units and 200 student beds. The Strategic Housing Development ("SHD") planning process has significantly increased the efficiency of the process for obtaining full planning permission for large scale residential developments.

16 week

Determination period from date of formal submission.

Impact for Cairn

1,620 units granted permission through the SHD process.
1,800 units awaiting determination.

Help to Buy

Assist first time buyers obtain the deposit required to purchase new homes only.

Income tax rebate of up to €20,000 on new homes priced below €500,000.

Unlike the UK, the rebate is not repayable (in kind or through an equity stake in the new home).

Up to €20,000

Income tax rebate on new homes priced below €500,000.

Impact for Cairn

c. 50% of purchasers at our starter home sites are first time buyers benefitting from Help to Buy.

Local Infrastructure Housing Activation Fund

Initial €226 million fund launched in 2017 to provide loans to developers to fund public off-site infrastructure to accelerate the delivery of new homes on sites with infrastructure cost blockages. 34 locations approved for funding, including five Cairn sites.

A second Local Infrastructure Housing Activation Fund ("LIHAF") of €50 million was approved through Budget 2019 with applications for funding to be sought during 2019.

€276m

Funding to accelerate delivery of critical off-site infrastructure.

Impact for Cairn

Five Cairn sites approved for funding to date:

- Shackleton Park (Lucan);
- Parkside (Malahide Road);
- Cherrywood (South County Dublin);
- Glenamuck Road (South County Dublin); and
- Clonburris (West Dublin).

New Apartment Design Guidelines

Announced in 2018 to assist in accelerating the supply of new apartments, particularly in Dublin City Centre, by facilitating more efficient apartment construction and reducing the gross to net sellable area. The principal changes include:

- Underground car parking can be eliminated in city centre locations and developments located close to public transport;
- Maximum number of units per lift core increased to 12 (previously 8);
- Maximum number of 1 bedroom or studio apartments increased to 50% (previously 30%);
- Reduction in the ratio of dual aspect apartments to 33% in urban centres (previously 50%); and
- Build-to-Rent and shared accommodation formalised in the planning code and restrictions on units mix in Build-to-Rent do not apply.

Impact for Cairn

Improves the efficiency of building apartments across our c. 4,400 apartment units.

New Urban Development & Building Height Guidelines

New guidelines adopted in late 2018 allowing for increased residential heights in appropriate locations such as city centre areas and locations well served by public transport.

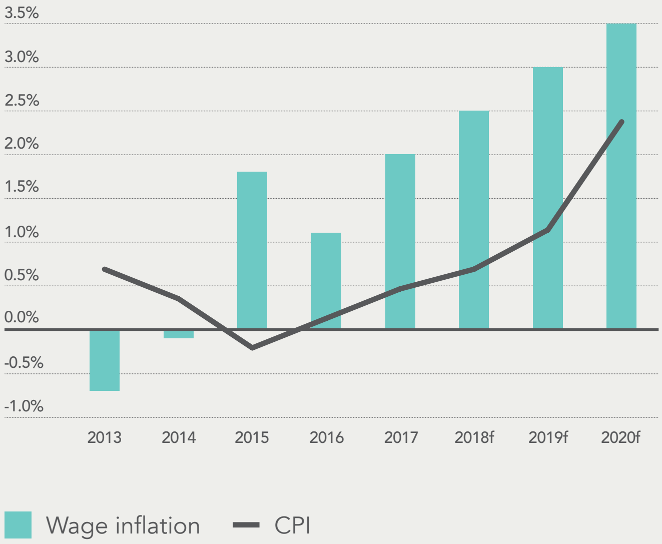
The assessment of increased heights is based on meeting a series of criteria to demonstrate the suitability of additional height and the guidelines replace previous numerical height restrictions.

Impact for Cairn

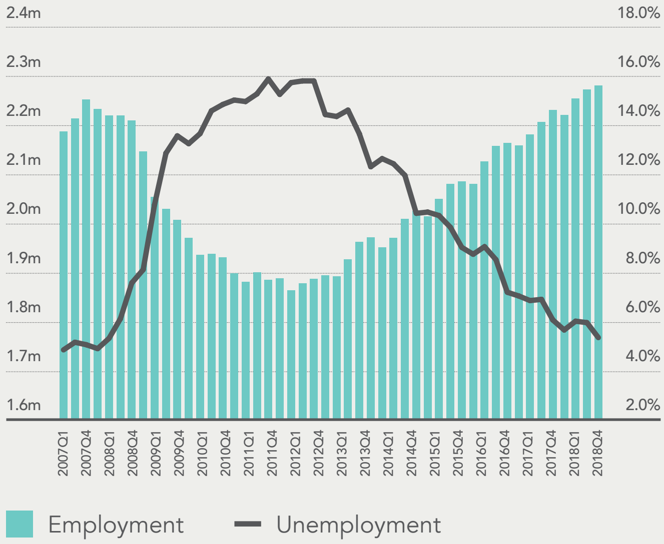
Increased heights and densities secured on a number of Cairn sites to date.

POSITIVE OUTLOOK FOR AFFORDABILITY

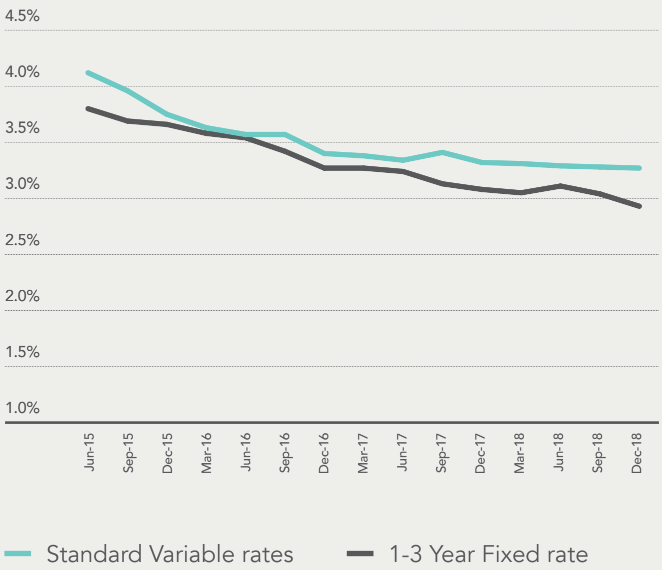
WAGE INFLATION OUTSTRIPPING CONSUMER PRICE INDEX



STRONG LABOUR MARKET

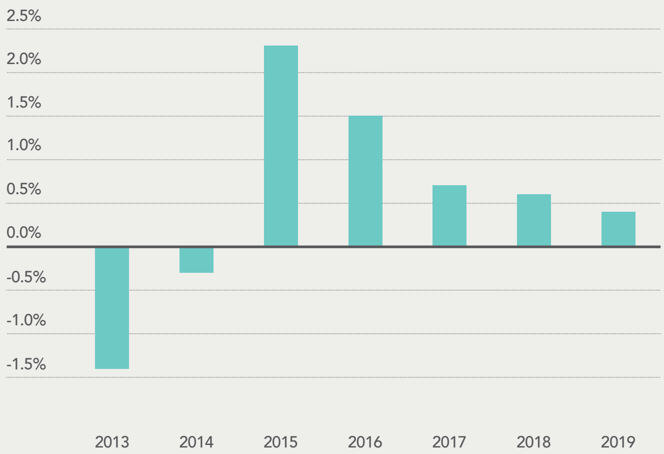


MORTGAGE RATES FALLING SLOWLY



EXPANSIONARY BUDGETS

Impact on take-home pay for a couple earning €80,000



Sources: CSO, CBI, Department of Finance

OUR STRATEGY

The Group's strategy is to establish itself over the long-term as a leading Irish homebuilder, constructing high quality and competitively priced new homes. Read more about Our Strategy in Action on pages 34-39.

OUR STRATEGIC PRIORITIES	WHAT WE DID IN 2018
1 CUSTOMERS MAKING THE HOME BUYING JOURNEY EXCEPTIONALLY POSITIVE FOR ALL OF OUR CUSTOMERS AND ENSURE THAT THEY LOVE WHERE THEY LIVE	Moved 804 new customers into their new homes with positive feedback on their buying journey; Undertook a large research project, which included qualitative and quantitative research across all buyer segments, our existing customers and the wider market, with the objective of providing a better understanding of the home buying journey and our customers' motivations and behaviours so we can better meet their needs; Mapped the customer journey and identified gaps for extra attention; Launched a new, more intuitive, customer friendly website; and Trialled a children's entertainment section for our customers at a development launch.
2 HOMES DESIGNING AND BUILDING HIGH QUALITY, ENERGY EFFICIENT HOMES THAT PEOPLE WILL LOVE LIVING IN NOW AND INTO THE FUTURE	In doubling output volume to 804 units, delivered new homes of the highest quality to the market; Increased the range of product delivery from two-bedroom duplex units and competitively priced suburban starter homes to high end city centre apartments; Evolved the Cairn design to adapt to evolving trends; Delivered a standardised starter homes product across more starter homes sites; and Unlocked the potential of a number of sites with the delivery of key offsite infrastructure.
3 PLACES CREATING PLACES FOR COMMUNITIES TO PROSPER	Contributed over €55 million to date towards public realm and infrastructure projects like roads, bridges, schools, public parks, playgrounds and sports facilities; Built communities and great places across 804 new homes – all within proximity to existing communities and infrastructure and with convenient transport links and access to great retail, leisure and recreational amenities; Market leading native planting and biodiversity programme executed.
4 PEOPLE WE ATTRACT AND RETAIN THE BEST PEOPLE AND TRUSTED PARTNERS	Recruited best talent within and outside the sector to increase our design and construction capability in order to scale; Support over 2,500 jobs across our active sites; Designed and introduced performance management, succession planning and development planning for all employees; Embedded goal setting across teams to ensure they were aligned to produce great homes efficiently; Introduced values to support our culture which constitute 20% of overall targets for our employees.
5 OPERATIONAL EXCELLENCE CREATE A COMMERCIAL OPERATING PLATFORM TO TURN LAND INTO GREAT PLACES TO LIVE	Secured access to talent in rising market through subcontractor network and recruitment of direct talent; c. 2,000 subcontractors fully engaged across our sites working under our site management teams to scale the business; Planning consents – 2,106 units granted planning in 2018; Strengthened buying power on €242 million procurement resulting in 2.75% build cost inflation; Introduced a partnership with Kingspan Group plc for the supply of off-site manufactured timber frame structures for our housing division (c. 30% of all houses constructed over the next two years will be off-site modular constructed units).

WHAT WE'LL DO IN 2019		KEY PERFORMANCE INDICATORS
Roll out a customer lifecycle and content program to help plug identified gaps in the customer journey; Continued launch and roll out of our Corporate Social Responsibility ("CSR") strategy with development specific initiatives; Increased	use of research to drive insight led product innovation and development of brilliant homes; Increased focus on after-sales experience and support; and Expand customer care to improve ease of customer access to our product.	Launch of lifecycle and content program; Key customer success and product decisions driven by research and customer insights; Launch of CSR initiatives that help foster communities within our developments; and Maintain net promoter score ("NPS").
Continue to enhance the standard of new homes that the Company builds through our in-house pre-construction design development processes; Create further efficiencies during our construction	process by ensuring fit for purpose designs and deployment of innovative building systems and methodologies; and Enhance the quality, cost effectiveness and timelines of construction.	Maintain the Company's best in class quality standards for homes delivered; Increase volume output; Greater construction programme and cost efficiencies.
Contribute over €20 million towards public realm and infrastructure projects across 13 active developments; Build communities and great places across an additional 1,500 new homes to be built;	Expand our native planting and biodiversity programme; Launch our CSR program which is centred on community development.	Customer feedback on all sites where we build new homes in 2019; Launch of CSR policy and review of its effectiveness.
Hire additional employees; Integrate supply chain more closely to ensure long term scaling for the business; Further embed succession planning as part of broader talent management strategy to find, develop and retain the best people;	Launch Cairn management development program; Introduce Employee Volunteering program as part of our CSR strategy to support community development and placemaking.	Attrition below agreed targets; Succession planning in place and effective for all key roles; New apprentices hired and being trained; Best talent in the market secured for all roles; 100% of employees have a development plan and full access to CPD; All site managers have been through the Management Development program; Internal communications strategy developed; Effective cross team goal setting and ways of working to ensure fully integrated delivery model from planning through to post sales experience.
Expand and integrate supply chain more closely to ensure long term scaling for the business; Hire additional staff and broaden our pool of subcontractors; Increased spend on procurement and maintain below-market build cost inflation; Introduce Cairn Apprenticeship program to support industry talent development;	Standardisation across our starter home developments to drive greater efficiency through the development cycle; Five new site commencements; Delivery of completed timber-frame constructed new homes across multiple sites; Maintain A3 Building Energy Ratings across all sites.	Scaling evidenced through effective subcontractor performance and achievement of program targets on time; Achievement of sales and margin targets; Direct construction costs as % of sales price; Build cost inflation; Procurement strategy capturing economies of scale and timely access to external resources and materials. Supply chain reliability (labour and materials).

John Nicol, Site Manager,
Six Hanover Quay

STRATEGY IN ACTION

Across our five strategic pillars:

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5
CUSTOMERS	HOMES	PLACES	PEOPLE	OPERATIONAL EXCELLENCE

1 STRATEGY IN ACTION – CUSTOMERS

DELIVER THE BEST CUSTOMER EXPERIENCE.

Success to us is delivering a positive customer experience throughout the home buying journey. We have mapped the customer experience to identify gaps that need extra attention. From initial awareness through to after-sales, we place ourselves in their shoes. It's all about listening with empathy and respect.

We have worked hard to understand our customers' motivations, needs and frustrations and to be there when they need us. This often manifests in the smaller details: clear product information; simple guides that engage and educate; responding to any issues swiftly; communicating clearly and regularly. We are there for the highs and the lows and we know when to step in and be right beside our customer.

Buying a new home is exciting, but we know it can also be stressful at times. This can cast a shadow on the biggest purchase of our lives. With this in mind, we strive to go the extra mile to ensure that our customer is happy. Our customer service and site teams are committed and engaged, and our after-sales service means we are still there with you after you move in.

> "We are thrilled with our new home. The build quality is excellent and the whole buying experience was as stress-free as possible."
>
> **Michelle and Keith, Parkside**

90%

Of our first time buyers are couples

2 STRATEGY IN ACTION – HOMES

DESIGN AND BUILD HIGH QUALITY HOMES.

Good housing is at the core of quality of life. Solid homes that are designed around how we live today, and can adapt to how we will live tomorrow. We place our customers at the heart of every design choice we make, because when good design informs the practicalities of everyday living, everything is better.

A home needs to be able to adapt to the ever-changing needs of the people that live in them. For example, the way you use storage today may not be how you use it tomorrow – ask any parent. Bearing this in mind we place a strong emphasis on designing spaces that are versatile and adaptable.

Each space has a role to play and a story to tell. The kitchen has always been the heart of the Irish home, the place where the family comes together for meals and where guests are entertained. Sitting rooms where you can relax and unwind, bedrooms that are a personal space, as pleasant to fall asleep in as they are to awaken in.

Our homes also feature innovative technology like demand control ventilation to maintain healthy filtered air, photovoltaic panels to provide you with a cheap and sustainable source of hot water, "A" rated energy efficient homes that can cost as little as €2 day to run and state of the art insulation and build materials. A Cairn development is a guarantee for future generations, where your choice will stand the test of time.

"Energy efficient homes that cost less than €2 per day for heating, hot water, lighting and ventilation."

*€2 is based on standardised occupancy as per the Sustainable Energy Association of Ireland ("SEAI") guidelines

A3

Energy rating of all of our new homes

3 STRATEGY IN ACTION – PLACES

CREATING PLACES FOR COMMUNITIES TO PROSPER.

We believe that design has the power to transform the way we live for the better and creating a sense of belonging extends beyond four walls. This is why we focus on creating places where people and communities can enjoy a great quality of life. Places which encourage positive interaction and allow families to relax, reflect and enjoy themselves.

To date we have contributed over €55 million towards public realm and infrastructure projects, including new:

- public roads at Parkside, Elsmore, Mariavilla and Shackleton Park:
- schools at Parkside and Glenheron;
- playgrounds at all of our active new home developments:
- art installations at Parkside, Marianella, Churchfields and Glenheron; and
- sports facilities at Shackleton Park and Gandon Park.

This investment is part of our contribution to healthy and happy communities.

€55m

Contributed towards public realm and infrastructure projects to date

"The quality of finish on the development is superb. I think it's because it doesn't look like a new development; it fits in well and looks fantastic. The mature parkland, the brick – it's just an amazing setting."

Tom, Marianella

4 STRATEGY IN ACTION – PEOPLE

ATTRACT AND RETAIN THE BEST TALENT AND TRUSTED PARTNERS.

At Cairn, it is not just about building great homes. We are also about building a business where people are valued, careers are developed and friendships are made.

We are in a strong position to meet the significant pent-up demand for new homes in Ireland and to make a meaningful contribution to society. We need the best people by our side to do this. We value our people and partners and provide resources and opportunities to grow and develop together.

We support over 2,500 jobs across our active sites, including our established and loyal subcontractor base and the significant number of sector related professionals with whom we collaborate, from town planners to consulting engineers, from architects to interior designers and from sales agents to solicitors.

Individual objectives are aligned to our strategic pillars and values and we continuously develop our people's talent. By doing all of this, we empower our people.

> "We value our people and partners and provide resources and opportunities to grow and develop together."

60%

Of our construction staff have participated in our CPD programme

5 STRATEGY IN ACTION – OPERATIONAL EXCELLENCE

LEVERAGE A HIGH PERFORMING COMMERCIAL OPERATIONAL PLATFORM.

Our developer-contractor model ensures our planning, design and central support teams integrate directly with our directly employed site management teams. This enables us to manage and control a strong supply chain and a well-established subcontractor base, many of whom work across several active Cairn developments. Subcontractors tender on a "supply and fit" basis and Cairn proactively manages cost inflation through direct procurement strategies, initiatives and fixed term framework agreements.

Build cost inflation in the last 12 months was 2.75% and reflects our business model and the strong, established relationships with our subcontractor base. We carefully monitor build cost inflation and continuously seek out innovative ways to ensure we achieve the lowest cost without compromising quality.

Our practice is to acquire and build on larger scale housing developments which enables us to deliver economies of scale through direct and indirect procurement efficiencies and amortising fixed site costs (site works, preliminaries, site accommodation, machinery and professional fees) over longer-term, multi-year, multi-phase construction programmes. The same site management teams and subcontractors work more effectively and efficiently together as they progress through each phase.

Operational efficiencies are achieved by standardisation across our starter home developments which are further complemented by the use of both traditional and new off-site construction methods, including a partnership with Kingspan Group plc for the supply of off-site manufactured timber frame structures for our housing division. We estimate that c. 30% of all houses constructed over the next two years will be off-site modular constructed units.

2.75%

Build cost inflation in the last 12 months

OPERATING REVIEW

Our business operates in an efficient and balanced manner, under a focused operating platform aligned to the two elements of our construction activities – traditional housing and high density apartments.

“2018 was another year of significant operational progress which delivered a strong trading performance underpinning our capital return plans.”

NEW SITE COMMENCEMENTS

3 Sites

c.1,000 Units

NEW PHASE COMMENCEMENTS WITHIN ACTIVE SITES

5 New phases

c.900 Units

HOUSE PRICE INFLATION

c.4.5% Across our active sites

BUILD COST INFLATION

2.75% On €242m procurement

NEW HOMES BUILT

1,100

HOMES UNDER CONSTRUCTION

2,300

NEW HOME SALES

804

NUMBER OF UNITS GRANTED PLANNING PERMISSION

24 Applications (2017: 24)

2,106 Units (2017: 1,187)

INCREMENTAL UNITS GAINED THROUGH PLANNING

c.1,100 Units (2017: c.1,900)

CASE STUDY

CAIRN AND KINGSPAN – A COLLABORATIVE PARTNERSHIP

Our partnership with Kingspan Century, a subsidiary of Kingspan Group plc, ensures the dependable just-in-time delivery and speedy assembly of pre-fabricated timber frames and insulation for our housing division with our developments at Gandon Park in Lucan, Oak Park in Lucan, Edenbrook in Citywest and Mariavilla in Maynooth utilising this off-site construction method.

This partnership enables us to construct solid homes at a rapid rate and provides other efficiencies throughout our construction delivery programmes.

Other advantages of this collaboration are:

- Quick assembly times – weatherproof within 10 days
- Reduced drying out times
- Lower on-site labour input
- Factory controlled quality assurance in fabrication
- Construction programme time savings
- Lower waste
- Environmentally sustainable

4

Sites using timber frame

30%

Of 2019 and 2020 starter homes will be timber frame

CASE STUDY

WORKING IN CLOSE PARTNERSHIP WITH OUR SUBCONTRACTORS

We enjoy strong working relationships with our subcontractor base, some of which go back generations with our senior management. By providing clear visibility on a high-volume pipeline of work, we have enabled our subcontractor partners to scale in a confident and sustainable manner.

A key factor in ensuring that we can continue to price our new homes competitively is how we manage build cost inflation. We have fixed price contracts in place across all of our active construction sites which provides cost certainty. Strong and established relationships with subcontractors are central to our unit delivery model.

€250m

Current committed order book (orders placed and prices fixed on labour and materials)

€18m

Average total contract value awarded to top 15 subcontractors

60%

Top 15 subcontractors account for 60% of all procurement since IPO

5

Average number of Cairn sites our top 15 subcontractors work on

Our development at Six Hanover Quay which we agreed to sell for €101m during 2018

LAND BANK METRICS

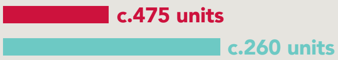
70%

Of capital deployed in 2015 and early 2016

90%

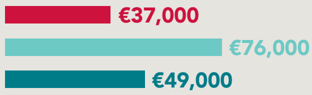
Of land bank units acquired within 9 months of IPO

AVERAGE DEVELOPMENT SIZE



Houses Apartments

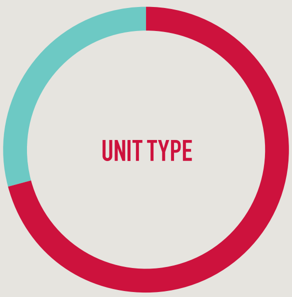
AVERAGE UNIT COST



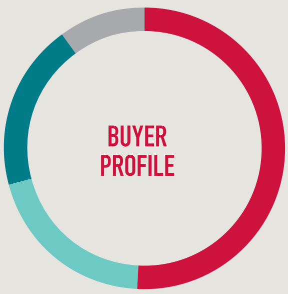
Houses Apartments Land bank average

- Dublin – within M50: 46%
- Dublin – outside M50: 21%
- Rest of GDA: 28%
- Regional: 5%

- Full Planning Permission: 33%
- In Planning: 13%
- Zoned Residential: 28%
- Strategic Development Zone: 24%
- Unzoned: 2%



- Houses: 71%
- Apartments: 29%



- First Time Buyer (from €275,000): 51%
- Trade Up/Mover (up to €600,000)*: 20%
- Premium (from €600,000)**: 19%
- Social: 10%

* Includes Young Professionals
** Includes Down-sizers, Individual Investors and Institutional Investors

HOUSING
ACTIVE AND 2019 SELLING SITES

PARKSIDE
395 units

Much sought-after location with excellent public transport links to Dublin City Centre. Sustained strong demand since its 2015 launch from first time buyers and people seeking to trade up.

SHACKLETON PARK
768 units

Our largest new homes development to date, Shackleton Park is situated in a traditional residential suburb of Dublin with excellent transport links. Ideal location for first time buyers.

CHURCHFIELDS
397 units

Churchfields in Ashbourne is our first commuter belt starter home development with continuing demand from both first time and next time buyers.

GLENHERON
393 units

Elegant development on the outskirts of the coastal village of Greystones, a strong, established and sought after commuter location with excellent transport links.

ELSMORE
500 units

Situated off the South Ring Road in Naas, and within a 5 minute walk from Naas Town Centre, Elsmore is another popular commuter belt starter home scheme.

ALBANY
20 units

Development of 20 large homes set within the grounds of an elegant Victorian villa in coastal Killiney and within a short walk of the train station.

OAK PARK
251 units

Our second development in Naas, Oak Park offers impressive vistas over the surrounding Kildare countryside and will launch in Q2 2019.

GANDON PARK
237 units

Located adjacent to Shackleton Park, this attractive development will launch in Q2 2019.

MARIAVILLA
462 units

Situated by the Lyreen River, Mariavilla is on the edge of the vibrant university town of Maynooth and launched in February 2019.

CITYWEST
165 units

Popular residential location in West Dublin, our site is adjacent to a Luas light rail station providing direct access into Dublin City Centre.

HOUSING
PLANNED 2019/2020 COMMENCEMENTS

NEWCASTLE, CO. DUBLIN
c. 700 units

Strong commuter location in an established residential location popular with first time buyers.

FARRANKELLY, DELGANY, CO. WICKLOW
c. 429 units

An exceptional site enjoying both mountain and sea views, Farrankelly is located in Delgany, a popular and sought after commuter location.

CHERRYWOOD, SOUTH CO. DUBLIN
c. 294 units

Located adjacent to a Luas light rail station providing direct access to Dublin City Centre, Cherrywood is a new town currently under construction in South County Dublin.

PARKSIDE, MALAHIDE ROAD
c. 120 units

Adjoining our existing Parkside development, the lands will provide additional and sought-after housing units in an area of continuing proven demand.

CLONBURRIS, DUBLIN 22
c. 3,000 units

Awaiting formal adoption of enlarged SDZ.

SWORDS, CO. DUBLIN
c. 200 units

Strong and established residential suburb.

