CAIRN

DESIGNED FOR LIVING
BUILT FOR LIFE.

Where people love to live

Cairn Homes plc
Annual Report 2019

We create places & homes where people love to live.

OUR VISION

Be the most trusted and safest homebuilder in Ireland.

Trust is hard to win and easy to lose, 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 collaborates with 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 business that we can all be proud to be a part of now and in the future.

Read more about our strategy on pages 22 and 23.

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 initial site acquisitions to our after-sales commitment we keep our customers at the forefront of our thoughts and work hard to create places where they will enjoy a great quality of life.

It's this drive which 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 our business grows, we take immense pride in seeing our vision and efforts translate into homes, neighbourhoods and communities where people love to live.

Read more about our strategy on pages 22 and 23.

OUR VALUES

Agile & Innovative

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

Honest & Straight Talking

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 our homebuilding. Projects involve hundreds of people from varied disciplines and professions 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.

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A strengthening business

OPERATIONAL HIGHLIGHTS

A scaled business

- Currently active on 16 sites – c. 6,750 new homes.
- Depth of our talented and experienced homebuilding team.
- 3,250 customers have chosen a Cairn home with over 2,500 of these customers already living in their new home.

Competitively priced starter homes

- Over 1,800 new homes closed and forward sold in 2019.
- Net Promoter Score 53.
- Strong sales rates – 3.33 units per active housing sales outlet per week in 2019.
- €356,000 – starter home average selling price ("ASP" incl. VAT) on 907 closed and forward sold starter homes in 2019.
- House price inflation c. 1.0%.

Multifamily private rental sector ("PRS")

- 4 forward sold PRS transactions (€243m revenue, incl. VAT).
- 1 completed PRS transaction (€101m revenue, incl. VAT).
- 830 completed and forward sold PRS units.
- 24% – Cairn's share of 2019 new build PRS market (rank: 1).

Continuing to enhance land value

- 6,874 units granted planning since IPO, including 2,409 units since September 2019.
- Total planning gains – c. 3,500 units.
- Industry-leading 13 grants of planning through the Strategic Housing Development process.

Driving operational efficiencies

- Procurement advantage through scale (€700m procured since IPO).
- Established subcontractor base with c. 2,500 working full-time across Cairn sites as at 2 March 2020.
- Innovation through off-site manufacturing and standardisation of houses.
- 2.5% build cost inflation.

Exceptional landbank

- 17,000 units across 35 sites.
- 545 units average site size on multi-phase, multi-year developments.
- 79% of units acquired within 1 year of IPO.
- Average site costs: €32,000 for housing and €63,000 for apartments.

Award winning

- Design and placemaking at:

1. Oak Park (Naas) – 2019 Excellence in Planning Award (Irish Property Awards).
2. Six Hanover Quay – winner of the Housing Project of the Year 2019 (Building & Architects Awards).

Building and Architect of the Year Awards 2019
WINNER
Housing Project of the Year

KPMG
Irish Independent
PROPERTY INDUSTRY EXCELLENCE AWARDS
Excellence in Planning 2019

Sustainability agenda

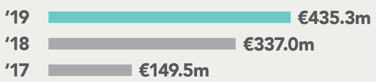
- CSR transitioning to a sustainability agenda.
- People and Innovation.
- Engagement with increased focus on people.

FINANCIAL HIGHLIGHTS

REVENUE

€435.3m

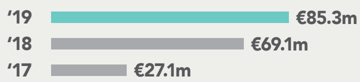
+29%



GROSS PROFIT/(GROSS MARGIN)

€85.3m/(19.6%)

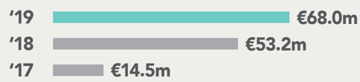
+23%



OPERATING PROFIT

€68.0m

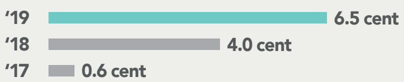
+28%



EPS

6.5 cent

+63%



INVENTORIES

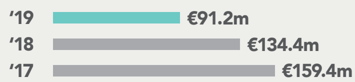
€897.3m

-€36.1m

NET DEBT

€91.2m

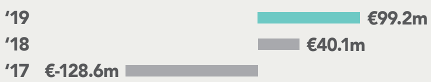
-€43.2m



OPERATING CASH FLOW

€99.2m

+€59.1m



Why invest in Cairn Homes

We are an established business with a clear strategy and defined business model, offering a range of new homes across the price spectrum which appeal to a deep buyer pool in all segments of the market.