HOUSING
FUTURE SITES

BALLYMONEEN, GALWAY

BLESSINGTON, CO. WICKLOW

CALLAN ROAD, KILKENNY

COOLAGAD, GREYSTONES, CO. WICKLOW

DOUGLAS, CORK

ENNISKERRY, CO. WICKLOW

RAHOON, GALWAY

APARTMENTS
ACTIVE AND 2019 SELLING SITES

MARIANELLA
316 units

Marianella is one of our flagship apartment developments, located in the affluent, leafy Dublin suburb of Rathgar. Very popular with down-sizers.

SIX HANOVER QUAY
120 units

An architecturally innovative waterfront apartment building, Six Hanover Quay is ideally situated in the centre of Dublin's thriving tech quarter.

SHACKLETON PARK
60 units

Our largest new homes development to date, Shackleton Park is situated in a traditional residential suburb of Dublin with excellent transport links. Ideal location for first time buyers.

DONNYBROOK GARDENS
86 units

An exclusive apartment development in one of Dublin's most prestigious suburbs, Donnybrook Gardens will appeal to down-sizers when launched during Summer 2019.

CITYWEST
294 units

Popular residential location in West Dublin, our site is adjacent to a Luas light rail station providing direct access into Dublin City Centre.

APARTMENTS
PLANNED 2019/2020 COMMENCEMENTS

GRIFFITH AVENUE, DUBLIN 9
c. 387 units

Beautiful site on the historic tree-lined Griffith Avenue, an established residential area with strong transport links to the city centre.

MONTROSE, DONNYBROOK, DUBLIN 4
c. 600 units

An exceptional landmark site located in the affluent south Dublin suburb of Donnybrook, 3km from the city centre.

CROSS AVENUE, BLACKROCK, CO. DUBLIN
221 units

An exclusive site located in the affluent village of Blackrock on Dublin's south side, 6km from the city centre.

PARKSIDE, MALAHIDE ROAD
c. 250 units

Much sought-after location with excellent public transport links to Dublin City Centre. Sustained strong demand since its 2015 launch.

APARTMENTS
FUTURE SITES

BARRINGTON TOWER,
CARRICKMINES, DUBLIN 18

GLENAMUCK ROAD,
CARRICKMINES, DUBLIN 18

GLENHERON, GREYSTONES,
CO. WICKLOW

MARIAVILLA, MAYNOOTH,
CO. KILDARE

PARKSIDE,
MALAHIDE ROAD

STILLORGAN, CO. DUBLIN

SWORDS, CO. DUBLIN

RISK MANAGEMENT PROCESS

The Group presents its risk management process and Viability Statement in line with the UK Corporate Governance Code provisions.

The Group maintains a comprehensive risk register which records identified risks across the areas of financial, regulatory compliance, operations including IT and strategy. The register also includes external risks which the Board continue to monitor on an ongoing basis.

The risk register is a key risk management tool used to identify, assess, mitigate, monitor and report the key risks facing the Group. Cairn has adopted a 5 x 5 risk scoring methodology focusing on both the likelihood of each risk occurring and the impact should the risk materialise. Each risk is assessed initially from an inherent risk perspective. The controls in place to mitigate each risk are then considered and captured on the risk register, which informs the residual risk rating. Where control gaps or weaknesses are identified, the Group seeks to address these through the development of remediation plans and further appropriate controls.

The Board engages Deloitte to review the Group's risk register at least annually, which includes a workshop with senior management to review and challenge the existing risks and to identify any potential new or emerging risks to be added to the register. The risk register helps inform the Group in identifying the Principal Risks and Uncertainties for inclusion in the annual report. The risk register is considered, discussed and challenged at regular meetings with senior management, the Audit & Risk Committee and the Board. The Principal Risks and Uncertainties consist of the highest risks as documented on the risk register while also considering those risks that could have the greatest impact on achieving the Group's strategic objectives from a top-down perspective.

Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive Officer's Review on pages 8 to 11 and the Group Finance Director's Review on pages 54 and 55 of this report. Having assessed the relevant business risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the financial statements.

Viability Statement

In accordance with the UK Code Provision C.2.2, the Directors have assessed the prospects of the business and its ability to meet its liabilities as they fall due over the medium term. The Directors have concluded that three years is an appropriate period for assessment as the Group continues towards being significantly cash flow generative by 2021, through a substantial and controlled investment in construction work in progress and continued growth in sales and profitability over the period.

The Group has developed a financial model as part of our three-year plan, which is updated at least annually and is regularly tested and assessed by the Board. Progress against the three-year plan is regularly reviewed by the Board through presentations from senior management on the performance of the business.

The Group's Principal Risks and Uncertainties aggregate the risks identified, as well as the mitigation plans implemented as part of this process, and they include the risks that may have short-term impacts as well as those which may threaten the long-term viability of the Group. The Directors have made a robust assessment of the potential impact that these risks would have on the Group's business model, future performance, solvency and liquidity.

The three-year plan has been tested for a number of scenarios which assess the potential impact of severe but plausible risks to the long-term viability of the Group. These scenarios can be summarised as follows:

- sales are 200 units lower per annum than budgeted and build cost inflation runs at 5% per annum, with no house price inflation;
- all revenues are delayed by three months and build cost inflation runs at 5% per annum, with no house price inflation; and
- all housing revenues are delayed by three months, all apartment revenues are delayed by six months and there is annual house price deflation of 5%.

Having reviewed the three-year plan and considered these scenarios, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due over the aforementioned three-year period.

RISK TREND

Risk increased

Risk unchanged

Risk decreased

PRINCIPAL RISKS AND UNCERTAINTIES

The principal operating risks and our approach to mitigating those risks are set out in more detail below.

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
ECONOMIC CONDITIONS	Cairn's business is sensitive to the performance of the wider Irish economy (an open economy whose performance is linked to that of the global economy), changes in interest rates, employment and general consumer confidence. Changes in economic conditions are likely to impact on house prices and sales rates.	Cairn's Board and management team closely monitor economic indicators for indications of weakness in the economy. Internal systems are in place to track the margin impact of reductions in sales prices and increased construction costs. Regular site appraisal reviews are undertaken to address any risk of impairment.	Economic conditions are closely monitored on a regular basis and there has been no material change this year.
MORTGAGE AVAILABILITY & AFFORDABILITY	The availability of mortgage finance, particularly the deposit and income requirements set by the Central Bank of Ireland 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 regular item for discussion at Board meetings. The Group also monitors volumes of first time buyers, in order to quantify the impact of the Central Bank of Ireland Loan to Value and Loan to Income ratios and the Government Help to Buy tax rebate scheme, as this results in more immediately realisable mortgage demand. Changes or potential changes to rules or regulations are considered by the Group, and in conjunction with industry experts.	Availability of mortgage finance is regularly reviewed, both internally and in conjunction with industry experts. There has been no material change this year.
HEALTH & SAFETY	Health and Safety breaches can result in injuries to Cairn employees, subcontractors, customers and the general public 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 senior management in order to maintain independence. Health and Safety is also a standing item on the Audit & Risk Committee and Board agendas. 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 monthly independent safety audits and scoring of results.	Cairn continued to achieve high standards in the area of Health and Safety during the year and strives to make ongoing improvements.
AVAILABILITY AND STRENGTH OF SUBCONTRACTORS	The risk, due to Cairn's outsourced business model, that the Group is unable to engage the appropriate quantity and quality of subcontractors, which are critical to the construction and delivery of new homes.	Supply agreements with subcontractors are fixed for a significant portion of each active site, in order to ensure that supply is guaranteed, including for timber frame houses. Given the size of the Group's land bank and its position in the marketplace, it is a very attractive customer for subcontractors. Management have many years of experience in the industry and strong relationships with and knowledge of key subcontractors. The Group ensures payments are made on time to subcontractors in order to maximise their liquidity as they scale their operations. A panel of approved subcontractors is in place and circulated on all relevant tenders. Weekly procurement meetings ensure greater visibility of subcontractor dependencies and availability across trades.	Subcontractor relationships and capacity are closely monitored by the business on an ongoing basis.

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
BREXIT	Risk of a hard Brexit which could be detrimental to the Group as it may impact consumer confidence, procurement and sourcing of materials, house prices and sales rates, thereby causing a negative impact on Cairn's income stream.	The Group continues to monitor the potential impacts of Brexit. Close monitoring of economic indicators for indications of weakness in the economy at Board and management level. Continuous evaluation of procurement approach and exposure to external/international markets. Strong Irish supplier base (> 90%) with limited exposure to UK materials. Majority of labour and materials are sourced domestically.	New risk for 2019.
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.	The Group continues to place a strong emphasis on succession planning.
RECRUITMENT AND RETENTION OF KEY PERSONNEL	The risk that Cairn 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 employees are retained.	The Group's ambitious growth plans and plc status make it an attractive place of employment for high calibre employees. The Group ensures that it has a remuneration policy in place that is competitive in the market-place to retain key employees. The Long Term Incentive Plan ("LTIP") further incentivises and aligns employees to Group performance. Annual performance reviews in place to ensure that Group strategy and goals are communicated to key employees and to provide regular feedback to ensure they are kept motivated. The Group utilises a talent acquisition recruitment specialist to ensure recruitment of high quality employees.	The Group has continued to fill out its organisation structure and has had low levels of employee turnover.
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 Group.	Financial controls and policies in place in order to manage risks across the key areas. Regular commercial review meetings and associated processes ensure robustness of margin reporting. Central support office personnel with direct site operational knowledge in place in order to monitor site activity and site costs. An outsourced internal audit function tests the internal control framework and suggests improvements where required. These improvements are presented to the Audit & Risk Committee and are reviewed periodically to assess implementation.	The design, implementation and monitoring of the Group's financial controls continue to receive significant investment and focus.

RISK TREND

- Risk increased
- Risk unchanged
- Risk decreased

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
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 aims to ensure that it always has sufficient liquidity in place to meet its cash flow requirements for the next 3 years, as evidenced through the 2018 debt refinancing. The Group prepares regular forecasts which look at both its short-term and longer-term requirements. Regular monitoring, forecasting and reporting of banking covenants. Speed of construction delivery on sites takes account of sales absorption rates across each site. An unforeseen stretch in liquidity can be managed through a reduction in the pace of construction on one or more sites if necessary.	Risk decreased The Group refinanced its debt facilities during 2018. In doing so it increased the quantum of available debt facilities as well as extending the maturity profile of its facilities.
GOVERNMENT POLICY INCLUDING PLANNING REGULATIONS	Inability to adhere to the complex and stringent regulatory environment that applies to the building industry. Risk that the Government and planning authorities will introduce new legislation or legislative changes that result in material cost or time delays for the Group.	The Group monitors all policy changes through its planning department and this 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 new homes the Group builds. Participation in industry advocacy groups. The changes to the planning regime and the establishment of the Strategic Housing Development planning process (involving a one step process with An Bord Pleanála for all sites delivering greater than 100 residential units), have ensured that the timeframe to obtain planning permission on large sites has reduced.	Risk unchanged The Group continues to achieve a high level of success with regard to planning applications and is in compliance with regulations.
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 on-site meetings attended by site management teams and senior management. 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.	Risk unchanged Initial planning and ongoing monitoring of programme execution is a key business process for the Group.
AVAILABILITY AND QUALITY OF MATERIALS	The risk that the Group is unable to source the materials it requires at the right time and at the best price, due to availability and volume constraints, or risk that subcontractors utilise poor quality, prohibited or dangerous materials.	Current size and growth prospects make the Group an attractive customer for suppliers. Continued scaling of the business should ensure that the Group has access to necessary materials at competitive prices. Framework agreements in place with key suppliers providing certainty over supply and pricing. Strong quality monitoring through a dedicated quality manager and on site engineers, and materials are tested at concrete plants and on site. Off site manufacturing – using materials and suppliers that have the capacity to deliver in line with the Group's growth plans.	Risk unchanged Access to adequate quantities of suitable materials at competitive prices is a core focus for the Group.

"2018 was a year of continued strengthening of our financial position, through both trading performance and debt refinancing, setting us up for continued success into the future."

TIM KENNY
GROUP FINANCE DIRECTOR

Our financial performance in 2018 was strong and demonstrates our excellent progress in delivering our strategic objectives.

Revenue
Cairn delivered a strong trading performance in 2018, earning revenues of €337.0 million (2017: €149.5 million) from 804 unit sales and a number of non-core site sales, representing a 92% increase in unit sales and a 125% increase in revenues over 2017. Sales of new homes totalled €294.2 million from nine separate selling sites. Our average selling price ("ASP") was €366,000 (excluding VAT) (2017: €315,000), representing a 16% year on year increase. Revenues included total consideration of €41.7 million (2017: €16.8 million) from a number of non-core site disposals.

Outlook
A total of 471 units were closed or forward sold as at 6 March 2019, the day prior to our 2018 preliminary results announcement, equating to revenues of €201.4 million at an ASP of €428,000 reflecting a higher mix of premium apartments, including 120 units at our development at Six Hanover Quay. This is a strong start in delivering on our 2019 targets.

Gross Margin and Operating Margin
Gross margin progressed further in 2018, with the business delivering a margin of 20.5% (2017: 18.2%) for the year. The gross profit amounted to €69.1 million (2017: €27.1 million). Our continued margin expansion reflects the benefits of our low cost land bank, the majority of which was bought or contracted in 2015, and our scale which continues to deliver procurement and operational efficiencies. We achieved operating profits of €53.2 million (2017: €14.5 million), representing a 267% year-on-year increase, with operating margin strengthening by 610bps to 15.8% (2017: 9.7%) from what is now an established and profitable business. Administrative costs of €15.9 million demonstrate that we are a lean, low-cost organisation, with an operational platform that is largely complete from a structural perspective.

Profit after Tax and Earnings per Share
Net finance costs for the year of €15.6 million (2017: €8.5 million) include the interest and amortised costs on our financing facilities. It also includes exceptional items totalling €3.9 million arising from non-routine transactions, including a contingent consideration settlement relating to a 2016 acquisition (€3.3 million) and the expensing of residual unamortised arrangement fees on refinancing of our debt facilities (€0.7 million). Overall, the Group delivered a profit after tax of €31.4 million, compared to €5.0 million in 2017. Basic earnings per share for 2018 was 4.0 cent (2017: 0.6 cent). Adjusted earnings per share, which is adjusted for exceptional items (net of tax), was 4.4 cent for the year (2017: 0.7 cent).

Financial Position
Total assets amounted to €1,005.8 million at 31 December 2018 (2017: €1,005.0 million). Net assets totalled €756.6 million (2017: €721.7 million), an increase of 4.8%. Inventories at year end were €933.4 million (2017: €911.5 million), comprising land held for development of €750.7 million (2017: €788.8 million), construction work in progress of €180.8 million (2017: €104.5 million) and €1.9 million (2017: €18.2 million) of development land collateral. The investment in construction work in progress reflects the increase in development activity during the year as the Group is now active on 13 development sites. Net debt reduced by €25.0 million over the course of 2018. At 31 December 2018, the Group had net debt of €134.4 million (2017: €159.4 million), comprising drawn debt of €196.7 million (net of unamortised arrangement fees and issue costs) (2017: €245.2 million) and available cash of €62.2 million (2017: €68.8 million). There was no restricted cash at 31 December 2018 (2017: €17.0 million).

Debt Refinancing
During 2018, the Group refinanced its primary debt facilities, replacing our €200 million corporate facility which was due to mature in December 2019, with €277.5 million of syndicated bank facilities maturing in December 2022 and also completed a €72.5 million private placement of loan notes, with repayment dates between 2024 and 2026. The new facilities provide the Group with greater flexibility, reduces our cost of funds and extends the maturity profile of our debt. Our net debt to inventories (at cost) was just 14.4% at year end (2017: 17.5%).

Cash Flow
During 2018 the Group generated net cash from operations of €40.1 million (2017: cash outflow of €128.6 million), demonstrating the substantial progress we have made. We expect this strong cash generation to continue into the future, supported by the fact we have bought and paid for all of the land needed to deliver on our strategic objectives and also signalled that over time our land bank will reduce to a more normalised level of c. 6 – 7 years supply. We expect to generate free cash of c. €350 million to €400 million by the end of 2021 and all profits generated from 2019 onwards will add to our distributable reserves. This, added to our €550 million capital reorganisation, which is subject to High Court approval, will enable the Board to announce a first interim ordinary dividend of 2.5 cent per share in September 2019, earlier than previously guided.

This signals the likelihood of future capital returns and our approach to ordinary dividends, special dividends and share buybacks will be outlined to shareholders at our interim results announcement in September 2019.

2018 was a year of continued strengthening of our financial position, through both trading performance and debt refinancing, setting us up for continued success into the future. We look forward to commencing a progressive capital return strategy in 2019.

Tim Kenny
Group Finance Director

We are BUILDING COMMUNI-TIES

Sandra Thorpe and Jude Byrne presenting a cheque to John Fitzsimons of St Andrew's Resource Centre.

"We recognise our responsibility as a member of the communities in which we build, and we don't take it lightly. We are proud to be using our skills, scale and commitment to contribute to a better society. Placemaking for our homes is very important to us and to the communities that we work with."

OUR CORPORATE SOCIAL RESPONSIBILITY ("CSR") PROGRAMME: HOMES FOR GOOD

We will achieve this by working closely with our stakeholders towards clearly stated goals; getting down to work with a common sense of purpose; working hard to give people a home; helping to create strong and vibrant communities; generating jobs and growth; and supporting the environment. Our CSR activities are strong expressions of our values and build towards us achieving our vision of being the most trusted, respected and safest homebuilder in Ireland.

Our social responsibility activities are based around four themes: Community, Environment, Industry and People. Community is our central theme and feeds into all of our activities. We believe that the success of these initiatives will be down to how embedded they are in our culture and as such we focus on getting everyone in the Company actively involved – not only because it gives us great initiatives to rally around but because it is the right thing to do.

INVESTMENT IN PARKS, PLAYGROUNDS, CYCLEPATHS AND LOCAL COMMUNITY, SPORTS CLUBS AND SCHOOLS

CLIMATE CHANGE READY INNOVATIVE SOLUTIONS FOR UNIVERSAL DESIGN ("ISUD") IN PLACE

A3 ENERGY EFFICIENT HOMES

CHILDRENS BOOKS IRELAND PARTNERSHIP

COMMUNITY

Community is the central theme of our CSR programme. We believe that by working closely with our customers, local authorities and communities, we are helping to create places and spaces in which people can thrive and make a positive contribution to society – today and for generations to come.

In addition to creating great public realm and infrastructure projects such as bridges, roads, schools and public parks, we place great importance on the social, sporting and cultural activities that help to build cohesive communities.

We are committed to promoting healthy communities with grass-roots support for local youth sport teams and sporting facilities, walkways and cyclepaths; promoting and supporting community initiatives like planting days and family friendly events; creating culturally rich environments in collaboration with artists, councils and residents through our arts programme and getting involved in the community at a personal level with our volunteering programme.

OVER

€70m

commitment for public realm and infrastructure projects for 2019-2021

ENVIRONMENT

As homebuilders we are acutely aware of the effects of our business activities on the locations in which we build and the environment as a whole. From planning through to landscaping we keep sustainability in mind and ensure that we are building new homes and communities that are energy efficient, environmentally friendly and contribute to biodiversity in Ireland.

We are committed to making our new homes environmentally sustainable to both build and to live in. We are currently introducing off-site fabrication methods for timber framed homes which use less energy to build. We design and build energy efficient homes which use less energy, cost less to operate and produce fewer greenhouse gases, which is good for everyone and good for the environment.

By its nature, the development of a site will have an impact on the local environment. We aim to minimise any potentially negative impacts and make a positive contribution to the local environment wherever possible, and with the expansion of our biodiversity programme we are doing just that. Initiatives like our pollinator friendly planting policy, our designation of land to meadow usage and our commitment to native tree and ground cover planting put us at the forefront of the promotion of biodiversity in Ireland. We are committed to creating great places to live for all of the residents of our neighbourhoods – not only the human ones.

5 trees

planted for every home we build

Cairn is a registered supporter of the All Ireland Pollinator Plan 2015-2020.

INDUSTRY

We are leading from the front in developing a strong, safe and sustainable homebuilding industry. By developing close industry relationships, supporting jobs and training the next generation we are contributing to the long-term growth and sustainability of our sector.

Investment in training, technology and innovation are key to developing a resilient business and sector and ensuring a skilled workforce that is capable of meeting the industry needs. Our apprenticeship programme is designed to integrate higher education institutes with our core subcontractor pool, providing real world experience and knowledge with the goal of creating new jobs and training the next generation.

We are committed to working with all of our stakeholders towards the UN Sustainable Development Goals and continue to increase employment opportunities, especially for young people, and promote safe and secure working environments.

OVER 2,000

subcontractor jobs supported across our active sites

PEOPLE

We value our people and trusted partners and are actively providing resources and opportunities to grow and develop together. Our priority is ensuring an environment where our people can develop and do their best work to build high quality, sustainable new homes in a safe workplace for all of our people.

10

dedicated Health & Safety Officers

Our focus on safety manifests in our strict enforcement and education programmes, state-of-the-art safety equipment and practices and through our dedicated health and safety officers, working closely with all site and office teams to manage risk and eliminate complacency. We also engage with independent auditors to perform monthly health and safety audits on every site. We also proactively promote physical and mental health across the organisation and provide all employees with access to our 24 hour Employee Assistance Programme.

We feel strongly that working together should be a positive and rewarding experience and our Continuous Professional Development Programme allows for all employees to further develop their skills. Our Company volunteering programme rolls out fully in 2019, providing our employees with opportunities to engage with the community on a personal level and using our skills and know how to help make society better in any way we can.

WORK SAFE HOME SAFE

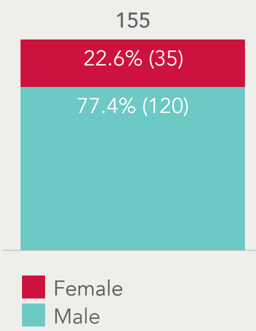
Caoilin Mills Gorman of EMCL onsite at Shackleton Park

2018 EMPLOYEE DIVERSITY DISCLOSURES

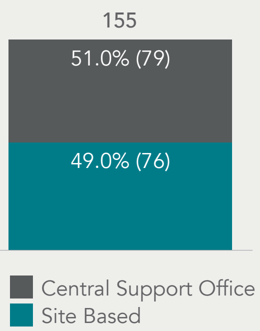
The Company places great emphasis on the need to ensure that our workforce is as diverse as our customer groups, because it is good practice and also because we believe that a diverse team produces better results. We are aware that there is a challenge traditionally in our sector to access and attract diverse talent, so it is a strategic priority for us to work hard to do so.

We have made some positive progress on gender diversity as outlined below in our directly employed workforce. There is greater ethnic and broader diversity of talent across the more than 2,500 jobs we support across our active sites and we will continue to ensure that diversity of all forms remains a strategic and operational priority for our recruitment team.

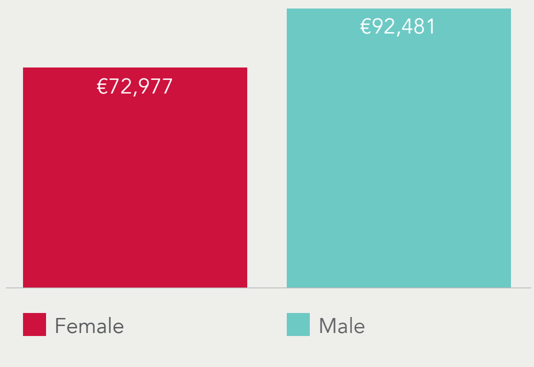
HEADCOUNT BY GENDER



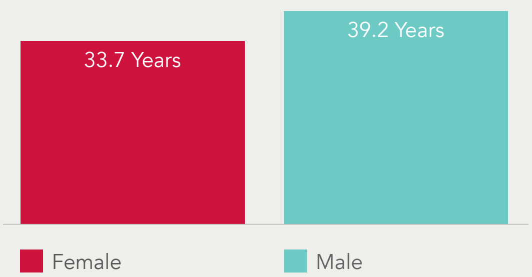
HEADCOUNT BY AREA



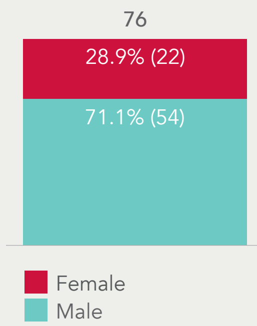
AVERAGE SALARY BY GENDER



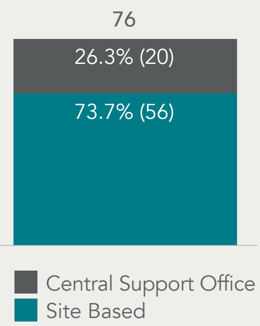
AVERAGE AGE BY GENDER



RECRUITMENT BY GENDER



RECRUITMENT BY AREA



A TALENTED TEAM

Building high quality homes at scale to tight deadlines is a complex operation and our Site and Project managers are vital in keeping build programmes on track.


Joanne King


Derek Roche


Paddy Hoare


Neil Scott


Brian Heverin

Our depth of technical expertise is unique within our industry. We are a design-led developer with an in-house team of architects, town planners and design managers working alongside our experienced construction management teams. They are led by award winning engineers, construction managers and surveyors who bring a wide array of national and international residential experience to our team.


Gerry Butcher


Ian Hart, Damien O' Brien and Pauline Carberry


Kevin Sweeney

Martin Robotham

MANAGEMENT TEAM

MICHAEL STANLEY
Co-Founder & Chief Executive Officer

TIM KENNY
Group Finance Director

SANDRA THORPE
Corporate Development Director

JUDE BYRNE
Managing Director, Apartments

LIAM O'BRIEN
Managing Director, Housing

IAN CAHILL
Head of Finance

DECLAN MURRAY
Head of Investor Relations

BRIAN CAREY
Senior Manager Acquisitions

TARA GRIMLEY
Company Secretary

SARAH MURRAY
Director of Customer

GERALD HOARE
Pre-Construction Manager

FERGUS MCMAHON
Managing Quantity Surveyor

AIDAN MCLERNON
Planning & Design Manager

JOHN GRACE
Planning & Design Manager

EIMÉAR O'FLANAGAN
HR Manager

BOARD OF DIRECTORS

JOHN REYNOLDS
Chairman

Age: 60
Nationality: Irish
Appointed to the Board:
28 April 2015

Committee membership:
Chair of the Nomination Committee (since April 2015).

Independent: N/A

Skills and experience:
John Reynolds 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. John is a Chartered Director, an Economics graduate of Trinity College Dublin, and holds a Masters degree in Banking and Finance from UCD.

Other current appointments:
Non-Executive Director of Computershare Investor Services (Ireland) Limited, Business in the Community Limited, Institute of Directors Ireland and the National Concert Hall.

MICHAEL STANLEY
Co-Founder & Chief Executive Officer

Age: 53
Nationality: Irish
Appointed to the Board:
12 November 2014

Independent: No

Skills and experience:
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.

Other current appointments:
Not applicable.

TIM KENNY
Group Finance Director

Age: 57
Nationality: Irish
Appointed to the Board:
22 August 2017

Independent: No

Skills and experience:
Tim Kenny was previously Group Finance Director and Group Business Development Director (2005 to 2017) of Musgrave Group plc, Ireland's largest grocery and food distribution business. Prior to joining Musgrave Group, Tim served as Finance Director of Dunloe Ewart plc, an Irish property company, from 1997 to 2004. Tim has a degree in Business Studies from Trinity College Dublin and is a Fellow of Chartered Accountants Ireland.

Other current appointments:
Not applicable.

ALAN MCINTOSH
Co-Founder & Non-Executive Director

Age: 51
Nationality: British
Appointed to the Board:
12 November 2014

Independent: No

Skills and experience:
Alan McIntosh has been a principal investor and part of successful investor groups for over 18 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.

Other current appointments:
Not applicable.

GARY BRITTON
Non-Executive Director

Age: 64
Nationality: Irish
Appointed to the Board:
28 April 2015

Committee membership:
Chair of the Audit & Risk Committee (since April 2015). Member of the Nomination Committee (since April 2015). Member of the Remuneration Committee (since December 2016).

Independent: Yes

Skills and experience:
Gary Britton 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 was formerly a Non-Executive Director of the Irish Stock Exchange plc and KBC Bank Ireland plc. Gary is a Fellow 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.

Other current appointments:
Non-Executive Director of Origin Enterprises plc.

ANDREW BERNHARDT
Non-Executive Director

Age: 58
Nationality: British
Appointed to the Board: 28 April 2015

Committee membership: Member of the Audit & Risk Committee (since April 2015). Member of the Remuneration Committee (since April 2015).

Independent: Yes

Skills and experience: Andrew Bernhardt 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. In 2007, he moved into investment banking with Straumur Investment Bank (now ALMC). On the successful restructuring in 2010, Andrew was appointed as CEO and remained in this role until 2013. He subsequently served as a Non-Executive Director of ALMC from 2013 to 2017.

Other current appointments: Non-Executive Director of AJ Walter Aviation Limited, and Fairey Industrial Ceramics Ltd.

GILES DAVIES
Non-Executive Director

Age: 50
Nationality: British
Appointed to the Board: 28 April 2015

Committee membership: Member of the Audit & Risk Committee (since April 2015). Chair of the Remuneration Committee (since April 2015). Member of the Nomination Committee (since December 2016).

Independent: Yes

Skills and experience: Giles Davies 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. He previously served as Non-Executive Chairman of Capital Management & Investment plc, and as a Non-Executive Director of Algeco Scotsman Group.

Other current appointments: Non-Executive Chairman of Wilderness Scotland.

JAYNE MCGIVERN
Non-Executive Director

Age: 58
Nationality: British
Appointed to the Board: 1 March 2019

Independent: Yes

Skills and experience: Jayne McGivern is currently Global Executive Vice President of Development and Construction for Madison Square Garden plc, where she is responsible for overseeing all new venue development projects in addition to management of the company's planned MSG Sphere venues in Las Vegas and London. Her former roles include Divisional Managing Director at Redrow plc, Chief Executive Officer of the European Division of Multiplex plc and Managing Director of Anschutz Entertainment Group in London, during its acquisition and redevelopment of the O2, and Chair of the UK Ministry of Defence Infrastructure Organisation. She most recently led her own private property investment vehicle, Red Grouse. Jayne is also a Fellow of the Royal Institution of Chartered Surveyors.

Other current appointments: Non-Executive Director at Skanska AB.

DAVID O'BEIRNE
Non-Executive Director

Age: 61
Nationality: Irish
Appointed to the Board: 1 March 2019

Independent: Yes

Skills and experience: David O'Beirne is a former Managing Partner of the international law firm Eversheds Sutherland, Dublin, is also a former Head of the firm's Corporate and Commercial Department and is currently a Partner in its Corporate & Commercial Department. David's primary practice areas are mergers, acquisitions, disposals, private equity investments, corporate restructurings and corporate reorganisations, and has advised clients, both domestic and international, for almost 40 years.

Other current appointments: Not applicable.

LINDA HICKEY
Non-Executive Director

Age: 57
Nationality: Irish
To be Appointed to the Board: 12 April 2019

Independent: Yes

Skills and experience: Linda Hickey was previously Head of Corporate Broking at Goodbody Stockbrokers, where she worked since 2004, and where she advised clients on a range of capital markets and corporate governance matters. Prior to this, Linda worked at both NCB Stockbrokers in Dublin and Merrill Lynch in New York. Linda also has a degree in Business Studies from Trinity College Dublin.

Other current appointments: Non-Executive Director at Kingspan Group plc and Chair of the Board of The Irish Blood Transfusion Service.

We have made significant progress in diversifying the Board during 2018 as we prepare to implement the new Corporate Governance Code.

JOHN REYNOLDS
CHAIRMAN OF THE BOARD

Dear Shareholder,

I am pleased to report that for the year ended 31 December 2018, Cairn Homes plc (the "Company") remains fully compliant with the requirements of the UK Corporate Governance Code and Irish Corporate Governance Annex, (together the "Code"). We set out on the following pages the important details of our work as a Board conducted during the year.

As previously announced, Mr. Alan McIntosh moved from an Executive Director role to a Non-Executive Director role in August 2018. In addition, we engaged Korn Ferry, an independent executive search firm in 2018 to assist the Nomination Committee in its search for new, independent Non-Executive Directors. We were delighted to welcome Ms. Jayne McGivern and Mr. David O'Beirne to the Board in March 2019, following an extensive process. Ms. Linda Hickey will also join the Board on 12 April 2019. Further details of this recruitment process are disclosed in the Nomination Committee Report on pages 82 to 85.

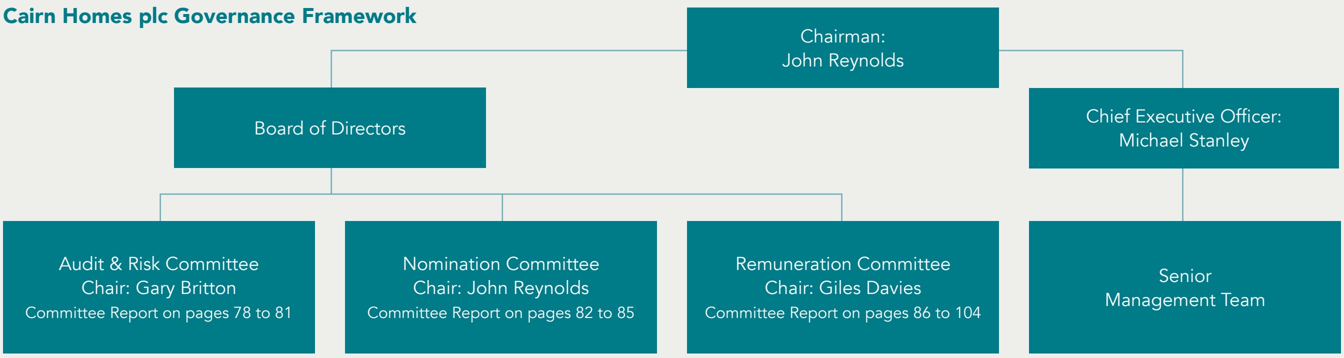
The Board currently consists of nine members comprising myself, two executives and six non-executives, one of whom is female. Five Board members are resident in Ireland with three resident in the UK and one in Kenya. Each member brings their own extensive experience across a range of sectors including property development, construction, real estate, legal, capital markets and corporate governance allowing for interesting and constructive debate in the boardroom. We are now also more adequately resourced to diversify the composition of our Committees which will be a focus for the Board in 2019.

During 2018 we also engaged the Institute of Directors in Ireland to conduct our first externally facilitated Board evaluation. Constructive recommendations materialised including ensuring more Board oversight of succession planning for key executives within the business and facilitating Board exposure to a broader cohort of senior management at Board meetings, both of which will be followed up on in 2019. Further details of this evaluation can be found on pages 71 and 72.

As always, we continue to engage with our shareholders to ensure we keep abreast of their considerations and concerns and will continue to do so in the coming year.

John Reynolds,
Chairman

Cairn Homes plc Governance Framework



LEADERSHIP

Role of the Board

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

The Board has a formal schedule of matters specifically reserved for its review including the approval of:

- Significant acquisitions or disposals;
- Significant capital expenditure;
- Financial statements and budgets;
- Risk management processes and the Principal Risk and Uncertainties; and
- Terms of Reference and membership of Board Committees.

The Board's responsibilities also include ensuring that appropriate management, development and succession plans are in place; reviewing the health and safety performance of the Company; and approving the appointment of Directors and the Company Secretary.

The roles of Chairman and Chief Executive Officer are separately held with a clear division of responsibility between them. The Board has delegated some of its responsibilities to standing Board Committees as detailed below.

Board Committees

The Board has established three Committees to assist in the execution of its responsibilities, the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. An overview of these Committees is provided in the Governance Framework on page 68 and in each Committee report. The current Committee membership, meeting attendance and tenure of each member is set out in each individual Committee report.

Each Board Committee has specific Terms of Reference under which authority is delegated to it by the Board. These Terms of Reference are reviewed annually and are available on the Company's website. The Chair of each Committee reports to the Board regularly on its activities, attends the Annual General Meeting and is available to answer questions from shareholders.

Chairman

John Reynolds was appointed Chairman of the Board on 29 April 2015 and was considered independent as at the date of his appointment. The Chairman leads the Board, ensuring its effectiveness by:

- Providing a sounding board to the Chief Executive Officer;
- Providing leadership and spearheading the governance of the Board;
- Setting the agenda, style and tone of Board meetings;
- Ensuring the Board is provided with accurate, relevant, timely information to ensure its effective operation;
- Promoting a culture of openness and debate to ensure each Board member contributes to effective decision-making; and
- Ensuring effective communications with shareholders and shareholder engagement.

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.

	Board	
Director	**No. of Meetings where Director was a Member**	**No. of Meetings Attended**
Andrew Bernhardt	7	6
Gary Britton	7	7
Giles Davies	7	7
Tim Kenny	7	7
Alan McIntosh	7	7
John Reynolds	7	7
Michael Stanley	7	7

Chief Executive Officer

Michael Stanley was appointed Chief Executive Officer in November 2014. The Chief Executive Officer is responsible for:

- The effective management of the Company;
- Development and implementation of the Board strategy through the Senior Management Team;
- Resourcing of the organisation to achieve its strategic goals, including creating the desired organisational structure for a growing business;
- Promoting of the mission, vision, values and culture of the Company; and
- Maintaining a close working relationship with investors, potential investors and other relevant external bodies.

Senior Independent Director

Giles Davies is the Senior Independent Director. The role of the Senior Independent Director is 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.

Non-Executive Directors

The role of the Non-Executive Director is to:

- Constructively challenge and debate management proposals;
- Examine and review management performance in meeting agreed objectives and targets, including ensuring levels of remuneration are appropriate for Executive Directors and succession plans are in place;
- Assess risk and the integrity of financial controls and information; and
- Input their knowledge and experience in respect of any challenges facing the Company and in particular, to the development of the Company's strategy.

Company Secretary

Tara Grimley was appointed Company Secretary in March 2018. The Company Secretary assists the Chairman in ensuring the effective operation of the Board. The Directors have access to the advice and services of the Company Secretary who advises the Board on all governance matters and developments in best practice. The Company Secretary is also responsible for ensuring a good information flow between the Board and its Committees and the Senior Management Team.

D&O Insurance

The Company maintains appropriate Directors' and Officers' liability insurance cover in respect of legal action against Directors, the level of which is reviewed annually.

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.

Board Meetings

The Board met seven times during the year. Details of Directors' attendance at these meetings are set out on page 69. In the event a Director is unable to attend a meeting, he or she can communicate their views on any items to be raised at the meeting through the Chairman.

EFFECTIVENESS

Board Composition and Independence
The Board is currently comprised of nine Directors, two Executive Directors and seven Non-Executive Directors (including the Chairman). The biographies of these Directors are set out on pages 66 and 67. The Board considers that at least half the Board, excluding the Chairman is comprised of independent Non-Executive Directors. The Chairman was deemed independent upon appointment. Further details of the independence assessments are included in the Nomination Committee Report on pages 82 to 85.

Information and Support
All Directors are furnished with information necessary to assist them in the performance of their duties. 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. Directors also receive monthly management accounts. 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. Members of the management team are invited to attend Board and Committee meetings, on occasion, in order to help Directors gain a deeper understanding of the Company's operations.

Conflicts of Interest
The Board reviews potential conflicts of interest as a standing agenda item at each Board meeting. Directors have continuing obligations to update the Board on any changes to these conflicts.

Induction and Training
An induction procedure for new Board members was established in early 2019. Board members engage with senior management on a regular basis to assist and enhance 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.

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, including those appointed in March 2019 and to be appointed in April 2019, will seek re-election. Accordingly, all Directors will retire at the Annual General Meeting on 22 May 2019 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.

Board Evaluation
The Board engaged the Institute of Directors in Ireland ("the IoD") following a tender process to facilitate an external Board evaluation in 2018. As the Chairman of the Board is a council member of the IoD, the decision on appointment was deferred to the Chairman of the Audit & Risk Committee. The IoD has no other relationship with the Company. In the latter part of 2018, a consultant from the IoD conducted one-to-one interviews with each Board member following the completion of a detailed questionnaire, and interviewed a number of senior managers who regularly attend Board meetings.

The review focussed on the following key areas:
- Strategy and performance;
- Risk management and internal control;
- Composition of the Board and its Committees, Board effectiveness, Board dynamics and contributions and succession planning;
- Stakeholder management; and
- Performance of the Chairman.

Board Evaluation continued

The output from this review was presented to the Board and indicated that the Board and Committees had many strengths and consisted of enthusiastic and committed Directors who were, overall, a successful and collegiate team that continued to operate effectively. The agreed action items out of this review are summarised below:

- The Board will implement a more formal process around stakeholder engagement, particularly for customers and employees;
- The Board will ensure policies and procedures relating to unexpected operational events are developed;
- The Board will enhance engagement and planning for succession of key employees;
- A formal Board induction process will be put in place for new Directors;
- Formal training for Directors to be undertaken on a regular basis; and
- The Board will receive presentations from a broader cohort of senior managers in the Company.

The Company Secretary in conjunction with the Chairman of the Board will follow up on these recommendations and ensure they are implemented in 2019. The Board will continue to review its performance, the performance of individual Directors and the Chairman on an annual basis.

Board Policy on Diversity

Whilst the Company has not put in place a formal Diversity Policy, being cognisant of the benefits of diversity and the recommendations of the Hampton-Alexander review, the Board and management recognise the clear benefits of increasing diversity at all levels of the organisation and we made significant progress in this area during 2018 and the first quarter of 2019, both at Board level and throughout the Company.

In February 2019, and as detailed in the Nomination Committee Report, we announced the appointment of Ms. Jayne McGivern (from 1 March 2019) and Ms. Linda Hickey (from 12 April 2019) which will increase female representation on the Board to 20%. As at 31 December 2018, our female employees made up 22% of our total workforce, while 29% of the Chief Executive Officer's direct reports were female. In each of these areas, the Company has made progress and diversity will continue to be key focus area for the Board and management, with the intention that a formal Diversity Policy, which will apply to the Board and the Company as a whole and focus on other areas including age, educational and professional backgrounds and ethnicity, will be approved in 2019. Further details on diversity within the Company can be found on page 61.

ACCOUNTABILITY

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 risk management and internal control systems, with the assistance of the Audit & 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 Company's risk framework continues to evolve, with some risk mitigants only in existence for a short period of time. The Company will continue to monitor and improve its risk management framework. Further details are available in the Risk Report on page 50.

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 issuance of financial reports is managed by the finance function.

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 & Risk Committee who recommend their approval to the Board.

Risk Management

The Company considers risk management to be of paramount importance. The Board, together with 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 & 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.

Further information on the principal risks applicable to the Company is given on pages 51 to 53.

Financial Risk Management

The financial risk management objectives and policies of the Company are set out in note 28 to the consolidated financial statements.

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 whilst 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 the Group 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 Health and Safety Policy is available at all work locations for consultation and review by all employees. The Policy is kept up-to-date and amended as necessary to meet changes in the nature and size of the business. The Policy is communicated to employees at the 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.

REMUNERATION

The Board has adopted remuneration policies that are considered sufficient to attract, retain and motivate Directors of the quality required to manage the Company successfully whilst ensuring that the performance related elements are both stretching and rigorously applied. Details of Directors' remuneration are set out in the Remuneration Committee Report on pages 86 to 104 and in note 10 to the consolidated financial statements.

RELATIONS WITH SHAREHOLDERS

Communication with Shareholders

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 preliminary results. The Executive Directors meet with institutional investors during the year and participate in broker/investor conferences.

While the Chairman has overall responsibility for ensuring that the views of our shareholders are communicated to the Board as a whole, contact with major shareholders is principally maintained by the Chief Executive Officer and the Group Finance Director. The Chairman is available to meet with shareholders if they have concerns which have not been resolved through the normal channels or where such contacts are not appropriate. The Executive Directors report regularly to the Board on their contact with shareholders. The Board also regularly receives analysts' reports on the Company.

Any significant or noteworthy acquisitions are announced to the market. The Company's website www.cairnhomes.com provides the full text of all announcements including the interim and preliminary results and investor presentations.

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.

The 2019 Annual General Meeting of the Company is to be held at The Marker Hotel, Grand Canal Square, Docklands, Dublin 2, D02 CK38 at 11.00am on 22 May 2019. The 2018 Annual Report and 2019 Notice of the Annual General Meeting will be circulated at least 20 working days prior to the meeting 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. The Chairman, Chief Executive Officer and other Directors will be available at the Annual General Meeting to answer shareholder questions.

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.

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/she/it 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 75% or more 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.

Other

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

- Periodic financial information such as interim and preliminary results;
- Price-sensitive information, which for example, 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);
- Information regarding major developments in the Company's activities;
- Information regarding dividend decisions;
- Any changes to the Board once a decision has been made, and
- 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 as soon as possible and in any event 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).

THE BOARD'S YEAR IN REVIEW

In 2018, the Board focussed on Strategy, Board Succession Planning and Company Performance.
Key operational and financial highlights, as laid out on pages 02 and 03, are a testament to the ongoing work of the Board and management team to deliver on its strategic priorities and continue to grow and develop in a structured, conscious way.

With 27 Board and Committee meetings, some taking place across our various sites located in the Greater Dublin Area, it has been a very busy year. Some of the highlights and key decisions are detailed below.

JANUARY – FEBRUARY – MARCH

Q1

Board
- Approved the Preliminary Results for the year ended 31 December 2017
- Approved the strategy, budget and three year 2018 to 2020 plan

Audit & Risk Committee
- Reviewed KPMG's External Audit Report and reviewed the Preliminary Results for the year ended 31 December 2017 with subsequent recommendation to the Board
- Reviewed and approved Deloitte's Internal Audit Plan for 2018 to 2020
- Received updates on GDPR, fraud risk and health and safety
- Reviewed the Company's Risk Register and associated risk mitigation plans culminating in the recommendation of the Principal Risks and Uncertainties for inclusion in the 2017 Annual Report
- Recommended the Audit & Risk Committee Report to the Board
- Reviewed and recommended the Directors Compliance Statement and Viability Statement for inclusion in the 2017 Annual Report
- Reviewed and recommended the 2017 Annual Report to the Board

Remuneration Committee
- Executive bonuses assessed against 2017 performance targets and bonus recommendations made
- Review of external benchmarking data compiled by Mercer
- Recommended the Remuneration Committee Report to the Board for inclusion in the 2017 Annual Report

Nomination Committee
- Agreed to commence a recruitment process for new Non-Executive Directors
- Talent assessment and mapping process conducted
- Update on succession planning for senior management
- Recommended the Nomination Committee Report to the Board for inclusion in the 2017 Annual Report

APRIL – MAY – JUNE

Q2

Board
- Approved 2017 Annual Report
- Approved the forward sale of Six Hanover Quay, to be completed in 2019
- Approved the sale of three student accommodation sites
- Received additional training on the Market Abuse Regulation and the Company's policies and procedures in relation to share dealing

Remuneration Committee
- Granted share options under the LTIP
- 'Nine-box' assessment conducted for all employees
- Analysed 2018 Annual General Meeting shareholder votes

Nomination Committee
- Engaged Korn Ferry to assist with the recruitment of new Non-Executive Directors
- Review of longlist of potential new Non-Executive Directors

27 MEETINGS

2 ON SITE MEETINGS

JULY – AUGUST – SEPTEMBER

Q3

Board
- Approved bank refinancing
- Approved Interim Results for the period ended 30 June 2018
- Approved Alan McIntosh move from an Executive Director to a Non-Executive Director

Audit & Risk Committee
- Reviewed and recommended to the Board the Interim Results for the period ended 30 June 2018
- Reviewed the output of internal audits conducted in the period
- Received an update on health and safety from the Health and Safety manager

Remuneration Committee
- Shareholder engagement strategy established
- LTIP construct reviewed for continued appropriateness for the Company

Nomination Committee
- Alan McIntosh decision to step down as an Executive Director and continue as a Non-Executive Director recommended to the Board

OCTOBER – NOVEMBER – DECEMBER

Q4

Board
- Agreed to initiate a process to complete a capital reorganisation
- Approved the strategy, budget and three year 2019 to 2021 plan
- Approved the Corporate Social Responsibility Policy for the Company

Audit & Risk Committee
- Reviewed and approved the 2018 KPMG External Audit Plan for the year end audit
- Reviewed and approved Deloitte's Internal Audit Plan for 2019 to 2021
- Received bi-annual update on health and safety

Remuneration Committee
- Bonus framework and goals reviewed

Nomination Committee
- Reviewed and conducted interviews of shortlisted potential new Non-Executive Directors

"The Committee confirms that, in our view, the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess the Group's position and performance, business model and strategy."

GARY BRITTON
CHAIR OF THE AUDIT & RISK COMMITTEE

Attendance & Tenure

Member	Meetings Held	Meetings Attended	Committee Tenure
Gary Britton	5	5	4 years
Andrew Bernhardt	5	5	4 years
Giles Davies*	5	4	4 years

* Mr Davies was unable to attend one meeting during the year due to personal circumstances.

Dear Shareholder,

This report describes how the Audit & Risk Committee (the "Committee") has fulfilled its responsibilities during the year under its Terms of Reference and under the relevant requirements of the UK Corporate Governance Code, and Irish Corporate Governance Annex (together "the Code").

The Committee is satisfied that its role and authority include those matters envisaged by the UK Corporate Governance Code that should fall within its remit and that the Board has delegated authority to the Committee to address those tasks for which it has responsibility.

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision B.1.1 of the UK Corporate Governance Code. In accordance with the requirements of provision C.3.1 of the UK Corporate Governance Code, I am designated as the Committee member with recent and relevant financial experience. The biographical details on pages 66 and 67 demonstrate that members of the Committee have a wide range of financial, commercial and business experience relevant to the sector in which the Group operates.

Meetings are attended by the members of the Committee and others being principally the Chairman, the Group Finance Director, the Head of Finance, the Group Financial Controller, the Health & Safety Manager and Company Secretary and representatives of the outsourced Internal Audit function who attend by invitation. Other members of management may be invited to attend to provide insight or expertise in relation to specific matters.

Representatives of the External Auditor are also invited to attend certain Committee meetings. The Committee also met privately with the External Auditor and representatives of the outsourced Internal Audit function without management present.

The Chair of the Committee reports to the Board on the work of the Committee and on its findings and recommendations.

Key Responsibilities

- Monitoring the integrity of the Group's financial statements and announcements relating to the Group's performance;
- Advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- Monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the External Auditor;
- Overseeing the relationship between the Group and the External Auditor including the terms of engagement and scope of the audit;
- Reviewing the effectiveness of the Group's internal controls;
- Reviewing the scope, resourcing, findings and effectiveness of the Internal Audit function;
- Overseeing the effectiveness of the risk management procedures in place and the steps taken to mitigate the Group's risks; and
- Reporting to the Board on how the Committee has discharged its responsibilities.