TRACK RECORD

Strong progress delivered every year since our IPO in 2015.

€900m invested in a c. 17,000 unit landbank.

Planning expertise – 6,874 units granted planning permission since IPO.

Active on 16 sites (6,750 new homes).

3,250 customers have chosen a Cairn home.

1,850 first time buyers have bought one of our starter homes.

Significant cash generation – €99.2m in 2019.

CAIRN DIFFERENTIATORS

Largest landbank in Ireland – 12,000 housing sites and 5,000 apartment sites.

Competitively priced starter homes – 907 closed and forward sold starter homes in 2019 at an ASP of €356,000 (incl. VAT).

Most credible counterparty positioned to leverage PRS opportunity – 830 completed and forward sold PRS units (24% share of 2019 new build PRS market, ranked 1st).

Unit mix across the price spectrum – 56% of our landbank units have an ASP below €350,000 (incl. VAT).

Award winning developments.

A brand synonymous with quality.

MARKET OPPORTUNITY

Ideally positioned within the housing and apartment market.

8,600 units in our landbank (excluding social housing) priced between €250,000 and €350,000.

Active on 5 apartment sites (1,100 units) with 11 apartments sites (c. 4,000 units at an average site cost of €31,000) suitable for PRS.

21,241 new homes built in Ireland in 2019 – demand c. 34,000.

Government plans to increase the supply of social and affordable housing.


Oak Park, Naas, Co. Kildare

SCALE AND PROCUREMENT ADVANTAGES

Market leading efficiency as the industry's largest procurer of labour and materials.

Plc platform of scale across low density housing and high density apartments.

€700m procured since IPO.

€288m procurement in 2019 with build cost inflation at c. 2.5%.

Committed and loyal subcontractor base – top 20 subcontractors account for 66% of total procurement, averaging €23m each and working across an average of 8 sites each.

Off-site manufacturing, standardisation and technology driving further efficiencies.

HIGHLY EXPERIENCED MANAGEMENT TEAM

Talented team of homebuilders with national and international experience and technical expertise.

Organisational effectiveness agenda which has built increased capacity and capability to drive business results.

Expanded the depth of our senior management team in 2019 with key appointments complementing existing skillset.

Experienced construction and site management teams supported by central functions delivering award winning developments.

Chairman's Statement

"2019 was another year of strong progress for our business where we demonstrated our operational agility in meeting market demand. Cairn is Ireland's leading homebuilder and a brand synonymous with quality, competitively priced new homes and exceptional customer experience."

John Reynolds
Chairman

The Company was presented to the markets at our initial public offering ("IPO") in June 2015 as a new Irish homebuilder who would build and sell c. 1,000 new homes annually.

We delivered on that target in 2019 closing 1,080 new homes and exceeding our IPO expectations as to the scale our Company could achieve.

Our strong performance in 2019, with significant growth in revenue and profitability, demonstrate the scale which our business has reached. In addition to top-line growth, we also continue to drive strong free cash generation which underpins a commitment to progressive capital returns. More importantly, the Company continues to make a very positive impact and contribution within the communities where we are building our new homes.

Strategy

The Company's objective is to be the leading Irish homebuilder by building in great locations and creating places and homes where people love to live. The Company is strategically positioned within both the low density housing and high density apartment markets with a deep buyer pool across the price spectrum.

We believe significant progress was made during the year by the management in developing, refining and implementing the Company's long-term strategy as agreed by the Board, with a number of key strategic decisions taken, including:

- Delivering on opportunities which exist within the multifamily private rented sector ("PRS") with €345 million revenue (incl. VAT) from one completed and four forward sold (completing between December 2019 and early 2021 on a phased basis) transactions in city centre, suburban and commuter belt locations. The Company continues to see significant demand from institutional capital due to both the excellent location of our sites and our demonstrable delivery capability:
- Enhancing and expanding our capabilities through our people (broadened our executive, senior management team and board membership) and partnerships; and
- Delivering capacity improvements through the use of technology, better processes and strengthening our supply chain through strategic initiatives.