KEY AREAS OF ACTIVITY DURING 2018

A summary of the key activities of the Committee during the year is set out below:

Financial Reporting

The Committee reviewed the draft preliminary results and draft interim results before recommending their approval to the Board. As part of this review, the Committee considered significant accounting policies, estimates and significant judgements. The Committee also reviewed the observations on internal controls prepared by the External Auditor as part of the audit process. The significant issues in relation to the financial statements considered by the Committee and how these were addressed are set out on page 81.

In accordance with the reporting requirements of the Code, the 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 Group's position and performance, business model and strategy.

Risk Management and Internal Control

The Board has delegated responsibility to the Committee for monitoring the effectiveness of the Group's system of risk management and internal control. The Committee reviewed the risk management process and the procedures established for identifying, evaluating and managing key risks, which included a review of performance against the objectives set in the prior year. Further information on the Group's risk management process is outlined in the Risk Report on page 50.

Going Concern and Viability Statements

The Committee reviewed the draft Going Concern and Viability Statements prior to recommending them for approval by the Board. These statements are included in the Risk Report on page 50. This review included assessing the effectiveness of the process undertaken by management to evaluate going concern, including the analysis supporting the Going Concern Statement and disclosures in the financial statements. The Committee and the Board consider it appropriate to adopt the going concern basis of accounting with no material uncertainties as to the Group's ability to continue to do so. The Committee also reviewed the Viability Statement on page 50.

Internal Audit

There is an outsourced Internal Audit function. The Committee considered reports and updates from the Internal Audit function which summarised the work undertaken, findings, recommendations and management responses to audits conducted during the year. The Committee considered and approved the programme of work to be undertaken by the Internal Audit function in 2018 and the planned programme of work for 2019. The Committee met representatives of the outsourced Internal Audit function on three occasions during the year where they presented Internal Audit report findings and recommendations and updated the Committee on the actions taken to implement recommendations.

External Auditor

Our External Auditor, KPMG, was appointed in 2015. The Group currently has no plans to tender for audit services, although is cognisant of the EU Audit Regulation requirements on auditor rotation.

The Committee reviewed the External Auditor's overall audit plan for the 2018 audit and approved the remuneration and terms of engagement of the External Auditor. The Committee also considered the quality and effectiveness of the external audit process and the independence and objectivity of the External Auditor.

In order to ensure the independence of the External Auditor, the Committee received confirmation from the External Auditors that they are independent of the Group under the requirements of the Irish Auditing & Accounting Supervisory Authority ("IAASA") Ethical Standard for Auditors (Ireland). The External Auditors also confirmed that they were not aware of any relationships between the firm and the Group or between the firm and persons in financial reporting oversight roles that may affect its independence. The Committee considered and was satisfied that the relationships between the External Auditor and the Group including those relating to the provision of non-audit services, did not impair the External Auditors judgement or independence.

Non-Audit Services

During the year, the Committee reviewed and 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 considered 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 External 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.

Under this Policy, the External Auditor will not be engaged for any non-audit services without the approval of the Committee. The External Auditor is precluded from providing certain services under Regulation (EU) No 537/2014 or from providing any non-audit services that have the potential to compromise its independence or judgement.

Details of the audit and non-audit services provided by the External Auditor for 2018 and their related fees are disclosed in note 10 to the consolidated financial statements. The Committee has undertaken a rigorous review of non-audit services provided during 2018 and is satisfied that these services were efficiently provided by the External Auditor with the benefit of their knowledge of the business and did not prejudice their independence or objectivity. The fees related mainly to tax advisory services and to restructuring services for work carried forward from previous years. Specifically, a portion of the fees reflect receivership work on the Project Clear portfolio acquisition, completed in December 2015, and represents contracted legacy work for which the Group did not appoint the receiver. To have commenced a process to replace the appointed receiver would have represented a significant burden in costs and delays.

In the absence of the aforementioned restructuring fees, non-audit fees would have totalled 85% of the audit fees in 2018. The Committee has commenced a process to appoint an independent advisory firm to conduct tax and other non-audit advisory work to ensure the independence of the Group's auditor and reduce the level of non-audit work conducted by the External Auditor. In line with EU audit regulations, the Group's non-audit fees will be less than 70% of the average of the audit fees over the last three-year period by the year ended 31 December 2020.

Whistleblowing and Fraud

An Anti-Fraud Policy was approved during the 2017 financial year and sets out the Group's approach to all forms of fraud and theft, the responsibilities of management in relation to prevention and detection procedures and controls, the appropriate reporting channels and the possible actions which may be taken by the Group in response to suspected fraud or theft. Instances of fraud or theft over a specified threshold are reported to the Committee.

The Committee considers reports received periodically on matters raised through "Speak Up", a Group-wide confidential reporting service run independently of the Group which allows colleagues to report any concerns they may have regarding certain practices or conduct in their businesses including possible instances of fraud and theft. All concerns raised through this channel and the outcomes of investigations are reported to the Committee.

Anti-Bribery

The Group's Code of Business Conduct and Ethics sets out the ethical standards to which all Group employees are expected to adhere. An Anti-Bribery Policy was approved during the 2017 financial year and sets out the core standards and procedures to be observed and practical guidance on dealing with bribery risk.

ESTIMATES AND JUDGEMENTS

The Committee reviewed in detail the following areas of significant judgement, complexity and estimation in connection with the financial statements for 2018. The Committee considered a report from the External Auditors on the audit work undertaken and conclusions reached which are set out in their audit report on pages 110 to 113. The Committee also had an in-depth discussion on these matters with the External Auditors. The significant areas were:

- Carrying value of inventories and profit recognition; and
- Revenue recognition

Carrying Value of Inventories and Profit Recognition

The Group continued to invest capital in developing its land bank during 2018 and the construction work in progress carrying values have 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 2018 to ensure that the investment in such development land and the related construction 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 an individual 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 agents' assessment of the sales value of those units.

All costs associated with the individual sites 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 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 a 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 construction work in progress) and with the methodology for the release of costs on the sale of individual units.

Revenue Recognition

Considering that the Group experienced a significant increase in revenue in 2018 and a new accounting standard was introduced in the form of IFRS 15, revenue recognition was a key focus area for the Committee. The Committee, through discussions with management and with the External Auditor, monitored the effectiveness of the internal controls exercised over the key processes employed by the Group in relation to revenue, and considered the application of IFRS 15 to the Group's contractual arrangements with customers. The Committee is satisfied with the treatment of revenue recognition and the associated disclosures.

As Chair of the Committee, I engaged with the Group Finance Director, the Internal Audit function and the External Auditor in preparation for Committee meetings. I also attend the Annual General Meeting and am available to respond to any questions that shareholders may have concerning the activities of the Committee.

Gary Britton
Chair of the Audit & Risk Committee

During 2018, the Nomination Committee was particularly active in identifying suitable candidates as part of its succession planning for the Board of Directors.

JOHN REYNOLDS
CHAIR OF THE NOMINATION COMMITTEE

Attendance & Tenure

Member	Meetings Held	Meetings Attended	Committee Tenure
John Reynolds	5	5	4 years
Gary Britton	5	5	4 years
Giles Davies	5	5	4 years

All members of the Nomination Committee ("the Committee") are independent Non-Executive Directors (or in the case of the Chairman of the Board, independent upon appointment). Member biographies can be found on pages 66 and 67.

Key Responsibilities
The Committee is responsible for Board recruitment and conducts a continuous and proactive process of planning and assessment, taking into account the Company's strategic priorities and the factors affecting the long term success and future viability of the Company.

The key objective of the Committee is to ensure the Board is comprised of individuals with the requisite skills, knowledge, experience and expertise which are appropriate for the Company's requirements today and into the future. These responsibilities include:

- To review and evaluate the balance of skills, knowledge, experience and diversity of the Board and Committees and make recommendations to the Board with regard to any changes;
- To play a leading role in the annual Board evaluation process;
- To consider succession planning for Directors and other senior management as appropriate, taking into account which skills and expertise are required for the future growth and scaling of the Company, as well as the competitive landscape within which it operates;
- To identify and nominate for the approval of the Board, candidates for appointment as Directors;
- To make recommendations to the Board on the independence of Non-Executive Directors;
- To keep under review the time commitment expected from the Chairman and Non-Executive Directors;
- To consider the re-appointment of any Non-Executive Director at the conclusion of their term of office and recommend their re-appointment to the Board having due regard for their ability to continue to contribute to Board effectiveness; and
- To review the corporate governance framework and practices of the Company, to ensure the highest standards of corporate governance are maintained.

Key Areas of Activity in 2018

- Evaluated the balance of skills, experience, independence and knowledge on the Board;
- Oversaw the appointment process and interviewed shortlisted candidates for Non-Executive Director roles and recommended to the Board the appointment of three new independent Non-Executive Directors in 2019; and
- Under the direction of the Chairman, played a leading role in the external Board evaluation process.

GOVERNANCE	BOARD COMPOSITION	SUCCESSION PLANNING
• Reviewed and approved the Committee's annual agenda and Terms of Reference • Reviewed any actual or potential conflict of interests which may arise for any Board member	• Reviewed the structure, size and composition of the Board • Reviewed the skills, experience and capability of each Board member and of the Board as a whole against the needs of the Board • Ensured that the time commitment required from the Chairman and Non-Executive Directors were appropriate to fulfil their roles • Completed a skills assessment of the current Board to identify gaps in skills, diversity and capabilities required to support the Company's growth • Recruited three additional independent Non-Executive Directors to address diversity and skills gaps identified	• Ensured that succession requirements were considered in the hiring of key senior management (Corporate Development Director, Company Secretary and Director of Customer) • Assessed the tenure and effectiveness of current Board members • Supported top talent assessment with the Chief Executive Officer to identify employees in the succession pipeline

Board Refreshment

During 2018, the Committee placed particular focus on Board development and putting in place plans for Board refreshment. As part of that focus, the Committee undertook a formal, rigorous recruitment process to manage the search for additional Non-Executive Directors with relevant sector experience to ensure that the Board's composition continues to evolve alongside the scaling of our business.

With the support of Korn Ferry, an independent executive search firm, the Committee looked in detail at the skills and capabilities that would be required from new Non-Executive Directors to help the Company achieve its strategic objectives and deliver sustainable shareholder value. The outcome of this detailed review, which took into account the opinions expressed by Board members and feedback from shareholders, resulted in the identification of a list of potential candidates.

Based on the skills that each candidate would bring to the Board, the Committee then selected candidates to invite forward to interview. The initial interview process for each candidate involved meeting with the Chairman, Company Secretary and Director of Corporate Development who then shortlisted candidates to proceed to a further interview with the Chief Executive Officer and one other Board member. The focus of these interviews was to ensure that the selected candidates would appropriately diversify the Board's composition and deepen the sectoral, corporate governance and legal capabilities of the Board.

Non-Executive Director Appointments

This process culminated in the Committee recommending to the Board the appointments of Ms. Jayne McGivern, Ms. Linda Hickey and Mr. David O'Beirne, which were announced in February 2019. The Committee was pleased to recommend three outstanding candidates to join the Board.

Ms. McGivern brings a depth of sectoral experience to the Board having worked in an executive capacity in other property and construction companies. Ms. McGivern will also add invaluable knowledge to Board discussion due to her directorship of another publicly quoted construction company outside of Ireland.

Mr. O'Beirne brings significant legal expertise to the Board having advised clients on both domestic and international transactions for almost 40 years. Mr. O'Beirne also has a deep understanding of the Irish commercial landscape and Irish company law and will greatly enhance the Board's deliberations going forward in these areas.

Ms. Hickey has extensive corporate governance experience as a long standing independent Non-Executive Director of a public company and a chair position on the board of a state sponsored body, as well as having held senior positions in financial services firms both in Ireland and the US. Ms. Hickey will further strengthen the capital markets and corporate governance expertise on the Board when appointed on 12 April 2019, complementing the existing Non-Executive Directors' abilities.

Director Independence
The Board considers that at least half the Board, excluding the Chairman, is comprised of independent Non-Executive Directors. All Non-Executive Directors, excluding Alan McIntosh, are considered independent by the Board. The Chairman was deemed independent upon appointment.

In accordance with the UK Corporate Governance Code (the "Code"), the Committee took particular account of the following matters in determining the independence of Directors:

- Have they been an employee of the Company within the last five years;
- Have they had a material business relationship with the Company;
- Have they received additional remuneration apart from a Director's fee;
- Have they close ties with any of the Company's advisors, Directors, or senior employees;
- Do they represent a significant shareholder or have significant links with other Directors through their involvement in other companies or bodies; or
- Have they served on the Board for more than nine years from the date of their election.

As Alan McIntosh is a Founder and former executive of the Company, the Board do not consider him independent. Nonetheless, the Board is firmly of the belief that Mr. McIntosh's skills and experience and his knowledge of Cairn's business will result in him continuing to provide a highly valued contribution to the Board.

The Board considers that each of Andrew Bernhardt, Gary Britton, Giles Davies, Linda Hickey, Jayne McGivern and David O'Beirne are independent in character and judgement. In the case of Ms. Hickey and Mr. O'Beirne, a thorough review was undertaken by the Committee and the Board in line with the Code to ensure that there were no relationships or circumstances that were likely to affect, or could affect their judgement.

The Board had due regard for Ms. Hickey's position as a retiring senior executive at Goodbody Stockbrokers, one of the Company's corporate brokers and her position on the Board of Kingspan Group plc ("Kingspan"). Kingspan supplies raw materials to the Company and is the largest supplier of timber frame housing in Ireland. The availability of suppliers at such scale is limited in the Irish market and procurement of these products was strictly subject to the Company's standard procurement procedures.

The annual level of fees and expenses paid to Goodbody Stockbrokers are normally in the region of €50,000 for corporate broking services. In 2018, additional once-off fees of €500,000 were incurred for work completed relating to loan refinancing services in which Ms. Hickey had no involvement.

The Committee's rationale in selecting Ms. Hickey was based on identifying a candidate who could bring additional insight into the capital markets environment within which the Company operates as an Irish plc. Ms. Hickey, having worked for two of the three largest Irish stockbroking firms and retiring from an executive role in Goodbody Stockbrokers, will present the Company with very valuable insight into the capital markets domain as it applies to an Irish plc. She will also bring the benefit of five years' experience as an independent Non-Executive Director with Kingspan where she has overseen a company which has experienced very significant growth and operates in a related sector. In these circumstances the Committee concluded that there was no material relationship, financial or otherwise, which might either directly or indirectly influence her judgement upon her appointment on 12 April 2019.

In determining the independence of Mr. O'Beirne, the Board had particular regard for his position as a partner in Eversheds Sutherland, a legal firm that primarily provides conveyancing advice to the Company. The Board concluded that Mr. O'Beirne was fully independent, taking into account the following factors:

- He will not have any role in the selection or retention of legal advisors to the Company nor is the Company in any way influenced in its choice of legal advisors by reason of him being a Director;
- All work undertaken by Eversheds Sutherland for the Company is managed by other partners within the firm, and there is protection in place to ensure that no information about the Company's legal affairs is available to Eversheds Sutherland which is not available to all other Directors generally; and
- He does not, nor has not, had any involvement in advising the Company on any legal matters.

The Board identified Mr. O'Beirne as an experienced and accomplished corporate lawyer who would add important legal and regulatory experience to the Board. Mr. O'Beirne has on no occasion acted as an advisor in any capacity to the Company. The Company uses the services of A&L Goodbody and Pinsent Masons for corporate law advice in Ireland and the UK respectively, and also receives legal advice from other firms including Beauchamps and Arthur Cox. In 2018, fees paid to Eversheds Sutherland amounted to less than 5% of that firm's overall revenues.

In light of the above, the Board concluded that there was no material relationship, financial or otherwise, which might either directly or indirectly influence his judgement.

The Committee will continue to assess Board independence and effectiveness on an annual basis and determine whether any further appointments are necessary to ensure that the Board remains effective in its decision making and ability to support the Company's growth.

Succession Planning

Succession planning is an important element of good governance, ensuring that we are fully prepared for planned or sudden departures. Both the Nomination and Remuneration Committees have clear roles in aligning succession planning and incentive arrangements with the development of our strategy and during the year the Committee placed a particular focus on ensuring there was a clear connection between its work and activities and those of the Remuneration Committee.

During 2018, the Board supported the Chief Executive Officer in his annual review of the Company's succession plans. This involved a review of the succession plans for Executive Directors and other senior management roles below Board level. The aim of this review was to identify suitable individuals capable of filling senior managerial positions on a medium and long term basis, whilst ensuring their development needs are identified and addressed. As part of their development, managers below Board level consistently undergo talent assessment and development coaching and will also be invited to attend part of a Board meeting to present on their specialist area. This will allow the Board to develop a clear insight into the quality of the talent pipeline in the organisation and provide the individual with a greater understanding of the workings of the Board. A key aspect of further developing the Committee's understanding of our talent pipeline is the regular updates the Committee received from HR on the assessment of a significant number of employees below Board, which included details on our 'nine-box' approach to evaluating employee performance and potential growth for broader roles across the Company.

The Committee agreed that development plans be put in place for senior management to ensure that we mitigate "key people" risk and have robust succession plans in place to retain our best people and to sustain the Company's growth and performance.

External Board Evaluation Process

Under the direction of the Chairman, an independent Board evaluation review was conducted during the year, which was externally facilitated by the Institute of Directors in Ireland (the "IoD"). The Committee will take an active role in ensuring the recommendations made in the evaluation are effected. Further details of the evaluation and findings can be found in the Corporate Governance Report on pages 71 and 72.

Re-Election of Directors

The effectiveness and commitment of each of the Non-Executive Directors is reviewed annually. The Committee has satisfied itself as to the individual skills, relevant experience, contributions and time commitment of all the Non-Executive Directors, taking into account their other offices and interests held. Prior to the appointment of Ms. McGivern and Mr. O'Beirne to the Board in March 2019, and the imminent appointment of Ms. Hickey, the Board reviewed the new Directors' other roles and were satisfied by their approaches to managing their time commitments.

The Board is recommending the formal election to office of the new Directors and the re-election to office of all the other Directors at this year's Annual General Meeting. Details of the Service Agreements for the Executive Directors and the Letters of Appointment for the Non-Executive Directors are set out on pages 90 and 93.

Advisors

During the year, the Committee worked with independent executive search firm Korn Ferry, to identify candidates for additional Non-Executive Director roles. For the 2018 external Board evaluation, the Committee worked with the IoD. John Reynolds is a council member of the IoD and deferred the Board evaluation tender decision to the Chair of the Audit & Risk Committee. FTI Consulting also provided broad governance advice to the Committees and Board during the year. None of the above consultants has any other connection with the Company.

Priorities for 2019

In 2019, the Committee will continue to ensure that Chief Executive Officer succession planning and senior management capability is supported and, where necessary, further developed. The progress made during 2018 will continue as the Board assists the Executive Directors in enhancing the Senior Management Team and the senior site managers across the business. Visits with senior site managers are also a key element of Board development. The Board's exposure to the workforce is a pivotal aspect of directly obtaining the viewpoint of employees within the Company, which enhances their understanding of various aspects of our culture, values and work environment.

Following the appointment of three new Non-Executive Directors, the Committee will focus on overseeing the induction of each new Board member. On joining the Board, new members receive a tailored induction organised by the Company Secretary which covers, amongst other things, the business of the Company, their legal and regulatory responsibilities as Directors, briefings and presentations from relevant senior managers and opportunities for site visits to certain of the Company's operations. Additionally, the Committee will assess the composition of the Board's Committees. The Committee currently envisage that each new Non-Executive Director will, over time, join one or more of the Board's Committees.

Lastly, with the introduction of the new 2018 Corporate Governance Code, effective for the Company from 1 January 2019, the Committee will place particular emphasis on developing our corporate governance framework and continue to align it with corporate governance requirements and market best practice. In the 2019 Annual Report, we will, for the first time, report against the revised 2018 UK Corporate Governance Code.

John Reynolds
Chair, Nomination Committee

2018 was another year of strong growth and delivery against key strategic objectives for Cairn.

GILES DAVIES
CHAIR OF THE REMUNERATION COMMITTEE

Attendance & Tenure

Member	Meetings Held	Meetings Attended	Committee Tenure
Giles Davies	10	9*	4 years
Gary Britton	10	10	4 years
Andrew Bernhardt	10	10	4 years

* Mr Davies was unable to attend one meeting during the year due to personal circumstances and requested the Board Chairman to Chair the meeting in his absence.

Dear Shareholder,

As Chair of the Remuneration Committee (the "Committee"), I am pleased to present our Remuneration Report for the year ended 31 December 2018. In the period since our initial public offering, the Company has made significant progress in terms of scaling and growth in financial performance. In line with the development of the business, a key focus for the Committee has been ensuring our approach to remuneration and, of equal importance, our communication with shareholders through the Annual Report and direct engagement, has continued to evolve. Throughout this report we have sought to provide enhanced disclosure on our remuneration framework and how Committee decisions reflect the strategic goals and direction of the business.

Approach to Remuneration

The Committee's overall philosophy on remuneration remains to ensure that Executive Directors and employees are incentivised to successfully implement strategy and that remuneration promotes alignment with the long term interests of shareholders. In implementing the Remuneration Policy approved at the 2017 Annual General Meeting, the Committee seeks to ensure that:

- Executives are rewarded in a fair and balanced way which promotes the long term success of the Company;
- Executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- The need to attract, retain and motivate employees of a high calibre is taken into account; and,
- Risk is properly considered in setting the Remuneration Policy and in determining remuneration packages.

As an Irish incorporated company, the Company is not subject to the UK executive remuneration requirements as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Nonetheless, in order to ensure transparency to all of our stakeholders, we have sought to comply with these requirements on a voluntary basis, to the extent possible under Irish law.

Performance and Remuneration Outcomes

2018 was another year of strong growth for the Group, with management driving continued progress as evidenced in a number of key areas.

- **Significant Growth:** Revenues increased to €337.0 million (2017: €149.5 million)
- **Continued Scaling:** Delivered 804 unit sale completions. Active on 13 developments, up from 11 at the end of 2017, which will deliver 5,000 new homes
- **Financial Performance**: Gross profit increased by €42.0 million to €69.1 million (2017: €27.1 million) and the Group made a profit after tax of €31.4 million (2017: €5.0 million)
- **Margin Progression:** Continued progression in gross profit margin which strengthened to 20.5% (2017: 18.2%)
- **Capital Restructuring:** Successfully completed a €350 million debt refinancing and further developed other strategic opportunities.

In addition to the key financial highlights detailed above, the Committee considered carefully the impact of the performance of Executive Directors on operational scaling and quality metrics, all of which we believe justify payment of above target bonuses to both the Chief Executive Officer and the Group Finance Director. An important principle for the Committee is that "standards rise" in terms of performance expectations annually. While annual incentives were effectively decreased in 2017 (compared to 2016) as the 'hurdle' for high performance continually rises, the team have performed exceptionally well in 2018 and have exceeded expectations in terms of financial and operational performance. Further details of the bonus framework and performance are provided on pages 97 and 98.

As the first grants under our Long Term Incentive Plan ("LTIP") were made in 2017, no awards were capable of vesting during 2018. An update on performance against the Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") targets for those awards is provided on page 99.

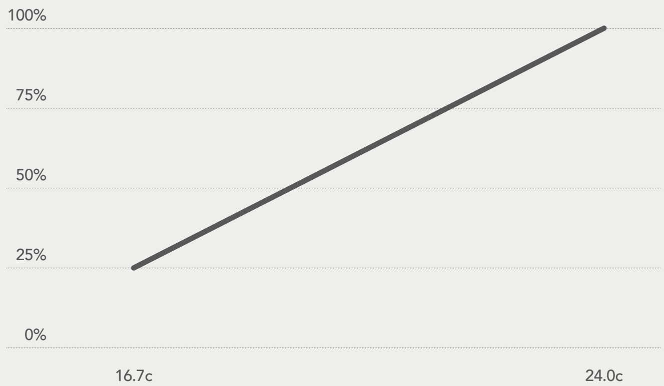
2018 LTIP Awards

During 2018, the Committee spent significant time determining the targets under the LTIP. The Committee has sought to ensure that the targets in place are suitably stretching while reflecting the future performance of the business as it grows and scales. The Committee was cognisant of the steps taken to accelerate and increase investment in central overheads that were made to support more stretching growth objectives over the past two years. In particular, these increases in investment were made to provide greater resources to align with increased investment in Dublin city centre apartment sites and their subsequent planning, design and construction. Market consensus figures are carefully considered in setting targets that are achievable but stretching. While consensus figures remain a component of ensuring we set targets that are achievable but stretching, as we remain in a state of substantial scaling and expansion, the Committee place greater weighting in the more accurate picture provided by internal projections. Consequently, for 2018, the Committee determined that there would be a minor recalibration of the maximum target under the EPS component of the LTIP. The threshold target has remained unchanged and the TSR target is 12.5% and represents 20% of the total target under each grant of the LTIP. The narrowing of the EPS performance range reflects the Committee's clearer line of sight over expected and stretching performance as the Company has developed.

The Committee is fully aware of the sensitivities around the lowering of performance targets among shareholders and proxy advisors. In determining the revisions to the targets, the Committee carefully weighted shareholder feedback, consensus forecasts and internal modelling of expected performance. In order for the EPS component of LTIP 2018 to vest in full, management will have to deliver very significant growth over the remaining two years in this cycle. Furthermore, as outlined below, the proposed LTIP 2019 target will require an average EPS in excess of 10 cent p.a. over that three year cycle to fully vest. In our view, these are stretching targets and if achieved they would represent an excellent result for shareholders all within six years of our initial public offering.

The Chief Executive Officer, who holds Founder Shares, will not receive an award under the LTIP for the duration of the performance period relating to his Founder Shares. Therefore, the only Executive Director who currently participates in the LTIP is Tim Kenny, Group Finance Director.

2018 LTIP TARGET – EPS



The TSR target remains unchanged at 12.5% and represents 20% of the total target under each grant of the LTIP.

Shareholder Engagement

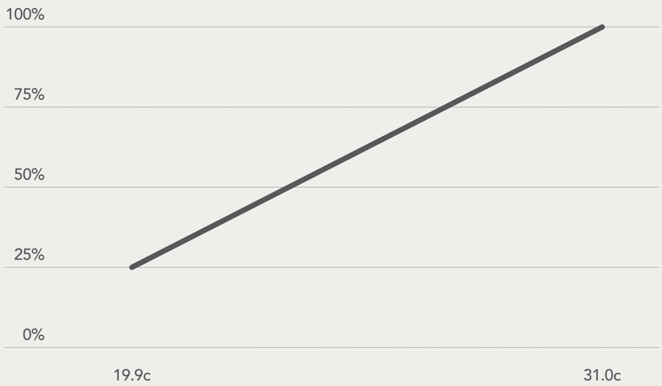
The Committee is committed to open dialogue with shareholders and institutional investor bodies on remuneration matters and welcomes feedback as it helps to inform its decisions. During the early part of 2019, the Chairman of the Board and I contacted shareholders who hold approximately 70% of our issued share capital as well as the proxy advisors ISS and Glass Lewis with an outline of our proposed changes and requested a meeting to obtain their feedback and input on a range of governance areas. During this process we received feedback from shareholders representing almost 50% of our issued share capital, and the proxy advisors. The Committee found the feedback to be very valuable, particularly on target setting, progress against the 2017 LTIP targets and how performance measures are aligned with strategy. I would like to take this opportunity to thank shareholders for their time in engaging with us. Later in 2019, in advance of proposing a Remuneration Policy at the 2020 Annual General Meeting, we will once again consult with shareholders to ensure their views are reflected in our decisions.

Remuneration in 2019

The Committee has determined that the salary of the Group Finance Director, Tim Kenny, should be increased by 5% effective from 1 January 2019. This increase is marginally below that awarded to the wider workforce. While the Committee is not reliant on benchmarking, it does use such data as a reference point and acknowledged that Mr. Kenny's fixed and variable pay have remained below market median since his appointment in 2017.

In response to shareholder feedback, and as we strive to enhance the level of disclosure in our Remuneration Report, we are providing prospective disclosure of the LTIP targets that will apply to the grants to be made in April 2019, which will be considerably higher than those in 2017 and 2018 for the EPS component of awards. As with the target setting process for the 2018 LTIP, the Committee undertook a rigorous review of the Company's strategic growth plans, three year plan and external forecasts when setting the target for the 2019 LTIP. Prior to finalising the target, the Committee also engaged with shareholders to consider their views and determined the following target ranges for the 2019 LTIP awards:

2019 LTIP TARGET – EPS



The TSR target remains unchanged at 12.5% and represents 20% of the total target under each grant of the LTIP.

The Committee is satisfied that the progress the business has made is reflected in a substantial increase in EPS targets for the 2019 to 2021 performance period. In order for awards to vest in full, management will be required to meet truly stretching expectations.

2018 UK Corporate Governance Code

In July, the Financial Reporting Council published the new UK Corporate Governance Code, in which a number of revisions relating to remuneration were introduced. The principal new provisions which are likely to impact on our future Remuneration Policy relate to pensions and post-employment shareholding requirements, which apply from 1 January 2019 and will be reported on in our 2019 Annual Report. As our current Remuneration Policy is in effect until our 2020 Annual General Meeting, we have not finalised the steps we will take to ensure our new Remuneration Policy fully reflects the provisions of the new UK Corporate Governance Code.

On behalf of the Committee and the entire Board, I thank all shareholders and their representatives for the constructive engagement in 2018 and 2019 and the valuable feedback and suggestions. We are grateful for your continued support and welcome any future guidance.

Giles Davies
Chair, Remuneration Committee

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

Our Role

The Committee's role is to determine and agree the Remuneration Policy for Executive Directors and senior management and to monitor and report on it. The Committee's responsibilities, delegated by the Board as set out in its Terms of Reference, are to:

- Determine the remuneration packages of the Chairman, Chief Executive Officer, Group Finance Director and certain other senior managers, including salary, annual incentive, pension rights and compensation payments;
- Oversee remuneration structures for senior management and to oversee any major changes in employee benefits structures throughout the Company;
- Nominate Executive Directors and management for inclusion in the 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 LTIP;
- Ensure that contractual terms on termination or redundancy, and any payments made, are fair to the individual and the Company;
- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the Terms of Reference for any consultants who advise the Committee;
- Obtain up to date information about remuneration in other companies of comparable scale and complexity; and
- Agree the policy for authorising claims for expenses from the Directors.

Key Responsibilities

The Committee follows an annual program of work to execute these responsibilities which for 2018 were:

EXECUTIVE REMUNERATION

- Reviewed annual performance of the Executive Directors
- Determined fixed and variable remuneration for Executive Directors and senior management

GOVERNANCE

- Reviewed and made progress against the remuneration strategy agreed to execute the Remuneration Policy
- Worked with the Committee's consultants during 2018 to ensure rigour of Committee analysis and decision
- Considered and approved the Remuneration Report and remuneration disclosure requirements
- Reviewed and approved its annual agenda and Terms of Reference

SHAREHOLDER CONSULTATION

- Implemented Remuneration Policy and LTIP approved following previous consultation with shareholders
- Engaged with shareholders to discuss Remuneration approach for 2018

LONG TERM INCENTIVES

- Set 2018 and 2019 LTIP targets following consultation with shareholders
- Ensured LTIP awards were linked to succession planning
- Assessed efficacy and stretch of LTIP targets through all cycles

Q1

- Evaluation of business strategy and priorities relative to remuneration
- Executive Director goal setting
- Terms of Reference review
- LTIP target review

Q2

- Succession planning & "Nine-Box" assessment of top talent
- LTIP target review

Q3

- Remuneration Report development
- New hire review relative to succession gaps

Q4

- Year end performance and compensation assessment for Executive Directors
- Assessment of remuneration outcomes for general employee base

The Committee met ten times during the year ended 31 December 2018. The main agenda items included:

- Determining the annual incentives payable for 2017;
- Overseeing the Remuneration Policy implementation;
- Approving the grant of LTIP share awards;
- Setting LTIP performance targets;
- Reviewing remuneration trends and market practice;
- Approving the remuneration packages of Executive Directors and senior management;
- Reviewing pension matters; and
- Approving the 2017 Remuneration Report.

The Company Chairman, Chief Executive Officer and 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 Committee.

Non-Executive Directors Letters of Appointment
Non-Executive Directors have Letters of Appointment which set out their duties and responsibilities. The appointments are for three year terms but are terminable on one month's notice by the Board.

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.

REMUNERATION POLICY

Cairn Homes plc's Remuneration Policy (the "Policy") is set out below. The Remuneration Report and Policy were approved following a shareholder advisory vote at the 2017 Annual General Meeting which approved the Policy at 99.5% and it is now fully operational.

Through the implementation of the Policy, the Board seeks to align the interests of Executive Directors and other senior management 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, both of which are aligned to the embedding of our culture and values.

The basic objective of the Policy is to promote the long term success of the business by ensuring remuneration reflects business performance and personal contribution to the delivery of the Company's strategy.

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

- The Company will attract, motivate and retain individuals of the highest calibre;
- Executive Directors and senior management are rewarded in a fair and balanced way which promotes the long term success of the Company;
- that Executive Directors and senior management receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- 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 Executive Directors and senior management; and
- Risk is properly considered in setting the 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 promoting strong cash generation and a focus on good risk management. The elements of the remuneration package for the Executive Directors and other senior management are annual salary, retirement benefits and allowances, annual performance related incentives and participation in an LTIP, which promotes the creation of sustainable shareholder value. Each element of remuneration is set out in full in the Remuneration Policy table below.

Remuneration Policy

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

Element and link to Remuneration Policy	Approach	Maximum Opportunity
SALARY		
To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.	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 generally be market median. Any annual salary increases will be considered in that context and reflect wider considerations of performance and increases in pay for the wider workforce.
ANNUAL INCENTIVES		
To incentivise and reward the delivery of near term business targets and objectives.	Annual Incentive payments to Executive Directors and other senior management 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 senior management), 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 92.	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%
CAIRN HOMES PLC LONG TERM INCENTIVE PLAN ("LTIP")		
To reward and retain Executive Directors and senior management over the longer term and align the interests of management and shareholders through incentivising the delivery of strategy.	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 three year financial performance, with measures including cumulative EPS and TSR. The Committee will consider the appropriate measures and targets for each subsequent cycle depending on strategic priorities. Performance Shares will vest after three years, with awards made to the Executive Directors and other senior management subject also to an additional two year holding period after vesting. A formal clawback policy is in place for the Executive Directors (and other senior management), 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 92. Any unvested awards will also be subject to malus provisions.	Under normal circumstances, the maximum annual award of Performance Shares is up to 100% of salary. 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.

RETIREMENT BENEFITS		
To attract and retain talent by enabling long term pension saving.	Executive Directors and senior management 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.
ALLOWANCES		
To provide market competitive benefits consistent with role.	The main benefit is a car allowance. However, benefits can include medical insurance, life assurance, health screening and participation in all employee share schemes.	Maximum levels have not been set as payments depend on the individuals circumstances and may be subject to change periodically.

Notes to the Policy Table

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The rules of the incentive plans permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of an unforeseen circumstances or transaction and include discretions for upwards adjustment to the number of shares to be realised in the event of a takeover, scheme of arrangement or voluntary winding up. Non-significant changes to the performance metrics may be made by use of discretion under the LTIP rules.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the policy table set out above where the terms of the payment were agreed: (i) before the Policy came into effect; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

Performance measures for the annual bonus scheme and the LTIP are selected to focus the Executive Directors on strategic financial and operational priorities, both short term and those related to long term sustainable performance, providing alignment with shareholder interests. Targets for each performance measure are then set by the Committee in light of strategic objectives over the short term for the annual bonus scheme and over at least a three year performance period for the LTIP. In setting targets, the Committee takes into account a number of reference points including our three year plan and the external market.

Clawback Policy

Incentive payments made to the Executive Directors and other senior management 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; or
- a material breach of applicable health and safety regulations by the individual.

The rules of the LTIP provide for 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 Directors interests with those of shareholders, the Committee has adopted guidelines for Executive Directors to retain substantial long term share ownership. 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. Executive Directors and other senior management will be required to hold 50% of any vested LTIP shares until the applicable ownership level is achieved. The guidelines also specify that Executive Directors should, over a period of five years from the date of appointment, build up and retain a shareholding in the Company.

The table below sets out the percentage of base salary held in shares in the Company by each Executive Director as at 31 December 2018.

Shareholdings as at 31 December 2018 (% of base salary)

Michael Stanley	6,507.9%
Tim Kenny*	17.8%

* Tim Kenny joined the Company in August 2017 and therefore has until 2022 to meet the requirements.

Differences in Pay Policy for Employees and Executive Directors

The principles applied to the remuneration of Executive Directors are essentially the same as those for the Company. The difference between pay for Executive Directors and employees is that for Executive Directors the variable pay element forms a greater proportion of the overall package and the total remuneration opportunity is higher to reflect the increased responsibility of the role. While remuneration practices vary across the full employee population, they are based on the same broad principles which underpin the policy for Executive Directors set out above.

While the Committee's specific oversight of individual remuneration packages extends only to the Executive Directors and a number of senior management, it aims to create a broad policy framework, to be applied by management to employees throughout the Company, through its oversight of remuneration structures for senior management and of any major changes in employee benefits structures throughout the Company. Alignment is delivered by ensuring that senior management and Executive Directors participate in the same bonus and incentive schemes as far as possible, with similar performance measures and targets.

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.

Where an individual forfeits outstanding incentive awards with a previous employer, the Committee may offer compensatory awards to facilitate recruitment. These awards would be in such form as the Committee considers appropriate, taking into account all relevant factors including the form, expected value, anticipated vesting and timing of the forfeited awards. The value of any compensatory awards would be no higher, in the opinion of the Committee, than the value forfeited.

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.

Service Contracts

The service agreements of the Executive Directors are rolling contracts which were entered into on the dates shown in the table below:

Name	Contract Effective Date	Notice Period (Director)	Notice Period (Company)
Michael Stanley	9 June 2015	12 months	12 months
Tim Kenny	21 September 2017	6 months	6 months

Policy for "Leavers"

On termination of an Executive Director's contract, the Committee's objective is to agree an outcome which is in the best interests of the Company and its shareholders, taking into account the specific circumstances and performance of the individual, as well as any relevant contractual obligations and incentive plan rules.

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 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 individual.

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.

Consideration of Conditions Elsewhere in the Company

When setting the Remuneration Policy for Executive Directors, the Committee has regard to the pay and employment conditions of employees within the Company.

Consultation with Shareholders

When determining remuneration, the Committee takes into account the views of representative investor bodies and shareholder views. As part of corporate governance engagement with shareholders, since the start of 2019, the Remuneration Committee Chair wrote to shareholders representing approximately 70% of the Company's issued share capital and the major proxy advisors and directly engaged with a number of major shareholders. The Board is committed to engaging with major shareholders on any material changes to the Remuneration Policy which will be up for shareholder vote at the 2020 Annual General Meeting.

Policy for Non-Executive Directors

Fees	Operation	Maximum Opportunity
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, Chair of the Remuneration Committee, Chair of the Audit & 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.

Statement of Shareholder Voting

The Company is committed to ongoing shareholder dialogue and takes shareholder views into consideration when formulating remuneration policy and practice. To the extent there are substantial votes against resolutions in relation to remuneration, the Company will seek to understand the reasons for such votes and will provide details of any actions in response to such a vote.

The following table sets out the actual votes at the 2018 Annual General Meeting in respect of the Remuneration Committee Report.

Directors' Remuneration Report	For	Against	Withheld*
Number of Votes (millions)	602,647,894	43,484,426	5,531,501
Percentage %	93.27	6.73	–

* A vote withheld is not a vote in law and is not counted in the calculation of the percentage of votes for and against a resolution.

ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report sets out the basis of how the Company's Remuneration Policy was operated for the year ended 31 December 2018 and how it will be operated in 2019.

At a Glance Summary

Component	Michael Stanley – Chief Executive Officer	Tim Kenny – Group Finance Director
Single figure totals	€920,000	€770,000
Annual bonus	90% payout = €382,500	75% payout = €285,000
LTIP vesting in 2018	N/A	N/A
LTIP awards granted in 2018	N/A	100% of salary
Salaries for 2019	€425,000	€399,000
Bonus opportunity 2019	70-105% of salary	50-75% of salary
LTIP award for 2019	N/A	100% of salary
Shareholding as % of salary	6,507.9%	17.8%

Aligning Long Term Incentives and Strategy

The Committee carefully considered the most appropriate metrics for the LTIP to drive fulfilment of early stage targets, whilst ensuring long term alignment between key employees and shareholder interests. The Committee consulted directly with shareholders and established EPS (80%) and TSR (20%) as the most appropriate metrics to promote line of sight for employees between the work they do, and, the profit outcomes for shareholders. These metrics are reviewed annually and, as the business matures, the Committee anticipates considering other metrics including returns on capital and relative TSR metrics.

Remuneration Outcomes for the Year Ended 31 December 2018

The table below sets out the details of the remuneration payable to the Executive Directors for the year ended 31 December 2018, with comparatives for the prior year ended 31 December 2017.

	Salary		Annual Incentive		Retirement Benefit		Car Allowance		Total	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Michael Stanley	**425**	425	**383**	319	**102**	43	**10**	10	**920**	797
Tim Kenny[1]	**380**	140	**285**	63	**95**	35	**10**	4	**770**	242
Alan McIntosh[2]	**190**	325	**–**	163	**16**	27	**6**	10	**212**	525
Eamonn O'Kennedy[3]	**–**	375	**–**	219	**–**	35	**–**	14	**–**	643
	995	1,265	**668**	764	**213**	140	**26**	38	**1,902**	2,207

[1] Tim Kenny joined the Company in August 2017 and therefore his 2017 salary is reflective of the period worked. Mr. Kenny also received his retirement benefit as cash in lieu of pension contributions.

[2] Alan McIntosh stepped down as an Executive Director in August 2018 to become a Non-Executive Director. The remuneration shown above is reflective of the time spent in the Executive Director role. Mr. McIntosh also received his retirement benefits as cash in lieu of pension contributions.

[3] Eamonn O'Kennedy left the Company in November 2017. The figures above include notice payments to Mr O'Kennedy per his contract of employment.

Non-Executive Directors' Remuneration Details

The Committee reviewed independent benchmarking for Non-Executive Director fees from Mercer, which was aged by 2% for 2018. No changes were proposed or made to Non-Executive Director fees during 2018.

The fees paid to Non-Executive Directors in respect of the year ended 31 December 2018 and the year ended 31 December 2017 are set out below:

	Base Fee		Chair Fee		SID Fee		Total	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000
John Reynolds	**150**	125	**–**	–	**–**	–	**150**	125
Andrew Bernhardt	**60**	55	**–**	–	**–**	–	**60**	55
Gary Britton	**60**	55	**15**	15	**–**	–	**75**	70
Giles Davies	**60**	55	**12**	6	**10**	10	**82**	71
Alan McIntosh[1]	**25**	–	**–**	–	**–**	–	**25**	–
	355	290	**27**	21	**10**	10	**392**	321

[1] Alan McIntosh stepped down as an Executive Director in August 2018 to become a Non-Executive Director. The fees shown above are reflective of the time spent in the Non-Executive Director role.

Notes to the Table

Annual Bonus

The maximum bonus opportunity for 2018 was 105% of salary for the Chief Executive Officer and 75% of salary for the Group Finance Director. Annual incentives are based 70% on financial performance and 30% on the achievement of individual performance objectives linked to leadership and operational targets. Given the early stage growth of the Company, the goals are set annually within a three year context and assessed annually for progress versus expected performance. As part of the review of the remuneration policy in advance of the 2020 Annual General Meeting, the Committee will place a particular focus on whether the bonus framework should be altered to reflect that the business is in a more mature stage of development.

The breakdown and resulting bonus outcomes for 2018 for the Chief Executive Officer and Group Finance Director were:

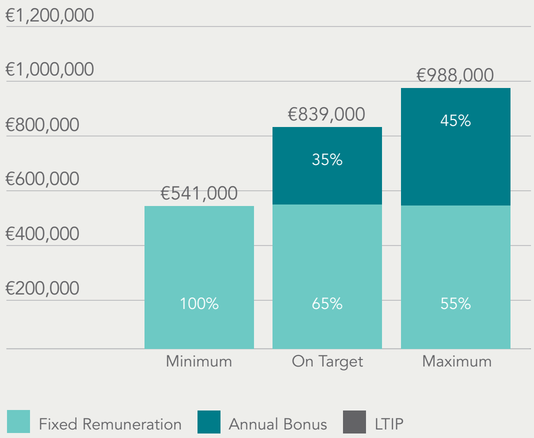
	Target Incentive (% of salary)	Maximum Incentive (% of salary)	Actual 2018 Bonus (% of salary)
Michael Stanley	70%	105%	90%
Tim Kenny	50%	75%	75%

REMUNERATION OUTCOMES IN DIFFERENT PERFORMANCE SCENARIOS

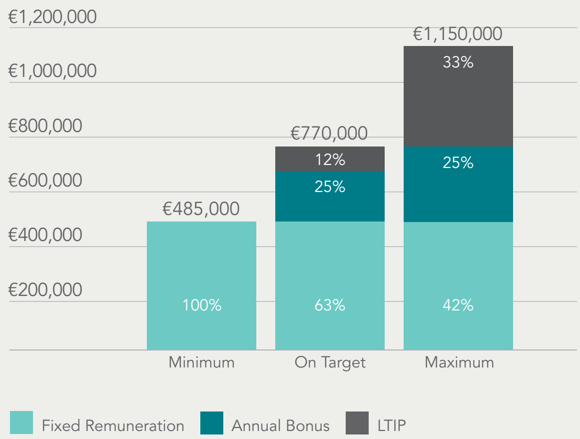
The total remuneration opportunity for Executive Directors is strongly performance based and weighted to the long term. The charts below illustrate the total remuneration of Executive Directors under three assumed performance scenarios:

Remuneration Scenarios as at 1 January 2018

Michael Stanley (Chief Executive Officer)



Tim Kenny (Group Finance Director)



Minimum: There is no annual bonus payment and no vesting under the LTIP
On Target: There is a target bonus payout of 70% of base salary for Mr. Stanley and 50% for Mr. Kenny of base salary. There is a threshold vesting under the LTIP of 25% of the maximum award for Mr. Kenny. As Mr. Stanley does not receive grants under the LTIP for the duration of the Founder Share scheme, this element of remuneration is zero.
Maximum: There is a maximum bonus payout of 105% of base salary for Mr. Stanley and 75% for Mr. Kenny. There is a maximum vesting under the LTIP of 100% of base salary for Mr. Kenny. As Mr. Stanley does not receive grants under the LTIP for the duration of the Founder Share scheme, this element of remuneration is zero.

BONUS FRAMEWORK DISCLOSURE

As disclosed in the 2017 Annual Report, annual incentives are based 70% on financial performance and 30% on the achievement of individual performance objectives linked to leadership and operational targets. During 2018, both the Chief Executive Officer and the Group Finance Director achieved at or above target performance in each of the key areas of performance. In assessing performance, the Committee took into account a range of financial and non-financial criteria linked to the delivery of strategy and the generation of shareholder value. A detailed breakdown of the bonus framework and performance of both the Chief Executive Officer and the Group Finance Director for 2018 is set out below:

Michael Stanley, Chief Executive Officer:

Area	Goal	Weighting	Outcome	Performance
Financial	Achievement of revenue, profit and margin targets for this year against three year plan and to achieve progress as set by the Board at the start of 2018.	70%	Above Target	Significant growth in revenue, which increased by over 125% to €337.0 million (2017: €149.5 million). Continued Scaling of the business, with delivery of 804 unit sales completions. Cairn is active on 13 developments, up from 11 developments at the end of 2017, which will deliver 5,000 new homes. Financial performance; Gross profit up by €42.0 million to €69.1 million (2017: €27.1 million); Group profit after tax of €31.4 million (2017: €5.0 million). Margin Progression; Continued progression in gross profit margin which strengthened to 20.5% (2017: 18.2%). Capital Restructuring; Successfully completed €350 million debt refinancing.
Strategic Value	Evaluate and execute land acquisitions to ensure strategic value captured and portfolio is risk balanced and value led.	10%	Above Target	Yielded considerable value through forward sale of Six Hanover Quay due to close in 2019 and sale of three student accommodation sites, and disposed of additional non-core sites. c. 3,000 incremental units from planning gains to enhance land bank value.
Succession Planning	Attract, retain and motivate best in market leadership.	10%	At Target	"Nine-box" succession planning methodology in place which is linked to LTIP and active talent development. Key talent hired to strengthen future succession options. Performance management fully established and supporting our values.
Brand, Values and Stakeholders	Define strategy and values for the Company that aligns with shareholder value and long term sustainable growth. Represent the Company effectively to create leverage for the company with stakeholders and enhancement of the Company's brand identity and Group reputation in the market.	10%	At Target	Strategy and values in place for the business and fully cascaded across all teams into goals. Brand effectively communicated across all channels. Strong corporate presence and reputation within local market.

Tim Kenny, Group Finance Director:

Area	Goal	Weighting	Outcome	Performance
Financial	Support delivery of revenue, profit and margin targets for this year against three year plan and to achieve progress as set by the Board at the start of 2018.	70%	Above Target	Significant growth in revenue, which increased by over 125% to €337.0 million (2017: €149.5 million). Financial Performance; Gross profit up by €42.0 million to €69.1 million (2017: €27.1 million); Group profit after tax of €31.4 million (2017: €5.0 million). Margin Progression; Continued progression in gross profit margin which strengthened to 20.5% (2017: 18.2%). Executed Capital Restructuring; Personally drove €350 million debt refinancing.
Strategic Value	Support the Chief Executive Officer in evaluation and execution of land acquisitions to ensure strategic value captured and portfolio is risk balanced and value led.	10%	Above Target	Managed transaction to support forward sale of Six Hanover Quay due to close in 2019 and sale of three student accommodation sites and disposed of additional non-core sites. Supported the development and execution of the Group's mission, strategy and values.
Succession Planning	Attract, retain and motivate best in market finance leadership.	10%	Above Target	Key talent hired to strengthen finance leadership and broaden succession options. Drove commercial focus through the business right down to site level to support top and bottom line delivery.
Risk Management	Provide direct leadership to ensure that there is an appropriate finance and safety governance framework for the business, underpinned by the appropriate risk appetite for the Company.	10%	Above Target	Excellent Health and Safety support and record. Integration of financial governance and risk framework as disclosed in annual report is fully effective.

The Committee fundamentally believes that the absence of formulaic bonus targets is in the best interests of the Company and our shareholders at this stage of the Company's development, as it provides the Committee with flexibility to determine payouts during a period of rapid development, growth and change. A review of the current bonus framework, including the level of payout at target, will be a fundamental aspect of our Remuneration Policy, set to be proposed at the 2020 Annual General Meeting.

LONG TERM INCENTIVES

The purpose of the LTIP is to align the Executive Directors and other eligible senior managers with shareholder interests, and to reinforce exceptional performance. LTIP awards are subject to performance targets set over a three year period, with an additional two year holding period for Executive Directors and other senior managers as identified by the Committee.