The Company's agile operating model and our increased capability and capacity will facilitate us to continue to operate our business in a proactive manner and anticipate market conditions as demonstrated by our performance in 2019.

Social and Environmental Responsibility

As a Board, we are aware of our ESG responsibilities and commitments. In our short time as a listed company, we have incorporated and embedded our four CSR pillars – community, environment, people and industry – into our culture and everyday work. We are very mindful of climate change and the impact which it is having on our environment. We are a member of Business in the Community Ireland, the leading advisers on sustainability and CSR who are part of the broader CSR Europe Company and a partner of the World Business Council. Our Company has signed up to the Low Carbon Pledge and we have committed to reducing our carbon emissions on our active sites by 50% by 2030. We are using 2019 as our benchmark year to record our scope 1, 2 and 3 carbon emissions and plan our future emission reductions. We recognise the important role which our industry must play in reducing carbon emissions and we are committed to being at the forefront of our industry's response and actions.

Our CSR Agenda is transitioning to a broader Sustainability Agenda and as a Board and Company, we remain steadfast in our commitment to ensuring we operate a sustainable, innovative and forward-thinking 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 and into the future. One of the Company's strategic objectives is to drive business performance through our people strategy, through both our clearly defined operating structures and our broader corporate strategy. 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 and supplier base and other sector professionals in delivering our high quality, competitively priced new homes.

Currently, there are on average over 2,500 people working full-time across our active sites and our business continues to make a significant contribution to the broader Irish economy. We estimate that our business has contributed in excess of €350 million to the Irish exchequer since our IPO. Our focus on developing and expanding this ongoing collaboration with our supply chain is essential as we clearly identify further opportunities for them to grow their businesses and ensure our respective long-term successes.

Our people and engagement plan seeks to increase business performance through building a skilled, engaged and connected workforce, centred on three key pillars – recruitment and reward, work environment and development and growth. The jobs market in Ireland has been extremely competitive and 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. We focus on the development and growth of our talent through continuous professional development, structured development planning and our reward strategy to ensure we support career development and provide ongoing opportunities and challenges to our people.

2019 was another year of exceptional progress for our business where we demonstrated the agility of our operating model and generated just under €100 million in free cash flow. This could not have been delivered without the effort, energy and professionalism of our management team, ably led by Michael, and all of our employees in what is a dynamic, demanding and fast changing environment. On behalf of the Board, I would like to extend our appreciation to each of them for their dedication, contribution and commitment to the progress made during 2019.

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. The Company is fully committed to playing its part in the national effort in limiting the spread of the COVID-19 virus in line with Government, Department of Health and Health Service Executive guidelines. Additional stringent measures have been implemented in response to COVID-19 at our central support office and on all active development sites, while any new homes sale viewings are all being held by private appointment only.

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 officer who is a core member of the site team, 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.

Dividends and Capital Returns

The Company implemented a progressive capital returns policy during 2019 aligned to a commitment given to shareholders at IPO that shareholder returns would be pursued at the earliest opportunity.

The Company paid our inaugural interim dividend of 2.5 cent per ordinary share in October 2019 and announced a €25 million share buyback programme on 12 September 2019. A further extension of this by €35 million, increasing the size of the share buyback programme to €60 million, was announced on 16 January 2020.

It remains our expectation the Company will generate significant excess cash over the coming years and the medium term commitment to a progressive capital returns policy remains in place. However, in light of the unprecedented circumstances and considerable uncertainty, the Board has taken the decision to withdraw its intention to propose a final 2019 dividend of 2.75c per share. In addition, the Company is also suspending its current share buyback programme, of which approximately €47 million of the €60 million programme has been completed to date.

The situation will remain constantly under review by the Board as we get a better understanding of the impact which the current environment will have on our business.

Governance & Oversight

In July 2018, the Financial Reporting Council published a revised 2018 UK Corporate Governance Code (the "2018 Code"), which came into effect for Cairn from 1 January 2019. As we move into 2020, the Board is continuing to refine its governance framework to reflect the requirements of the 2018 Code and the evolution of market best practices. As a Board, we view the Financial Reporting Council's efforts to broaden the idea of corporate governance as a positive step, and one which should benefit the governance of companies by shifting practice and reporting towards a principled approach to corporate governance, rather than one that can be viewed as an exercise in compliance.

Certain of the revisions to the 2018 Code have simply codified best practices in areas where we as a Board feel the Company has made significant progress, particularly in relation to interaction with our stakeholders. Throughout the Annual Report, we detail the steps we have taken to enhance channels of communication with all key stakeholders. In order to augment alignment between strategy and remuneration, both the annual bonus and long-term incentive scheme now include stakeholder measures, designed to draw a sharp focus on the importance of building lasting relationships with each key stakeholder constituency.

Perhaps the most substantive change to the governance regime for Irish and UK companies under the new Code relates to workforce engagement. As detailed on page 54, we have taken a number of steps to put in place meaningful engagement mechanisms between the workforce and the Board over the past year. In addition to direct interaction with Board members and senior management, we continue to place a relentless focus on employee training and development. Through the range of programmes detailed on page 54, we demonstrate our conviction that the success of our business is inextricably linked to the successful development of our people.

As noted in the 2018 Annual Report, we appointed three new non-executive Directors during 2019, being Linda Hickey, Jayne McGivern and David O'Beirne. Led by the Nomination Committee, the three new Directors received rigorous training and induction, to ensure each has a fundamental understanding of the business's governance, operations and strategy. I am glad to report that all three of the Directors have made vigorous and insightful contributions to both Board and Committee meetings already, which has been recognised and appreciated by the Board and management.

Having conducted a successful external Board evaluation in 2018, an internal evaluation was carried out during 2019. The outcome of the evaluation was positive and the action points emanating from the process are set out in the Nomination Committee Report on pages 65 to 68. The successful onboarding of the Directors was one particular positive result of the evaluation and is testament to the collaborative nature of the Board.

Chairman's Statement continued

As leader of the Board, I am pleased at the range and diversity of experience the Board now possesses, ideally positioning us to oversee and contribute to the evolution of strategy.

Outlook

Looking back on 2019, I am proud of the performance delivered and that in just four years, we have created a homebuilder of scale and a brand synonymous with quality, competitively priced new homes and exceptional customer experience. The Company expected to continue to build on our 2019 performance in the current year, however the onset of COVID-19 means we do not have clear visibility, at this time, on its impact on our business in 2020. The Company has a proven and experienced management team who have moved at pace to implement the near-term measures required to protect our business, our people and our customers. The Company has a strong balance sheet and we have undertaken a number of actions to strengthen our liquidity position to meet the challenges ahead.

With the strong location of our sites, the talented team which we have assembled and the agility of our operating model, I am confident that the management team, in conjunction with the Board, will navigate this uncertain period and remain confident in our prospects over the longer-term.

John Reynolds
Chairman

Architectural model of Griffith Woods

Chief Executive Officer's Statement

In just over four years, 3,250 customers have chosen a Cairn home reflecting the strong demand for high-quality, competitively priced new homes. Despite the unprecedented challenges that we are all dealing with today, from a business perspective we remain very confident in our long-term prospects as Ireland's leading homebuilder.

The sites we are currently building on around the Greater Dublin Area ("GDA") are capable of delivering over 6,750 new homes. By using our low-cost landbank across our 35 housing and apartment sites as the foundation for a long-term homebuilding business, we are maximising the opportunities to capitalise on the underlying potential which exists in the Irish new homes residential property market.

As a homebuilder of scale, Cairn continues to maximise efficiencies through our organisational effectiveness agenda which seeks to build increased capacity and capability to drive business results and returns in line with our strategic objectives, in addition to supporting our business into the long-term under all economic conditions. 2019 was another year of significant operational progress as we continued to grow our capabilities and enhance our capacity.

We have a clearly defined operating model which brings together our enabling and delivery functions based on efficient, mature and collaborative processes which are aligned to our people, structures and governance framework. Cairn is also committed to developing our strong culture as a source of competitive advantage and providing a challenging and rewarding working environment for our team. This focus has enabled us to achieve considerable growth in revenue, profitability and cash generation.