LTIP Target Setting – 2017 to 2021 Overview

The Committee is very pleased with the operational scaling of the Company, evidenced through the fulfilment of its unit and margin targets, each of which have been achieved. The Company must remain dynamic and agile in its ability to not only deliver its original commitments, but also to exploit market opportunities as they arise. For the benefit of value creation and shareholder returns over the long term, management took advantage of the high density development opportunity for enhanced margin progression which emerged alongside housing delivery. The natural implication of this evolution of strategy towards stronger high density development produces enhanced, but delayed earnings.

Therefore the Committee has taken the view that the LTIP targets should reflect this longer time horizon of stronger returns. In this context the EPS targets for 2018 of 24 cent and 2019 of 31 cent are considered to be achievable but stretching.

2017 LTIP

In 2017, we made the first award under our LTIP. The tables below provide an overview of performance targets for this award. With two years of the three year performance period completed, and in the interests of transparency, set out below is an update on the performance of EPS and TSR versus the targets set.

A total of 80% of the shares under the award will vest subject to the following target thresholds:

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

A total of 20% of the shares under the award will vest subject to the following target thresholds:

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. or above	100%

	EPS performance		TSR Performance*
2017	0.6c	2017	TBC
2018	4.0c	2018	TBC
Total	**4.6c**	**Total**	**TBC**

* TSR performance is determined with reference to the closing six month period of the LTIP grant and is therefore not yet known.

The only Executive Director eligible to receive an award under the LTIP in 2017 was the Group Finance Director Mr. Kenny, which was granted at 200% of salary, to recognise Mr. Kenny's appointment to the Board, taking into account he will have no vesting under any long term incentive award for at least three years, and also to represent the value of his long term incentive forfeited in his previous role.

2018 LTIP

On 5 April 2018, Tim Kenny received an award under the LTIP as set out in the table below:

Executive Director	Date of Grant	Number of Shares Granted	Share Price at Date of Grant	Face Value on Date of Grant	Award as % of salary	Vesting Date	Holding Period after vesting
Tim Kenny	05.04.18	214,689	€1.77	€380,000	100%	05.04.21	2 years

Vesting of these awards will be subject to EPS and TSR performance targets measured over the period 2018 to 2020.

A total of 80% of the shares under the award will vest subject to the following target thresholds:

Cumulative EPS	Vesting of EPS-based award
Less than 16.7c	0%
16.7c	25%
Between 16.7 and 24.0c	Straight-line basis between 25% and 100%
24.0c or above	100%

A total of 20% of the shares under the award will vest subject to the following target thresholds:

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. or above	100%

2019 LTIP

The performance measures for the 2019 LTIP award remain a mix of EPS (80%) and TSR (20%). Vesting of the 2019 awards will be dependent on the achievement of the specific targets set out below:

A total of 80% of the shares under the award will vest subject to the following target thresholds:

Cumulative EPS	Vesting of EPS-based award
Less than 19.9c	0%
19.9c	25%
Between 19.9c and 31.0c	Straight line vesting between 25% and 100%
31.0c or above	100%

A total of 20% of the shares under the award will vest subject to the following target thresholds:

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. or above	100%

As with the target-setting process for the 2018 LTIP, the Committee undertook a rigorous review of the Company's strategic growth plans, three year plan and external forecasts when setting the target for the 2019 LTIP. Prior to finalising the target, the Committee also engaged with shareholders to consider their views.

Retirement Benefits

In 2018, the Executive Directors participated in the Defined Contribution Pension Scheme or received a cash supplement in lieu of pension, consistent with the Remuneration Policy. No changes are proposed to these arrangements for 2019.

Payments for Loss of Office

No payments for loss of office were made during the year under review.

Payments to Past Directors

There were no payments to former Directors during the year.

Total Shareholder Return Performance

The Committee is focused on ensuring that both bottom line performance through EPS and TSR are maximised. The following graph shows the cumulative Total Shareholder Return of the Company over the period since initial public offering relative to the FTSE 250 Index (excluding Investment Trusts), an index considered by the Committee to be an appropriate benchmark for comparison as it represents a broad equity market index of companies of similar market capitalisation to the Company.

Change in Remuneration of Chief Executive Officer

The table below sets out the percentage change in the remuneration awarded to Michael Stanley between 2017 and 2018.

	Percentage Change 2018	Percentage Change 2017
Michael Stanley (Chief Executive Officer)	15.4%	(13.7%)

Mr. Stanley received no salary increase in 2017 or 2018. The 13.7% decrease in 2017 and 15.4% increase in 2018 relates to his variable bonus and pension entitlements. Given the early stage development of the Company and the significant increase in new employees hired in 2017 and 2018, it is not appropriate to disclose the comparable average employee remuneration. The Company will provide a comparative analysis from 2019 onwards as the tenure of employees stabilises.

Relative Importance of Spend on Pay

The table below shows total employee remuneration (excluding LTIP awards) and distributions to shareholders, in respect of 2018 and 2017 (and the difference between the two).

	2018	2017
Total Employee Remuneration	€15.5m	€11.4m
Distributions to Shareholders	–	–

Remuneration Policy Implementation in 2019

A summary of how the Remuneration Policy will be applied for 2019 is set out below.

Salary

The Chief Executive Officer's salary remains unchanged from 2018 and 2019. The Group Finance Director's salary was increased by 5% effective 1 January 2019, marginally lower than increases for the general employee population. The increase is also aligned with the growth in the size and scale of our operations.

	1 January 2019	1 January 2018
Michael Stanley	€425,000	€425,000
Tim Kenny	€399,000	€380,000

Pension and Benefits

Pensions and benefits remain unchanged from 2018.

Annual Bonus

The performance framework and bonus opportunity for 2019 remain unchanged from 2018. The maximum opportunity will continue to be 105% of salary for the Chief Executive Officer and 75% for the Group Finance Director.

As in previous years, the bonus will be based on financial performance (70% of maximum bonus) and on organisational and leadership goals (30% of maximum bonus). Specific disclosure of the performance framework for 2019 will be detailed in the 2019 Annual Report. In advance of proposing a Remuneration Policy at the 2020 Annual General Meeting, the Committee will place particular focus on reviewing the bonus framework, which currently includes flexibility reflective of the Company's rapid growth and development since listing.

Directors' & Secretary's Interests in the Long Term Incentive Plan ("LTIP")

Details of outstanding share awards, with performance conditions, granted to the Directors and the Company Secretary under the LTIP are set out below:

	Number of Shares Under Award										
	At 1 January 2018	Granted During the Year	Exercised During the Year	Lapsed During the Year	At December 2018	Market Price at Date of Award €	Exercise Price €	Market Price at Date of Vesting	Date of Award	Vesting Date	Expiry Date
Tim Kenny											
	431,818	–	–	–	**431,818**	1.76	Nil	N/A	09.09.17	09.09.20	08.09.24
	–	214,689	–	–	**214,689**	1.77	Nil	N/A	05.04.18	05.04.21	04.04.25
					646,507						
Tara Grimley (Company Secretary)	–	96,507	–	–	**96,507**	1.09	Nil	N/A	19.12.18	19.12.21	18.12.25

Directors' & Secretary's Interests in Ordinary Share Capital

The interests of the Directors and Company Secretary who held office at 31 December 2018 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 2018	No. of Ordinary Shares at 31 December 2017
Directors		
Michael Stanley	**25,657,409**	16,168,691
Alan McIntosh	**49,641,464**	36,086,153
Tim Kenny	**62,750**	–
Gary Britton	**130,000**	80,000
Giles Davies	**50,000**	50,000
John Reynolds	**–**	–
Andrew Bernhardt	**–**	–
Tara Grimley (Company Secretary)	**–**	–
Total	**75,541,623**	52,384,844

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 disclosed below, the Directors and the Company Secretary had no interests in the share capital of the Company or any other group undertaking at 31 December 2018.

There were no changes in the above Directors and Secretary's interests between 31 December 2018 and 29 March 2019.

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

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 Company shares. Directors are restricted from dealing during designated close periods and at any other time when they are in possession of Inside Information (as defined by the Market Abuse Regulation).

External Advice

The Committee seeks independent advice when necessary from external consultants. Mercer acted as independent remuneration advisors to the Committee for 2017 and this data was aged by 2% for 2018. During 2018, the Committee did not retain a nominated remuneration consultant. FTI Consulting ("FTI") is engaged by the Company to provide independent advisory corporate governance support to the Board, as well as both the Nomination and Remuneration Committees. As part of FTI's role, the Committee was provided with advice in relation to market trends and developments in remuneration policy and practice. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice is objective and independent.

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 2018	No. of Founder Shares at 31 December 2018	No. of Deferred Shares at 31 December 2017	No. of Founder Shares at 31 December 2017
Founder Directors				
Michael Stanley	9,990,000	6,713,752	9,990,000	16,202,470
Alan McIntosh	9,990,000	9,591,075	9,990,000	23,146,386
Total	**19,980,000**	**16,304,827**	**19,980,000**	**39,348,856**

The total number of Founder Shares in issue at 31 December 2018 is 19,182,149 (46,292,771 at 31 December 2017).

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.

In calculating whether the performance condition is satisfied during any test period, any dividends, returns of capital or distributions 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 TSR in the periods described below.

TSR is calculated as the sum of the increase in market capitalisation, plus dividends, returns of capital or other distributions in each case in the relevant period, being:

(i) the first time the performance condition is satisfied, the period from initial public offering 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 TSR 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% of the incremental increase in TSR since the previous conversion or redemption.

Subject to satisfying the performance condition there is no limitation on the amount to be converted into ordinary shares (or otherwise issued as ordinary shares at nominal value to fulfil the Founder Share Value) or paid out in cash, other than the seven year limit.

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 TSR, not just that element of TSR above the hurdle contained in the performance condition.

Subject to satisfying the performance condition there is no limitation on the amount to be converted into ordinary shares (or otherwise issued as ordinary shares at nominal value to fulfil the Founder Share Value) or paid out in cash, other than the seven year limit.

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.

All New Ordinary Shares issued in respect of the conversion of Founder Shares are subject to a one year lock-up period, with 50% of the New Ordinary Shares remaining subject to a further one 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.

DIRECTORS' REPORT

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2018.

Principal Activities and Business Review

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 2018, the Group consisted of the Company, Cairn Homes plc, and a number of subsidiaries, which are detailed in note 25 to the consolidated financial statements. Shareholders are referred to the Chairman's Statement, Chief Executive Officer's Review and the Group Finance Director's Review which contain a review of operations and the financial performance of the Group for 2018, the outlook for 2019 and the key performance indicators used to assess the performance of the Group. These are deemed to be incorporated in the Directors' Report.

Results for the Year

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 and the Consolidated Statement of Financial Position at that date are set out on pages 114 and 115 respectively. The Group's profit for the year ended 31 December 2018 was €31.4 million (2017: €5.0 million).

Dividends

There were no dividends paid or proposed by the Company during the year.

Future Developments

A review of future developments of the business is included in the Chief Executive Officer's Review and the Operating Review.

Directors and Company Secretary

The names of the Directors and Company Secretary and a biographical note on each appear on pages 66 and 67.

In accordance with the provisions contained in the UK Corporate Governance Code (the "Code"), all Directors retired at the Annual General Meeting of the Company on 16 May 2018 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 Code, the Board has decided that all Directors should retire at the 2019 Annual General Meeting and offer themselves for re-election.

Directors' and Company Secretary's interests

Details of the Directors' and Company Secretary's share interests and interests in unvested share awards of the Company are set out in the Remuneration Committee Report on pages 102 to 104.

Share Dealing

The Company has in place a share dealing code which gives guidance to the Directors and certain employees of the Company 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 Company 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.

Share Capital

The Company has four authorised classes of shares: Ordinary Shares; A Ordinary Shares; Founder Shares and Deferred Shares. As at 31 December 2018 and 26 March 2019 (being the latest practicable date before aaproval of this Annual Report), the Company had 788,783,171 Ordinary Shares in issue, each with a nominal value of €0.001, all of which are of the same class and carry the same rights and obligations. The Company also had 19,182,149 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:

Share Class	% of Total Issued Share Capital
Ordinary Shares	95.3
Founder Shares	2.3
Deferred Shares	2.4

Further information on the Company's share capital, including the rights attached to different classes of shares, is set out in note 17 to the consolidated financial statements.

The Company has a Long Term Incentive Plan in place, the details of which are set out in the Remuneration Committee Report and in note 18 to the consolidated financial statements.

Substantial Shareholdings

As at 31 December 2018 and 26 March 2019 (being the latest practicable date before approval of this Annual Report), the Company had been notified of the following details of interests of over 3% in the ordinary share capital of the Company.

Except as disclosed below, the Company has not been notified as at 26 March 2019 of any interest of 3% or more in its ordinary share capital, nor is it aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Shareholder	Notified Holding 31 December 2018	%	Notified Holding 26 March 2019	%
FIL Investment International	72,919,641	9.24%	70,039,579	8.87%
BMO Global Asset Management	69,998,670	8.87%	71,687,555	9.09%
HSBC Holdings plc	50,193,991	6.36%	50,193,991	6.36%
Emerald Everleigh Limited Partnership*	49,641,464	6.29%	49,641,464	6.29%
Lansdowne Partners International Limited	47,978,257	6.08%	56,589,806	7.17%
Coltrane Asset Management	47,612,696	6.04%	47,612,696	6.04%
Fidelity Management & Research	42,584,978	5.40%	42,584,978	5.40%
Goldman Sachs Group, Inc.	42,437,330	5.38%	44,486,316	5.64%
Blackrock Inc.	38,818,514	4.92%	Below 3%	Below 3%
Kames Capital	37,573,863	4.76%	31,368,101	3.98%
Capital World Investors	33,645,649	4.27%	Below 3%	Below 3%
JO Hambro Capital Management Limited	26,721,051	3.39%	26,721,051	3.39%
Mr. Michael Stanley	25,657,409	3.25%	25,657,409	3.25%
Henderson Group plc	24,252,393	3.07%	24,252,393	3.07%
T. Rowe Price Associates, Inc.	24,060,558	3.05%	24,060,558	3.05%
Wellington Management Company	Below 3%	Below 3%	23,827,813	3.02%
Total Shares in Issuance	**788,783,171**			

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

Principal Risks and Uncertainties

Under Irish company law, the Group is required to give a description of the Principal Risks and Uncertainties which it faces. These Principal Risks and Uncertainties are set out on pages 51 to 53 and are deemed to be incorporated in the Directors' Report.

Accounting Records

The Directors are responsible for ensuring that adequate accounting records are maintained by the Group 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 the registered office: 7 Grand Canal, Grand Canal Street Lower, Dublin 2, D02 KW81.

Takeover Regulations 2006

For the purposes of Regulation 21 of Statutory Instrument 255/2006 "European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006", the details provided on share capital on pages 133 to 135, substantial shareholdings above, and the disclosures on Directors' remuneration and interests in the Remuneration Committee Report on pages 86 to 104 are deemed to be incorporated in this section of the Directors' Report.

Transparency 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 Group, the following sections of this Annual Report shall be treated as forming part of this Directors' Report:

1. The Chairman's Statement on pages 04 to 07, the Chief Executive Officer's Review on pages 08 to 11 and the Group Finance Director's Review on pages 54 and 55.
2. The Corporate Governance Report on pages 68 to 77.
3. The Principal Risks and Uncertainties on pages 51 to 53.
4. Details of Earnings Per Share on pages 139 and 140.
5. Details of the Capital Structure of the Company on pages 133 to 135.

Corporate Governance Regulations

As required by company law, the Directors have prepared a Corporate Governance Report which is set out on pages 68 to 77 and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Directors' Report. Details of the capital structure and employee share schemes are included in notes 17 and 18 to the consolidated financial statements respectively.

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

The Directors confirm that:

- A compliance policy statement has been drawn up setting out the Group'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.

Going Concern and Longer Term Viability

The Directors' statements on going concern and longer term viability are included in the Risk Report on page 50.

Subsidiaries

Information on the Company's subsidiaries is set out in note 25 to the consolidated financial statements.

Political Contributions

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

Post Balance Sheet Events

Information in respect of events since the year end is contained in note 33 to the consolidated financial statements.

Audit & Risk Committee

The Group has an established Audit & Risk Committee comprising of three independent Non-Executive Directors. Details of the Committee and its activities are set out on pages 78 to 81.

External Auditor

In accordance with Section 383(2) of the Companies Act 2014, the External Auditor, KPMG, will continue in office and a resolution authorising the Directors to fix their remuneration will be proposed at the forthcoming 2019 Annual General Meeting.

Disclosure of Information to the External Auditor

Each of the Directors who held office at the date of approval of the Directors' Report confirms that:

- So far as they are aware, there is no relevant audit information of which the External Auditor is unaware; and
- That they have taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the External Auditor is aware of such information.

Approval of Financial Statements

The Financial Statements were approved by the Board on 29 March 2019.

Signed on behalf of the Board

John Reynolds Chairman	**Michael Stanley** Director

29 March 2019

Consolidated Financial Statements

For the year ended 31 December 2018

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 for each financial 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 applicable law including Article 4 of the IAS Regulation. The Directors 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 the 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are 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 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 and Article 4 of the IAS Regulation. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility 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 also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

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.

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 66 and 67 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 2018 and of the profit 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, provides 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:

John Reynolds
Chairman

Michael Stanley
Director

29 March 2019

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

Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements of Cairn Homes plc ('the Company') for the year ended 31 December 2018, 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 related notes, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2018 and of the Group's profit for the year then ended;
- 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 consolidated financial statements and company 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit & Risk Committee.

We were appointed as auditor by the Directors on 10 June 2015. The period of total uninterrupted engagement is the four years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Carrying values of inventories €933.4m (2017: €911.5m) and profit recognition

Refer to page 81 (Audit & Risk Committee Report), page 123 (accounting policy for inventories) and note 14 to the consolidated financial statements (financial disclosures – inventories)

The key audit matter

Inventories consist of the costs of land, materials, design and related production and site development costs to date, less amounts recognised as cost of sales on properties which have been sold. The carrying value of development land and work in progress depends on key assumptions relating to forecast selling prices for houses or apartments, 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 may be inaccurate with a resulting impact on the carrying value of inventory or the amount of profit recognised.

How the matter was addressed in our audit

Our audit procedures included, among others:

a) We documented our understanding of the processes, and tested the design and implementation of relevant controls, over the accuracy and completeness of the input data and assumptions made in the Group's financial models which support the carrying value of development land and work in progress, and the allocation of costs to individual residential units. This involved testing approvals over the review and updating of selling prices and cost forecasts and the authorisation and recording of costs by management.

b) We examined management's detailed year-end assessments of the net realisable value of development sites. These calculations were primarily based on residual value calculations whereby the estimated total costs of the development were deducted from total forecast sales proceeds. We challenged the key inputs and assumptions in the following ways, among others:
   - We examined forecast residential unit sales prices for consistency with estimates supplied by property consultants.
   - We agreed a sample of forecast costs to supplier agreements or other relevant documentation from third parties 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 numbers of units to be constructed based on appropriate documentary support.
   - We enquired as to whether there were any site-specific factors which may indicate that an individual site could be impaired.
   - We considered wider market evidence relating to land prices in Ireland and the current demand for housing.

c) 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 accordingly. We evaluated the sensitivity of margins on these sites to changes in sales prices and costs and considered whether this indicated a risk of impairment of the inventory balance. We agreed any changes in planning to documentary support and recomputed the impact of such changes on the overall profitability of the individual development site.

d) 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.

e) For new development land acquisitions in the year, we inspected purchase contracts and other supporting documentation to agree the costs of acquisition, including related direct purchase costs. We agreed amounts paid to corroborating documentary evidence.

f) We agreed a sample of additions to construction work in progress during the period to invoices / payment certificates and examined whether these additions were construction related and had been appropriately recorded as part of the costs of the relevant site.

g) We considered the adequacy of the Group's disclosures regarding the carrying value of development land and work in progress.

Our findings

We found that the Group had appropriate processes in place to regularly update forecasts of development site profitability to take account of costs incurred, updated forecast costs to complete and estimated sales prices. We found that the profit margins recognised on sales during the year appropriately reflected the costs attributable to units sold based on the Group's financial models.

Our audit procedures on the key assumptions underpinning the year-end assessments of the net realisable value of development sites, and the related sensitivity analysis, did not identify any misstatements in relation to the Group's conclusion that inventories are stated at the lower of cost and net realisable value and therefore are not impaired.

We found that the costs of new development site acquisitions during the year, and of the sample of additions to construction work in progress inspected, were appropriately recorded.

The disclosures in the financial statements relating to inventories are adequate to provide an understanding of the accounting policy and key judgements relating to the Group's inventories.

Revenue recognition €337.0m (2017: €149.5m)

Refer to page 81 (Audit & Risk Committee Report), page 123 (accounting policy for revenue) and note 6 to the consolidated financial statements (financial disclosures – revenue)

The key audit matter

The following factors led us to determine that revenue recognition was a significant audit risk in 2018:
- Substantial increase in reported revenues compared to prior year.
- A new accounting standard, IFRS15 *Revenue from Contracts with Customers* was applicable for the first time in 2018.
- As well as traditional sales of residential units to private individuals, the Group entered into other types of sales agreements during the year, including contracts with certain customers for the sale of multiple units.

How the matter was addressed in our audit

Our audit procedures included, among others:

a) We documented our understanding of the processes, and tested the design and implementation of relevant controls, over the completeness, existence and accuracy of revenue.

b) We agreed a sample of sales of residential units and residential sites to signed contracts and cash proceeds and examined whether there was appropriate evidence that control over those properties had transferred to customers prior to the year-end, and hence that sales cut-off had been correctly applied.

c) We evaluated the approach adopted by management for the timing and amount of revenue to be recognised in accordance with IFRS15 from material contracts entered into with customers for the sale of multiple units. In this regard, we independently inspected the related contract documentation and considered the appropriate application of the five-step revenue recognition model under IFRS15, including whether revenue should be recognised (i) at a point in time or (ii) over time.

Our findings

We found that the Group had appropriate processes in place in relation to the recording of revenue.

Appropriate documentary evidence was available for all of the sample of sales of residential units and residential sites that we tested and as a result we found that revenue had been accurately recorded for those sales in the year, and cut-off had been correctly applied.

We found that the approach taken in the financial statements by the Group for the recognition of revenue from contracts for the sale of multiple units was materially consistent with the requirements of IFRS15.

Independent Auditor's Report continued

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 €2.6m (2017: €2.5m). This has been calculated with reference to a benchmark of total revenue. Materiality represents approximately 0.77% (2017: 1.67%) 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. We used a total revenue benchmark because sales activity increased significantly in 2018. In assessing materiality in absolute terms for 2018 we also had regard to the level of profit and total assets.

In the prior year, our materiality was calculated with reference to a benchmark of total assets, of which it represented 0.25%. In assessing materiality in absolute terms for 2017 we also had regard to the level of revenue and profit.

We report to the Audit & Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.13m (2017: €0.125m), in addition to other audit misstatements below that threshold that we believe warrant 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.

Materiality for the company financial statements as a whole was set at €1.8m (2017: €1.7m), determined with reference to a benchmark of total assets, of which it represents 0.25% (2017: 0.23%).

We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 50 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' Report, Introduction, Highlights section, Chairman's Statement, Chief Executive Officer's Review, What We Are section, At a Glance section, Our Business Model section, Market Overview, Our Strategy section, Strategy in Action section, Operating Review, Risk Report, Group Finance Director's Review, Corporate Social Responsibility section, Site Management and Management Team sections, Board of Directors section, Corporate Governance Report, Audit & Risk Committee Report, Nomination Committee Report, Remuneration Committee Report and Additional Information section. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information:

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

Disclosures of principal risks and longer-term viability

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

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the directors' confirmation within the Viability Statement on page 50 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- *Fair, balanced and understandable*: if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- *Audit & Risk Committee Report*: if the section of the Annual Report describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee;
- *Statement of compliance with UK Corporate Governance Code:* if the directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Report on pages 68 to 77, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC)) Regulations 2016 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Corporate Governance Report contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Report.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

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

In our opinion, the accounting records of the Group and 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.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2018 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups (Amendment)) Regulations 2018.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- the directors' statements, set out on page 50, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Report on pages 68 to 77 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 109, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

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

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

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

29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

		2018			2017		
	Note	Before Exceptional Items €'000	Exceptional Items (note 31) €'000	Total €'000	Before Exceptional Items €'000	Exceptional Items (note 31) €'000	Total €'000
Continuing operations							
Revenue	6	337,021	–	**337,021**	149,462	–	**149,462**
Cost of sales		(267,924)	–	**(267,924)**	(122,325)	–	**(122,325)**
Gross profit		69,097	–	**69,097**	27,137	–	**27,137**
Other income	7	–	–	**–**	258	–	**258**
Administrative expenses	8	(15,879)	–	**(15,879)**	(12,414)	(497)	**(12,911)**
Operating profit		53,218		**53,218**	14,981	(497)	**14,484**
Finance income	9	3	–	**3**	17	–	**17**
Finance costs	9	(11,708)	(3,930)	**(15,638)**	(8,533)	–	**(8,533)**
Profit before taxation		41,513	(3,930)	**37,583**	6,465	(497)	**5,968**
Tax charge	11			**(6,165)**			**(989)**
Profit for the year				**31,418**			**4,979**
Other comprehensive income				**–**			**–**
Total comprehensive income for the year				**31,418**			**4,979**
Profit attributable to:							
Owners of the Company				**30,764**			**4,452**
Non-controlling interests				**654**			**527**
Profit for the year				**31,418**			**4,979**
Basic earnings per share	26			**4.0 cent**			**0.6 cent**
Diluted earnings per share	26			**4.0 cent**			**0.6 cent**

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 €'000	2017 €'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,358	1,372
Intangible assets	13	855	821
Restricted cash	16	–	17,002
		2,213	**19,195**
Current assets			
Inventories	14	933,355	911,496
Trade and other receivables	15	8,033	5,540
Cash and cash equivalents	16	62,232	68,803
		1,003,620	**985,839**
Total assets		**1,005,833**	**1,005,034**
Equity			
Share capital	17	828	828
Share premium	17	749,616	749,616
Share-based payment reserve	18	7,782	14,222
Retained earnings		(6,088)	(44,741)
Equity attributable to owners of the Company		**752,138**	**719,925**
Non-controlling interests	27	4,418	1,795
Total equity		**756,556**	**721,720**
Liabilities			
Non-current liabilities			
Loans and borrowings	19	147,338	226,838
Deferred taxation	21	5,856	5,611
		153,194	**232,449**
Current liabilities			
Loans and borrowings	19	49,333	18,361
Trade and other payables	22	40,820	31,636
Current taxation		5,930	868
		96,083	**50,865**
Total liabilities		**249,277**	**283,314**
Total equity and liabilities		**1,005,833**	**1,005,034**

On behalf of the Board:

John Reynolds.

John Reynolds
Chairman

Michael Stanley
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share Capital								
	Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
As at 1 January 2018	**762**	**20**	**46**	**749,616**	**14,222**	**(44,741)**	**719,925**	**1,795**	**721,720**
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	30,764	**30,764**	654	**31,418**
	–	**–**	**–**	**–**	**–**	**30,764**	**30,764**	**654**	**31,418**
Transactions with owners of the Company									
Conversion of Founder Shares to ordinary shares	27	–	(27)	–	(7,889)	7,889	**–**	–	**–**
Equity-settled share-based payments	–	–	–	–	1,449	–	**1,449**	–	**1,449**
Dividend paid to non-controlling shareholder	–	–	–	–	–	–	**–**	(527)	**(527)**
	27	**–**	**(27)**	**–**	**(6,440)**	**7,889**	**1,449**	**(527)**	**922**
Changes in ownership interests									
Investment in subsidiary by non-controlling shareholder	–	–	–	–	–	–	**–**	2,496	**2,496**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**2,496**	**2,496**
As at 31 December 2018	**789**	**20**	**19**	**749,616**	**7,782**	**(6,088)**	**752,138**	**4,418**	**756,556**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share Capital								
	Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
As at 1 January 2017	**689**	**20**	**85**	**697,733**	**24,779**	**(58,935)**	**664,371**	**–**	**664,371**
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	4,452	**4,452**	527	**4,979**
	–	**–**	**–**	**–**	**–**	**4,452**	**4,452**	**527**	**4,979**
Transactions with owners of the Company									
Issue of ordinary shares for cash	34	–	–	51,883	–	–	**51,917**	–	**51,917**
Share issue costs	–	–	–	–	–	(1,515)	**(1,515)**	–	**(1,515)**
Conversion of Founder Shares to ordinary shares	39	–	(39)	–	(11,257)	11,257	**–**	–	**–**
Equity-settled share-based payments	–	–	–	–	700	–	**700**	–	**700**
	73	**–**	**(39)**	**51,883**	**(10,557)**	**9,742**	**51,102**	**–**	**51,102**
Changes in ownership interests									
Investment in subsidiary by non-controlling shareholder	–	–	–	–	–	–	**–**	1,268	**1,268**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**1,268**	**1,268**
As at 31 December 2017	**762**	**20**	**46**	**749,616**	**14,222**	**(44,741)**	**719,925**	**1,795**	**721,720**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 €'000	2017 €'000
Cash flows from operating activities		
Profit for the year	31,418	4,979
Adjustments for:		
Share-based payments expense	1,184	700
Finance costs	15,638	8,533
Finance income	(3)	(17)
Depreciation of property, plant and equipment	195	317
Amortisation of intangible assets	135	81
Taxation	6,165	989
	54,732	**15,582**
Increase in inventories	(21,351)	(184,273)
Decrease in loan assets	–	16,000
(Increase)/decrease in trade and other receivables	(2,493)	11,475
Increase in trade and other payables	10,083	12,607
Tax paid	(858)	–
Net cash from/(used in) operating activities	**40,113**	**(128,609)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(424)	(795)
Purchases of intangible assets	(169)	(417)
Interest received	–	15
Transfer from restricted cash	17,002	10,000
Net cash from investing activities	**16,409**	**8,803**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	–	50,402
Proceeds from borrowings, net of debt issue costs	94,151	96,937
Repayment of loans	(145,559)	–
Investment in subsidiary by non-controlling interest	2,496	1,268
Settlement of contingent consideration for Argentum acquisition	(3,250)	–
Dividend paid to non-controlling shareholder	(527)	–
Interest and other finance costs paid	(10,404)	(5,643)
Net cash (used in)/from financing activities	**(63,093)**	**142,964**
Net (decrease)/increase in cash and cash equivalents in the year	**(6,571)**	**23,158**
Cash and cash equivalents at beginning of the year	68,803	45,645
Cash and cash equivalents at end of the year	**62,232**	**68,803**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

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, D02 KW81. These consolidated financial statements cover the year ended 31 December 2018 for the Company and its subsidiaries (together referred to as "the Group"). 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

The following standards and interpretations were effective for the Group for the first time from 1 January 2018. These standards had no material effect on the consolidated results of the Group:

- IFRS 15 *Revenue from Contracts with Customers*;
- IFRS 9 *Financial Instruments*;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*; and
- Amendments to IAS 40 *Transfers of Investment Property*.

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

- Amendments to IAS 28 *Long-term Interest in Associates and Joint Ventures*;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3, *Definition of a Business*;
- Amendments to IAS 1 and IAS 8, *Definition of Material*; and
- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

The following standards have been endorsed by the EU, are available for early adoption and are effective from 1 January 2019. The Group has not adopted these standards early, and instead intends to apply them from their effective date as determined by their dates of EU endorsement:

- IFRS 16 *Leases*; and
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

Revenue recognition

IFRS 15, *Revenue from Contracts with Customers*, replaced IAS 18 *Revenue Recognition* and IAS 11 *Construction Contracts* for the year ended 31 December 2018. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard at the date of initial application 1 January 2018. The Group has assessed its contractual arrangements with customers in the current and prior periods. In respect of its residential property sales and site sales contracts, control passes to customers at legal completion and revenue is therefore recognised at that point in time. Based on the Group's assessment of IFRS 15, it had no impact on the residential property sales or residential site sales recognised up to the end of the prior year and the current year. The Group will continue to review all contracts as they occur in the future to ensure that their treatment is consistent with IFRS 15.

1. Basis of Preparation continued

(c) New standards and interpretations continued

Financial Instruments

IFRS 9, *Financial Instruments* replaced IAS 39, *Financial Instruments: Recognition and Measurement* for the year ended 31 December 2018. The standard addresses the classification, recognition, measurement and derecognition of financial assets and liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 had no impact on financial liabilities recognised in prior years. The Group undertook a refinancing of its loans and borrowings during the year ended 31 December 2018, which has been accounted for in accordance with the relevant IFRS 9 accounting requirements for loan modifications and new loans (note 19). The Group considers that there is no material impact on its financial assets which continue to be accounted for at amortised cost. In view of the arrangements with customers where payment is ordinarily received at the point of legal completion, the Group does not generally have significant trade receivables arising from its property sales. Accordingly, the requirements for bad debt provisions under IFRS 9 to be based on an expected credit loss model (rather than an incurred credit loss model) do not have a significant impact on the Group. Also, the Group had no hedging arrangements in the current or prior year.

Leases

IFRS 16, *Leases*, replaces IAS 17 *Leases*. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and the Group will apply IFRS 16 from its effective date.

Under IFRS 16, the distinction between operating leases and finance leases is removed for lessees. IFRS 16 requires all assets held by the Group under lease agreements which are greater than twelve months in duration to be recognised as right-of-use assets within the statement of financial position. The present value of future payments to be made under those lease agreements must be recognised as a liability. Rental expenses will be removed from profit or loss and replaced with finance costs on the lease liability and depreciation of the right-of-use assets.

The Group has an operating lease in respect of the rental of the central support office. The Group's outstanding operating lease commitments as at 31 December 2018 were €1.51 million as set out in note 29. This amount is undiscounted and therefore is not an accurate measure of the potential impact of IFRS 16 on the statement of financial position. The liability as at the date of initial application will be measured using a discount rate based on the applicable incremental borrowing rate. While both the assets and liabilities of the Group will increase on adoption of IFRS 16, it is not expected to have a material impact on the Group's net assets or profit.

(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) Going concern basis of accounting

Having considered the principal risks to the business, cash flow forecasts and available loan facilities, 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 14).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

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 2018.

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 is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration that meets the definition of a financial instrument 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.

Non-controlling interests, as stated in the statement of financial position, represents the portion of the equity of subsidiaries which is not attributable to the owners of the Company.

Transactions eliminated on consolidation

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

(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.

3. Significant Accounting Policies continued

(d) Intangible assets continued

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.

(e) Revenue

Revenue represents the fair value of consideration received or receivable, net of value-added tax. Revenue is recognised at the point in time when control over the property has been transferred to the customer, which occurs at legal completion. Revenue is measured at the transaction price agreed under the contract.

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.

The Group is predominantly involved in the development of residential property units for sale. Because the nature of such individual units is that they are produced in large quantities on a repetitive basis over a relatively short period of time, the Group's inventories are not considered to be qualifying assets for the purposes of capitalisation of borrowing costs.

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 2018

3. Significant Accounting Policies continued

(g) Share-based payments

The Group has issued equity-settled share-based payments to certain employees (long-term incentive awards and 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.

The amount recognised as an expense is not adjusted for market conditions not being met. 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

Tax expense comprises current tax and deferred tax. Tax expense 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 years. It is measured using tax rates that have been enacted or substantively enacted by the reporting date.

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

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.

The measurement of uncertain tax positions within current and deferred tax assets and liabilities requires judgement in interpreting tax legislation and current case law in order to estimate the amount to be recognised.

(i) Pensions

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

(j) Restricted cash and cash and cash equivalents

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 year are classified as non-current assets.

3. Significant Accounting Policies continued

(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 ("CODM") (designated as the Board of Directors), which is responsible for allocating resources and assessing performance of operating segments.

(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.

The Group is required to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the costs of that asset. Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets. The Group does not generally produce qualifying assets.

(p) Financial instruments – policy applicable from 1 January 2018

(i) Financial assets and financial liabilities

Under IFRS 9, financial assets and financial liabilities are initially recognised at fair value and are subsequently measured based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Group's designation of such instruments. IFRS 9 requires that all financial assets and financial liabilities be classified as fair value through profit or loss ("FVTPL"), amortised cost or fair value through other comprehensive income ("FVOCI").

(ii) Classification of financial instruments

The following summarises the classification and measurement the Group has elected to apply to each of its significant categories of financial instruments:

Type	IAS 39 classification	IFRS 9 classification	Carrying amount under IAS 39 €'000	Carrying amount under IFRS 9 €'000
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	62,232	62,232
Trade and other receivables	Loans and receivables	Amortised cost	8,033	8,033
Financial liabilities				
Loans and borrowings	Other liabilities	Amortised cost	196,671	196,671
Trade payables and accruals	Other liabilities	Amortised cost	31,726	31,726

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

3. Significant Accounting Policies continued

(p) Financial instruments – policy applicable from 1 January 2018 continued

(iii) Trade and other receivables

Trade and other receivables are initially recognised when they are originated and are accounted for at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, which are measured using an expected credit loss model. Any interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iv) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

(v) Derecognition and modification of financial liabilities

The Group derecognises a financial liability when it is extinguished (when its contractual obligations are discharged or cancelled, or expire).

The Group also derecognises a financial liability when there is a substantial modification of the liability. A substantial modification is deemed to have occurred when the present value of the cash flows under the modified terms, discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows under the original terms. If the financial liability is deemed to have been substantially modified, a new financial liability is recognised at fair value. The difference between this fair value and the previous carrying amount of the financial liability prior to its derecognition is recognised in profit or loss.

A non-substantial modification of a financial liability is deemed to have occurred when the present value of the cash flows under the modified terms, discounted using the original effective interest rate, is less than 10% different from the discounted present value of the remaining cash flows under the original terms, and there are no other qualitative factors which indicate that a substantial modification has occurred. For non-substantial modifications, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and any resulting gain or loss is recognised in profit or loss. For non-substantial modifications where the impact is that the interest on floating rate liabilities has been repriced at current market terms, the original effective interest rate is adjusted to reflect the current market terms at the time of the modification. Any costs and fees directly attributable to the modification of the financial liability are recognised as an adjustment to the carrying amount of the modified financial liability and amortised over its remaining term under the effective interest method. Any unamortised costs attributable to the original financial liability, with the exception of unamortised arrangement fees, are recognised as an adjustment to the carrying amount of the modified financial liability and amortised over the remaining term of the modified liability under the effective interest method. Unamortised arrangement fees relating to the original financial liability are recognised in profit or loss on modification.

(vi) Offsetting

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.

3. Significant Accounting Policies continued

(q) Financial instruments – policy applicable before 1 January 2018

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 ended 31 December 2017, 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

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.

(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. The Group had no derivative financial instruments during the year ended 31 December 2017.

4. Measurement of Fair Values

Certain 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); and
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

4. Measurement of Fair Values continued

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 year during which the change has occurred.

Further disclosures about the assumptions made in measuring fair values are included in note 28 Financial Instruments and Risk Management.

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 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.

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

6. Revenue

	2018 €'000	2017 €'000
Residential property sales	**294,184**	131,490
Residential site sales	**41,657**	16,797
Revenue from contracts with customers	**335,841**	**148,287**
Other revenue		
Income from property rental	**1,180**	1,175
	337,021	**149,462**

	2018 €'000	2017 €'000
Residential property sales		
Houses	**197,676**	106,678
Apartments	**96,508**	24,812
	294,184	**131,490**

7. Other Income

	2018 €'000	2017 €'000
Loan income	–	258
	–	**258**

Loan income during 2017 represented net income on certain loans originally acquired in the Project Clear loan portfolio in December 2015.

8. Administrative Expenses

	2018	2017		
	Total €'000	Before Exceptional Items €'000	Exceptional Items €'000	Total €'000
Employee benefits expense (note 10)	**10,045**	8,347	–	**8,347**
Other expenses	**5,834**	4,067	497	**4,564**
	15,879	**12,414**	**497**	**12,911**

Costs of €0.5 million, which are treated as exceptional, related to the costs incurred in connection with the Euronext Dublin listing in July 2017. As the listing of the shares of the Company is a non-routine transaction, these costs were classified as an exceptional item.

9. Finance Income and Finance Costs

	2018			2017
	Before Exceptional Items €'000	Exceptional Items €'000	Total €'000	Total €'000
Finance income				
Interest income on short term deposits	**3**	–	**3**	17
Finance costs				
Interest expense on financial liabilities measured at amortised cost	(11,085)	–	**(11,085)**	(8,141)
Other finance costs	(623)	–	**(623)**	(392)
Settlement of contingent consideration	–	(3,250)	**(3,250)**	–
Write-off of residual arrangement fees on refinancing	–	(680)	**(680)**	–
	(11,708)	**(3,930)**	**(15,638)**	**(8,533)**

Interest expense for the year ended 31 December 2018 includes interest and amortised arrangement fees and issue costs on the drawn term loans, revolving credit facility and loan notes. Other finance costs include commitment fees on the undrawn element of the revolving credit facility during the year.

Exceptional finance costs
In accordance with IFRS 3 *Business Combinations*, a contingent consideration settlement of €3.25 million was charged to profit or loss in the year ended 31 December 2018 in relation to the Swords site which was acquired as part of the Argentum acquisition in 2016.

Residual unamortised arrangement fees of €0.68 million at the date of refinancing (note 19) relating to the previous term loan and revolving credit facility were charged to profit or loss in the year ended 31 December 2018.

These charges arise from non-routine transactions and have therefore been classified as exceptional finance costs (note 31).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

10. Statutory and Other Information

(i) Employees

The average number of persons employed by the Group (including Executive Directors) during the year was:

	2018	2017
Number of employees	**146**	95

The aggregate payroll costs of these employees were:

	2018 €'000	2017 €'000
Wages and salaries	**13,336**	9,982
Social welfare costs	**1,414**	942
Pension costs – defined contribution schemes	**634**	478
Share-based payments expense	**1,449**	700
Other	**81**	39
	16,914	**12,141**
Amounts capitalised into inventories	**(6,869)**	(3,794)
Employee benefit expense	**10,045**	**8,347**

(ii) Other information

	2018 €'000	2017 €'000
Operating lease rental expense	**343**	343
Net foreign currency losses recognised in profit or loss	**27**	5
Auditor's remuneration		
Audit of Group, Company and subsidiary financial statements	**265**	202
Other assurance services	**20**	20
Tax advisory services	**192**	73
Other non-audit services	**155**	144
	632	**439**
Auditor's remuneration for the audit of the Company financial statements was €15,000 (2017: €10,000)		
Directors' remuneration*		
Salaries, fees and other emoluments	**2,421**	2,910
Pension contributions – defined contribution schemes	**120**	108
	2,541	**3,018**

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

11. Taxation

	2018 €'000	2017 €'000
Current tax charge for the year	**5,920**	868
Deferred tax charge for the year	**245**	121
Total tax charge	**6,165**	**989**

11. Taxation continued

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

	2018 €'000	2017 €'000
Profit before tax	**37,583**	**5,968**
Tax charge at standard Irish income tax rate of 12.5%	**4,698**	746
Effects of:		
Income taxed/expenses deductible at the higher rate of corporation tax	**204**	–
Expenses not deductible for tax purposes	**164**	162
Prior utilisation of tax losses	**886**	–
Adjustment in respect of prior year	**213**	81
Total tax charge	**6,165**	**989**

12. Property, Plant and Equipment

	Leasehold improvements €'000	Computers & equipment €'000	2018 Total €'000
Cost			
At 1 January 2018	463	1,338	**1,801**
Additions	–	424	**424**
At 31 December 2018	**463**	**1,762**	**2,225**
Accumulated depreciation			
At 1 January 2018	(132)	(297)	**(429)**
Depreciation	(66)	(372)	**(438)**
At 31 December 2018	**(198)**	**(669)**	**(867)**
Net book value			
At 31 December 2018	**265**	**1,093**	**1,358**

	Leasehold improvements €'000	Computers & equipment €'000	2017 Total €'000
Cost			
At 1 January 2017	460	546	1,006
Additions	3	792	795
At 31 December 2017	**463**	**1,338**	**1,801**
Accumulated depreciation			
At 1 January 2017	(66)	(46)	(112)
Depreciation	(66)	(251)	(317)
At 31 December 2017	**(132)**	**(297)**	**(429)**
Net book value			
At 31 December 2017	**331**	**1,041**	**1,372**

Depreciation of €0.243 million in relation to construction related assets was included in construction work in progress in inventories.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

13. Intangible Assets

	2018 €'000
Software	
Cost	
At 1 January 2018	**934**
Additions	**169**
At 31 December 2018	**1,103**
Accumulated amortisation	
At 1 January 2018	**(113)**
Amortisation	**(135)**
At 31 December 2018	**(248)**
Net book value	
At 31 December 2018	**855**

	2017 €'000
Software	
Cost	
At 1 January 2017	517
Additions	417
At 31 December 2017	**934**
Accumulated amortisation	
At 1 January 2017	(32)
Amortisation	(81)
At 31 December 2017	**(113)**
Net book value	
At 31 December 2017	**821**

14. Inventories

	2018 €'000	2017 €'000
Land held for development	**750,653**	788,791
Construction work in progress	**180,833**	104,492
Development land collateral	**1,869**	18,213
	933,355	**911,496**

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.

14. Inventories continued

As the build costs on each site can take place over a number of reporting periods the determination of the cost of sales to release on each sale is dependent on up to date cost forecasting and expected profit margins across the various developments. There is a risk that one or all of the assumptions may require revision as more information becomes available, with a resulting impact on the carrying value of inventory or the amount of profit recognised. The risk is managed through ongoing site profitability reforecasting with any necessary adjustments being accounted for in the relevant reporting year. The Directors considered the evidence from impairment reviews and profit forecasting models across the various sites and are satisfied with the carrying value of inventories (development land and construction work in progress), which are stated at the lower of cost and net realisable value, and with the methodology for the release of costs on the sale of inventory.

Development land collateral consists of the collateral property attached to loans acquired by the Group as part of the December 2015 Project Clear loan portfolio acquisition. The Group has almost completed 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 loan assets is shown within inventories. The carrying value of this collateral property at 31 December 2018 was €1.9 million.

The total amount charged to cost of sales from inventories during the year was €266.6 million (2017: €122.0 million).

15. Trade and Other Receivables

	2018 €'000	2017 €'000
Construction bonds	**3,963**	4,344
Other receivables	**4,070**	1,196
	8,033	**5,540**

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

16. Restricted Cash and Cash and Cash Equivalents

	2018 €'000	2017 €'000
Non-current		
Restricted cash	–	**17,002**

As at 31 December 2017, €17 million was required to be maintained in an interest-bearing blocked deposit for the duration of the Group's senior debt facilities, as part of the collateral for those facilities. All restricted cash was released to current assets as a result of the Group's refinancing in July 2018 (note 19).

	2018 €'000	2017 €'000
Current		
Cash and cash equivalents	**62,232**	**68,803**

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.

17. Share Capital and Share Premium

Authorised	Number	2018 €'000	Number	2017 €'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**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

17. Share Capital and Share Premium continued

Issued and fully paid

	Number	Share Capital €'000	Share Premium €'000	Total €'000
As at 31 December 2018				
Ordinary Shares of €0.001 each	788,783,171	789	749,597	750,386
Founder Shares of €0.001 each	19,182,149	19	19	38
Deferred Shares of €0.001 each	19,980,000	20	–	20
A Ordinary Shares of €1.00 each	–	–	–	–
Total issued and fully paid		**828**	**749,616**	**750,444**

	Number	Share Capital €'000	Share Premium €'000	Total €'000
As at 31 December 2017				
Ordinary Shares of €0.001 each	761,672,549	762	749,570	750,332
Founder Shares of €0.001 each	46,292,771	46	46	92
Deferred Shares of €0.001 each	19,980,000	20	–	20
A Ordinary Shares of €1.00 each	–	–	–	–
Total issued and fully paid		**828**	**749,616**	**750,444**

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.

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 Prime Developments Ltd ("PDL") (the ultimate beneficiaries of PDL are Alan McIntosh, a Director, and his spouse), Michael Stanley and Kevin Stanley (the Founders) to receive 20% of the Total Shareholder Return (which is the increase in the market capitalisation of the Company, plus dividends, returns of capital or distributions in the relevant periods) (the Founder Share Value), over the seven years following the Initial Public Offering in 2015, 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, returns of capital or distributions 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 Founder Share Value. Subject to satisfying the Performance Condition there is no limitation on the amount to be converted into Ordinary Shares (or otherwise issued as Ordinary Shares at nominal value to fulfil the value of 20% of Total Shareholder Return achieved) or paid out in cash, other than the seven year limit referred to above.

The following restrictions apply to the transfer of Founder Shares before they are converted to Ordinary Shares: any Founder Shareholder may at any time transfer some or all of the Founder Shares held by him to a family member or (one or more) trustees to be held under a Family Trust and/or any other Founder Shareholder. None of the Founder Shares transferred to the above mentioned parties may subsequently be transferred save to a person or a party to which the shares in question could have been transferred as defined above.

The following restrictions apply to the Ordinary Shares which are issued as a result of the Founder Shares conversions:

- during the period of 365 days from the date of conversion, none of the Founders will, without the prior written consent of the Board, offer, sell or contract to sell, or otherwise dispose of such Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing; and
- for a second period of 365 days commencing one year following conversion of Founder Shares into Ordinary Shares, the Founders shall be entitled to offer, sell, or contract to sell, or otherwise dispose of 50% of such Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing but the lock-up restriction described above will continue to apply to the remaining 50% of such Ordinary Shares during that second period of 365 days.

The total number of Ordinary Shares impacted by these restrictions amounted to 46,453,268 at 31 December 2018.

17. Share Capital and Share Premium continued

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 2018

On 16 August 2018, the Company issued 27,110,622 Ordinary Shares (through the conversion of 27,110,622 Founder Shares) to the Founder Group of Michael Stanley, Alan McIntosh and Kevin Stanley.

Year ended 31 December 2017

On 16 May 2017, the Company issued 33,712,634 Ordinary Shares at €1.54 each through a share placing, raising gross proceeds of €51.9 million. Share issue costs of €1.5 million associated with the placing were charged directly in equity to retained earnings.

On 18 August 2017, the Company issued 38,685,292 Ordinary Shares (through the conversion of 38,685,292 Founder Shares) to the Founder Group of Michael Stanley, Alan McIntosh and Kevin Stanley.

18. Share-Based Payments

Founder Shares

A valuation exercise was undertaken in 2015 to fair value the Founder Shares (the terms of which are outlined in note 17), 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 has been or 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; and
- 15% discount based on restrictions on sale once Founder Shares convert to Ordinary Shares.

As detailed in note 17, during the year ended 31 December 2018, 27,110,622 Founder Shares were converted to Ordinary Shares and a proportionate amount of the €29.1 million amount referred to above, totalling €7.9 million, was transferred from the share-based payment reserve to retained earnings.

In the year ended 31 December 2017, 38,685,292 Founder Shares were converted to Ordinary Shares and a proportionate amount of the €29.1 million amount referred to above, totalling €11.3 million, was transferred from the share-based payment reserve to retained earnings.

Long Term Incentive Plan

The Group operates an equity settled Long Term Incentive Plan ("LTIP"), which was approved at its May 2017 Annual General Meeting, under which conditional awards of 3,121,413 shares have been made to employees. The shares will vest on satisfaction of service and performance conditions attaching to the LTIP. Vesting of 80% of the awards will be based on Earnings per Share ("EPS") performance and 20% will be based on Total Shareholder Return ("TSR") over a three year vesting period. Awards to Executive Directors and senior management are also subject to an additional two year holding period after vesting.

The EPS-related performance condition is a non-market performance condition and does not impact the fair value of the EPS-based awards at the grant date, which is equivalent to the share price at grant date.

A valuation exercise was undertaken in 2017 and 2018 to fair value the TSR-based LTIP awards. The valuation exercise was completed using the "Monte Carlo" simulation methodology and the following key assumptions:

- Share price volatility of 25% per annum;
- Risk free rate of 0% per annum;
- Dividend yield of 3% per annum, effective from 2019;
- Share price at date of grant ranging between €1.088 and €1.862, depending on grant date; and
- Share price at beginning of performance period €1.35 (2017) and €1.89 (2018).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

18. Share-Based Payments continued

Long Term Incentive Plan continued

The Group recognised costs related to the LTIP during the year ended 31 December 2018 of €1.449 million (2017: €0.64 million), of which €1.184 million (2017: €0.64 million) was charged to profit or loss and €0.265 million was included in construction work in progress in inventories. There was a corresponding increase of €1.449 million in the share-based payment reserve in equity.

Share Options

500,000 ordinary share options were issued in the year ended 31 December 2015, to a Director at that time. 250,000 of these options vested 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 vested 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 related charge to profit or loss during the year ended 31 December 2018 was nil (2017: €0.06 million).

19. Loans and Borrowings

	2018 €'000	2017 €'000
Current liabilities		
Bank and other loans		
Repayable within one year	**49,333**	18,361
Non-current liabilities		
Bank and other loans		
Repayable as follows:		
Between one and two years	**–**	226,838
Between two and five years	**75,058**	–
Greater than five years	**72,280**	–
	147,338	**226,838**
Total borrowings	**196,671**	**245,199**

On 31 July 2018, the Group completed a debt refinancing of its existing €200 million term loan and revolving credit facility with Allied Irish Banks plc and Ulster Bank Ireland DAC, which was repayable by 11 December 2019, into a new €277.5 million term loan and revolving credit facility with Allied Irish Banks plc, Ulster Bank Ireland DAC and Barclays Bank Ireland plc, repayable by 31 December 2022. Additionally, the Group completed a €72.5 million private placement of loan notes with Pricoa Capital Group, repayable on 31 July 2024 (€15 million), 31 July 2025 (€15 million) and 31 July 2026 (€42.5 million). The new debt facilities are secured by a debenture incorporating fixed and floating charges and assignments over certain assets of the Group.

For accounting purposes, the refinancing represented (i) new borrowings from Barclays Bank Ireland plc and Pricoa Capital Group and (ii) a non-substantial modification (as defined in IFRS 9) of the borrowings from Allied Irish Banks plc and Ulster Bank Ireland DAC which reflected a market repricing of floating rate liabilities. Previously unamortised arrangement fees of €0.68 million at the refinance date were expensed (note 9, note 31).

The €50 million term loan with Activate Capital, which the Group entered into on 5 July 2017, is repayable by 12 July 2019. This term loan is secured by a fixed and floating charge over the assets of Cairn Homes Montrose Limited.

The Group had undrawn revolving credit facilities of €199 million at 31 December 2018.

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

20. Reconciliation of Movement of Liabilities to Cash Flows arising from Financing Activities

	Liabilities		
	Loans and borrowings (note 19) €'000	Accrued interest €'000	Total €'000
Balance at 1 January 2018	**245,199**	**1,616**	**246,815**
Cash flows from financing activities			
Repayment of loans	(145,559)	–	**(145,559)**
Proceeds from borrowings, net of debt issue costs	94,151	–	**94,151**
Interest and other finance costs paid	–	(10,404)	**(10,404)**
Exceptional finance costs paid	–	(3,250)	**(3,250)**
Total changes from financing cash flows	**(51,408)**	**(13,654)**	**(65,062)**
Other changes			
Amortisation of borrowing costs	2,880	–	**2,880**
Interest and other finance costs for the year	–	9,508	**9,508**
Exceptional finance costs	–	3,250	**3,250**
Total other changes	**2,880**	**12,758**	**15,638**
Balance at 31 December 2018	**196,671**	**720**	**197,391**

21. Deferred Taxation

Movement in net deferred tax liability:	2018 €'000	2017 €'000
Opening balance	**5,611**	5,490
Charged to profit or loss	**245**	121
As at year end	**5,856**	**5,611**

Deferred tax arises from temporary differences relating to tax losses (deferred tax assets) and land held for development (deferred tax liabilities).

2018	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	**1,325**	**(6,936)**	**(5,611)**
Recognised in profit or loss	(581)	336	(245)
Closing balance	**744**	**(6,600)**	**(5,856)**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

21. Deferred Taxation continued

2017	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	2,813	(8,303)	(5,490)
Recognised in profit or loss	(1,488)	1,367	(121)
Closing balance	**1,325**	**(6,936)**	**(5,611)**

There are unrecognised deferred tax assets of €0.129 million at 31 December 2018 (2017: €nil).

22. Trade and Other Payables

	2018 €'000	2017 €'000
Trade payables	**16,064**	8,193
Accruals	**15,662**	14,202
VAT liability	**7,828**	7,854
Other creditors	**1,266**	1,387
	40,820	**31,636**

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.

A dividend of €0.527 million was paid by the Company's subsidiary, Balgriffin Cells P13-P15 DAC, to National Asset Management Agency ("NAMA") in respect of its 35% shareholding.

24. Related Party Transactions

For the year ended 31 December 2018, the following related party transactions have taken place requiring disclosure:

- The remuneration of key management personnel (which comprise the Board of Directors of the Company) was as follows:

	2018 €'000	2017 €'000
Short-term employee benefits	**2,192**	2,450
Post-employment benefits (pension contributions – defined contribution schemes)	**102**	78
Share-based payment expense – LTIP and share options	**380**	256
Total remuneration of key management personnel	**2,674**	**2,784**

In the prior year ended 31 December 2017, the following related party transaction had taken place requiring disclosure:

- The Group decided not to exercise the option to acquire lands at Navan owned by Sonbrook Property Moathill Limited ("Sonbrook"), a company controlled by Kevin Stanley, a Founder Shareholder. Sonbrook refunded costs incurred by the Company of €0.122 million.

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.

		Company's holding	
Group company	**Principal activity**	**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	100%	–
Cairn Homes Montrose Limited	Holding of property	100%	–
Balgriffin Cells P13-P15 Designated Activity Company	Development of property	65%	–
Balgriffin Investment No.2 HoldCo Designated Activity Company	Holding company	75%	–
Cairn Homes Property Holdco Limited	Holding company	–	100%
Cairn Homes Property Management Limited	No activity in period	–	100%
Cairn Homes Property Holding One Limited	No activity in period	–	100%
Cairn Homes Property Holding Two Limited	No activity in period	–	100%
Cairn Homes Property Holding Three Limited	Holding of property	–	100%
Cairn Homes Property Holding Four Limited	No activity in period	–	100%
Cairn Homes Property Holding Five Limited	No activity in period	–	100%
Cairn Homes Property Holding Six Limited	No activity in period	–	100%
Cairn Homes Property Holding Seven Limited	No activity in period	–	100%
Cairn Homes Property Holding Eight Limited	No activity in period	–	100%
Balgriffin Investment No.2 Designated Activity Company	Development of property	–	75%

26. Earnings Per Share

The basic earnings per share for the year ended 31 December 2018 is based on the earnings attributable to ordinary shareholders of €30.764 million and the weighted average number of ordinary shares outstanding for the period.

	2018 €'000	**2017 €'000**
Profit for the year attributable to the owners of the Company	**30,764**	4,452
Numerator for basic and diluted earnings per share	**30,764**	**4,452**

	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares for year (basic)	**771,848,317**	724,734,096
Dilutive effect of Founder Shares and options	**197,625**	31,665,322
Denominator for diluted earnings per share	**772,045,942**	**756,399,418**
Earnings per share (cent)		
– Basic	**4.0**	0.6
– Diluted	**4.0**	0.6

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

26. Earnings Per Share continued

The diluted earnings per share calculation for the year ended 31 December 2018 reflects an estimate of the number of ordinary shares to be issued through the Founder Share scheme in 2019. It is assumed, as is required under IAS 33, that the test period for the Founder Share conversion calculation is from 1 September 2018 to 31 December 2018, however the actual test period for determining the Founder Share conversion in 2019 will be from 1 March 2019 to 30 June 2019. Based on the assumed test period, no ordinary shares would be issued through conversion of Founder Shares as the relevant Performance Condition was not met.

Additional ordinary shares may be issued under the Founder Share scheme in future periods up to and including 2022 if the performance condition under the rules of the scheme is reached (note 17).

The diluted earnings per share calculation also reflects the dilutive impact of share options and LTIP awards.

Adjusted earnings per share	**2018 €'000**	**2017 €'000**
Profit attributable to owners of the Company	30,764	4,452
Exceptional items (note 31)	3,930	497
Tax effect of exceptional items	(491)	–
Adjusted profit for purposes of calculating adjusted earnings per share	**34,203**	**4,949**
Weighted average number of ordinary shares for period (basic)	771,848,317	724,734,096
Adjusted earnings per share – basic	**4.4 cent**	**0.7 cent**

Adjusted earnings per share is 4.4 cent (2017: 0.7 cent). The only adjustment to basic earnings per share is to exclude the exceptional items (net of their tax effect) (note 31).

27. Non-Controlling Interests

The non-controlling interests at 31 December 2018 of €4.4 million (31 December 2017: €1.8 million) relate to the 35% share of the net assets of a subsidiary, Balgriffin Cells P13-P15 DAC, and the 25% share of the net assets of a subsidiary, Balgriffin Investment No. 2 HoldCo DAC, both of which are held by NAMA. Cairn Homes plc holds the other respective 65% and 75% holdings of the equity share capital in these subsidiaries.

			Ownership interest held by non-controlling interest %	
Name	**Principal activities**	**Country of incorporation**	**2018**	**2017**
Balgriffin Cells P13-P15 DAC	Development of property	Ireland	**35%**	35%
Balgriffin Investment No. 2 HoldCo DAC	Holding company	Ireland	**25%**	(Not active in 2017)

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

(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 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 principal financial assets are cash and cash equivalents.

Group management, in conjunction with the Board, manages the risk associated with cash and cash equivalents by depositing funds with a number of Irish financial institutions and AAA rated international institutions. At 31 December 2018, the Group's deposits were held in Irish financial institutions with a credit rating of BBB-.

The maximum amount of credit exposure is therefore:

	2018 €'000	2017 €'000
Construction bonds and other receivables	**8,033**	5,540
Restricted cash – non-current	**–**	17,002
Cash and cash equivalents – current	**62,232**	68,803
	70,265	**91,345**

Construction bonds and other receivables of €8.0 million at 31 December 2018 were all neither past due nor impaired.

(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 receivables together with expected cash outflows on trade and other payables and commitments. All trade and other payables at 31 December 2018 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 19 and cash and cash equivalents as detailed in note 16) 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 2018

28. Financial Instruments and Risk Management continued

(c) Liquidity risk continued

	2018 €'000	2017 €'000
Financial liabilities due in less than one year		
Trade payables and accruals	**31,726**	22,395
Borrowings	**49,333**	18,361
	81,059	**40,756**
Financial liabilities due after more than one year		
Borrowings	**147,338**	226,838
	147,338	**226,838**
Funds available:		
Cash and cash equivalents (excluding restricted cash)	**62,232**	68,803
Revolving credit facilities undrawn	**198,927**	21,500
	261,159	**90,303**

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 forecasting by site for the period 2019-2021, reflecting trends experienced up to the date of preparation; and
- future revenues for 2019-2021 based on management's assessment of trends across principal development sites.

The critical assumptions underlying the forecast 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.

		Contractual cash flows					
31 December 2018	Carrying amount €'000	Total €'000	6 months or less €'000	6-12 months €'000	1-2 years €'000	2-5 years €'000	>5 years €'000
Trade payables and accruals	31,726	(31,726)	(31,726)	–	–	–	–
Loans and borrowings	196,671	(228,658)	(3,734)	(52,325)	(4,451)	(90,853)	(77,295)
	228,397	**(260,384)**	**(35,460)**	**(52,325)**	**(4,451)**	**(90,853)**	**(77,295)**

		Contractual cash flows					
31 December 2017	Carrying amount €'000	Total €'000	6 months or less €'000	6-12 months €'000	1-2 years €'000	2-5 years €'000	>5 years €'000
Trade payables and accruals	22,395	(22,395)	(22,395)	–	–	–	–
Loans and borrowings	245,199	(266,349)	(6,249)	(22,960)	(237,140)	–	–
	267,594	**(288,744)**	**(28,644)**	**(22,960)**	**(237,140)**	**–**	**–**

28. Financial Instruments and Risk Management continued

(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 significant currency risk. The Group operates only in the Republic of Ireland.

(ii) Interest rate risk

At 31 December 2018, the Group had the following facilities:

(a) term loan and revolving credit facilities with Allied Irish Bank plc, Ulster Bank Ireland DAC and Barclays Bank Ireland plc that had a principal drawn balance of €77.5 million at a variable interest rate of Euribor (with a 0% floor), plus a margin of 2.6%. The Group has an exposure to cash flow interest rate risk where there are changes in Euribor rates;

(b) a €72.5 million private placement of loan notes with Pricoa Capital which have a fixed coupon of 3.36%; and

(c) a €50 million term loan facility with Activate Capital at a variable interest rate of 1-month Euribor (with 0% floor), plus a margin of 6%. The Group has an exposure to cash flow interest rate risk where there are changes in the prevailing 1-month Euribor rate.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in Euribor benchmark 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 loans that are 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 2018				
Variable-rate instruments – borrowings	(1,071)	–	(1,071)	–
Cash flow sensitivity (net)	(1,071)	–	(1,071)	–

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 December 2017				
Variable-rate instruments – borrowings	(707)	–	(707)	–
Cash flow sensitivity (net)	(707)	–	(707)	–

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

(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 net debt to total asset value ratio was 13.4% at 31 December 2018 (2017: 15.9%). Net debt is defined as loans and borrowings (note 19) less cash and cash equivalents and restricted cash (note 16). The Board intend to announce a first interim ordinary dividend of 2.5 cent per share in September 2019. Subsequent to year end, shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million and, subject to High Court approval, the reserves resulting from this cancellation are to be treated as realised profits (note 33).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

28. Financial Instruments and Risk Management continued

(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 which 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
Borrowings	Amortised cost	2	Discounted Cash Flow	Valuation based on future repayment and interest cashflows discounted at a year-end market interest rate.

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 other financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2018 Carrying value €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
Financial assets measured at amortised cost				
Construction bonds and other receivables	8,033			
Cash and cash equivalents – current	62,232			
	70,265			
Financial liabilities measured at amortised cost				
Trade payables and accruals	31,726			
Borrowings	196,671		196,671	
	228,397			

	2017 Carrying value €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
Financial assets measured at amortised cost				
Construction bonds and other receivables	5,540			
Cash and cash equivalents – current	68,803			
Restricted cash – non-current	17,002			
	91,345			
Financial liabilities measured at amortised cost				
Trade payables and accruals	22,395			
Borrowings	245,199		245,199	
	267,594			

29. Operating Leases

Operating lease commitments

The Group's operating lease commitments relate to the lease of its central support office.

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

	2018 €'000	2017 €'000
Less than one year	**343**	389
Later than one and no later than five years	**1,167**	1,569
Later than five years	**–**	–
	1,510	**1,958**

30. Other Commitments and Contingent Liabilities

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities and commitments of its subsidiary undertakings (excluding Balgriffin Cells P13-P15 DAC, Balgriffin Investment No.2 HoldCo DAC and Balgriffin Investment No.2 DAC) for their financial years ending 31 December 2018 and as a result such subsidiary undertakings have been exempted from the filing provisions of Companies Act 2014. Details of the Group's subsidiaries are included in note 25 and all subsidiaries listed there, except Balgriffin Cells P13-P15 DAC, Balgriffin Investment No.2 HoldCo DAC and Balgriffin Investment No.2 DAC are covered by the Section 357 exemption.

On 27 June 2018, the Group agreed to sell its prime Dublin City Centre premium apartment development at Six Hanover Quay (120 apartments, a 5,000 sq. ft. restaurant and 1,400 sq. ft. cafe) on completion for a total cash consideration of €101 million (€89.7 million excluding VAT). Construction activity is ongoing with legal completion scheduled for 2019.

At 31 December 2018, the Group had a contingent liability in respect of construction bonds in the amount of €2.2 million.

At 31 December 2018, the Group had entered into contracts to acquire two sites at a cost of €9.0 million. Subsequent to the year end, the Group completed these transactions.

There are no other commitments or contingent liabilities that should be disclosed in these financial statements.

31. Exceptional Items

Year ended 31 December 2018

The terms of the agreements for the Argentum acquisition in 2016 included contingent consideration which could be payable in certain circumstances in relation to the Swords site. The exceptional finance cost of €3.25 million (note 9) in 2018 relates to the settlement of this contingent consideration which was agreed with the Argentum vendors during the year. This is required to be charged to profit or loss in the consolidated financial statements in accordance with IFRS 3 *Business Combinations*.

Residual unamortised arrangement fees at the date of the refinancing (note 9, note 19) of €0.68 million relating to the previous term loan and revolving credit facility were charged to profit or loss in the year.

These charges arise from non-routine transactions and have therefore been classified as exceptional items.

Year ended 31 December 2017

In the prior year, costs of €0.5 million, incurred in connection with the Euronext Dublin listing in July 2017, were charged to profit or loss. As the listing of the shares of the Company is a non-routine transaction, these costs were classified as an exceptional item (note 8).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2018

32. Profit or 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 loss after tax for the year ended 31 December 2018, determined in accordance with IFRS as adopted by the EU, is €4.7 million (2017: loss of €2.3 million).

33. Events After the Reporting Period

In December 2018, the Group entered into an investment venture agreement with NAMA, creating a vehicle aiming to build in excess of 550 new homes on a 14.5 acre site adjoining the Group's Parkside development, off the Malahide Road, Dublin 13. Under the investment venture agreement, a new company, Balgriffin Investment No. 2 HoldCo DAC, owned 75% by the Group and 25% by NAMA (note 27), has acquired the site in January 2019.

At an extraordinary general meeting on 26 February 2019, shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million and, subject to High Court approval, the reserves resulting from this cancellation are to be treated as realised profits.

34. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 29 March 2019.

Company Financial Statements
For the year ended 31 December 2018

Company Statement of Financial Position

At 31 December 2018

	Note	2018 €'000	2017 €'000
Assets			
Non-current assets			
Property, plant and equipment	2	**507**	581
Intangible assets	3	**855**	821
Investments in subsidiaries	4	**36,640**	29,151
Deferred tax asset		**–**	130
		38,002	30,683
Current assets			
Amounts due from subsidiary undertakings	5	**687,270**	674,051
Trade and other receivables	6	**336**	648
Cash and cash equivalents		**5,146**	20,113
		692,752	694,812
Total assets		**730,754**	725,495
Equity			
Share capital	7	**828**	828
Share premium	7	**749,616**	749,616
Share-based payment reserve	8	**7,782**	14,222
Retained earnings		**(38,988)**	(42,218)
Total equity		**719,238**	722,448
Liabilities			
Current liabilities			
Trade and other payables	9	**11,516**	3,047
Total liabilities		**11,516**	3,047
Total equity and liabilities		**730,754**	725,495

On behalf of the Board:

John Reynolds.

John Reynolds
Chairman

Michael Stanley
Director

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share Capital						
	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 2018	**762**	**20**	**46**	**749,616**	**14,222**	**(42,218)**	**722,448**
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(4,659)	**(4,659)**
						(4,659)	**(4,659)**
Transactions with owners of the Company							
Conversion of Founder Shares to ordinary shares	27	–	(27)	–	(7,889)	7,889	**–**
Equity-settled share-based payments	–	–	–	–	1,449	–	**1,449**
	27	**–**	**(27)**	**–**	**(6,440)**	**7,889**	**1,449**
As at 31 December 2018	**789**	**20**	**19**	**749,616**	**7,782**	**(38,988)**	**719,238**

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital						
	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 2017	**689**	**20**	**85**	**697,733**	**24,779**	**(49,674)**	**673,632**
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(2,286)	**(2,286)**
	–	**–**	**–**	**–**	**–**	**(2,286)**	**(2,286)**
Transactions with owners of the Company							
Issue of ordinary shares for cash	34	–	–	51,883	–	–	**51,917**
Share issue costs	–	–	–	–	–	(1,515)	**(1,515)**
Conversion of Founder Shares to ordinary shares	39	–	(39)	–	(11,257)	11,257	**–**
Equity-settled share-based payments	–	–	–	–	700	–	**700**
	73	**–**	**(39)**	**51,883**	**(10,557)**	**9,742**	**51,102**
As at 31 December 2017	**762**	**20**	**46**	**749,616**	**14,222**	**(42,218)**	**722,448**

Company Statement of Cash Flows

For the year ended 31 December 2018

	2018 €'000	2017 €'000
Cash flows from operating activities		
Loss for the year	(4,659)	(2,286)
Adjustments for:		
Share-based payments expense	1,184	614
Finance income	–	(16)
Depreciation of property, plant and equipment	195	141
Amortisation of intangible assets	135	81
Taxation	130	(12)
	(3,015)	**(1,478)**
Increase in amounts due from group undertakings	(12,954)	(63,945)
Decrease in trade and other receivables	312	670
Increase in trade and other payables	8,469	405
Net cash used in operating activities	**(7,188)**	**(64,348)**
Cash flows from investing activities		
Investment in shares in subsidiary undertakings	(7,489)	(2,408)
Purchases of property, plant and equipment	(121)	(207)
Purchases of intangible assets	(169)	(417)
Interest received	–	16
Net cash used in investing activities	**(7,779)**	**(3,016)**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	–	50,402
Net cash from financing activities	–	50,402
Net decrease in cash and cash equivalents in the year	**(14,967)**	**(16,962)**
Cash and cash equivalents at beginning of year	20,113	37,075
Cash and cash equivalents at end of year	**5,146**	**20,113**

Notes to the Company Financial Statements

For the year ended 31 December 2018

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 32 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 loss after tax for the year ended 31 December 2018 is €4.7 million (2017: loss of €2.3 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.

Prior to 1 January 2018, share-based payments in respect of employees in subsidiaries were accounted for as an increase in the cost of investments in subsidiaries. With effect from 1 January 2018, these costs are recharged by the Company to, and are repayable by, the relevant subsidiary.

(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 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.

2. Property, Plant and Equipment

	Leasehold improvements €'000	Computers & equipment €'000	2018 Total €'000
Cost			
At 1 January 2018	463	354	817
Additions	–	121	121
At 31 December 2018	**463**	**475**	**938**
Accumulated depreciation			
At 1 January 2018	(132)	(104)	(236)
Depreciation	(66)	(129)	(195)
At 31 December 2018	**(198)**	**(233)**	**(431)**
Net book value			
At 31 December 2018	**265**	**242**	**507**

	Leasehold improvements €'000	Computers & equipment €'000	2017 Total €'000
Cost			
At 1 January 2017	460	150	610
Additions	3	204	207
At 31 December 2017	**463**	**354**	**817**
Accumulated depreciation			
At 1 January 2017	(66)	(29)	(95)
Depreciation	(66)	(75)	(141)
At 31 December 2017	**(132)**	**(104)**	**(236)**
Net book value			
At 31 December 2017	**331**	**250**	**581**

Notes to the Company Financial Statements continued
For the year ended 31 December 2018

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

4. Investments in Subsidiaries

	2018 €'000	2017 €'000
At the beginning of the year	**29,151**	26,657
Additions during the year	**7,489**	2,408
Cost of share-based payments in respect of subsidiaries	**–**	86
At the end of the year	**36,640**	**29,151**

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

Additions during 2018 relates to the investment in 75% of the equity share capital in Balgriffin Investment No.2 HoldCo DAC, further details of which are given in note 27 of the consolidated financial statements.

Additions during 2017 relates to the investment in 65% of the equity share capital in Balgriffin Cells P13-P15 DAC.

5. Amounts due from Subsidiary Undertakings
Amounts due from subsidiary undertakings are repayable on demand.

There are no significant expected credit losses on amounts owed by subsidiaries, and no expected credit loss provision has been recognised.

6. Trade and Other Receivables

	2018 €'000	2017 €'000
VAT recoverable	**–**	255
Other receivables	**336**	393
	336	**648**

7. Share Capital and Share Premium
For further information on Share Capital and Share Premium refer to note 17 of the consolidated financial statements.

8. Share-Based Payments
For further information on Share-Based Payments refer to note 18 of the consolidated financial statements.

9. Trade and Other Payables

	2018 €'000	2017 €'000
Trade payables	**244**	376
Accruals	**2,611**	2,671
VAT liability	**7,989**	–
Payroll taxes	**672**	–
	11,516	**3,047**

10. 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.

11. 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 and other related party transactions are set out in note 24 of the consolidated financial statements.

12. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 29 March 2019.

Company Information

Directors
John Reynolds (Non-Executive Chairman)
Michael Stanley (Chief Executive Officer)
Tim Kenny (Group Finance Director)
Alan McIntosh (Non-Executive, British)
Gary Britton (Non-Executive)
Giles Davies (Non-Executive, British)
Andrew Bernhardt (Non-Executive, British)
Jayne McGivern (Non-Executive, British)
David O'Beirne (Non-Executive)

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