The Company's approach to capital allocation, through a timely and well executed acquisition strategy in 2015 and 2016, a period representing a low point in land values in the last 20 years, across suburban and commuter belt low-density housing sites (c. 12,000 units at an average historic site cost of €32,000 per unit, including c. 9,300 starter home units at an average historic site cost of €23,000 per unit) and city centre, suburban and commuter belt high-density apartment sites (c. 5,000 units at an average historic site cost of €63,000 per unit), and the successful growth of our business resulted in Cairn delivering 1,080 sales completions in 2019. With our approach to sustainability and the ongoing adoption of innovative, off-site manufactured, construction methodologies, the foundations are laid for Cairn to be the leading homebuilder in Ireland into the long-term.

We deliver new homes across the price spectrum to a broad buyer pool, from our starter homes which are priced at levels where first time buyers can get access to mortgages (at sales prices from €250,000) to premium homes for up-sizers and down-sizers and apartments for owner occupiers and multifamily private rental sector ("PRS") institutional investors.

Cairn is well positioned to capitalise on demand from first time buyers for competitively priced starter homes. First time buyers are our core market with over 50% (8,600 units) of our landbank priced between €250,000 and €350,000 (incl. VAT). Only 16% of all new homes in Ireland are owned by people under the age of 39, while this same cohort accounts for 58% of all homes rented.

Multifamily PRS is now an established asset class with transactions dominating the Irish property investment market in 2019, accounting for 44% of all property investment transactions. The Company completed the sale of Six Hanover Quay (120 apartments and two commercial units) in June 2019 and contracted the forward sale of The Quarter at Citywest

"In just over four years, 3,250 customers have chosen a Cairn home reflecting the strong demand for high-quality, competitively priced new homes."

Michael Stanley
Co-Founder and Chief Executive Officer

(282 apartments: €94 million, incl. VAT), Shackleton Park and Gandon Park (229 residential units: €78.8 million, incl. VAT) and Mariavilla (150 residential units: €53.5 million, incl. VAT) during H2 2019. In securing over €345 million (incl. VAT) in multifamily PRS completed and forward sales to date, we have demonstrated our agility and operational capability in responding to a broadening buyer pool. At the end of 2019, it was estimated that c. €5 billion in domestic and international institutional capital is seeking to invest in well located, well designed and quality built new homes with strong counterparties. Demand from institutional investors for multifamily PRS has spread to well-located suburban and commuter belt locations and our strong performance in 2019 highlights the potential opportunities available to Cairn across all of our sites in this asset class over the coming years.

Our vision is to be the most trusted and safest homebuilder in Ireland and our strategy is to capitalise on the underlying potential in the Irish residential property market by building in great locations and creating places and high quality competitively priced homes where people love to live. 2019 was another year of excellent progress in executing this strategy. While the near-term outlook is uncertain, we are taking significant action to protect our business and manage all factors within our control during the current COVID-19 crisis.

CSR Transitioning to Sustainability

Climate change is undoubtedly one of the biggest challenges facing the world today and everyone at Cairn is committed to ensuring we adopt a sustainable approach to our business. Our CSR pillars embrace community, environment, people and industry. We are committed to building homes and creating places that contribute positively to society and improve the quality of life of our customers. Cairn is focused on delivering new homes in areas where there is established infrastructure and multi-modal transport links and reducing the continuing urban sprawl of our capital city. The strong locations of our land is evidenced by the success of our planning to date where local authorities and An Bord Pléanala have granted us planning permission for over 7,000 new homes.

For us, high quality and imaginative placemaking strengthens the social fabric of communities. We undertake and embed important initiatives under each of our CSR pillars in our everyday work, activities and culture from community events at our new developments, to our biodiversity policy which underpins the quality and breadth of our landscaping, to ongoing employee engagement and sustainable innovation and product sourcing from our supply chain. In common with other sectors, we are committed to reducing our carbon footprint and will reduce our carbon emissions across all of our developments by 50% by 2030.

We continually embed innovation into our business, from off-site manufacturing which yields programme gains and consistent quality through to green walls which are an environmentally friendly engineering solution. We continually seek more efficient and environmentally friendly ways to build our new homes and have incorporated other efficient modern methods of construction into our delivery platform.

We are currently in the process of transitioning from a CSR to a Sustainability Agenda. As part of this, we are aligning our business practices with the UN Sustainability Goals and will embed sustainability even further into our activities in the future. We will continue to update you as we progress in this area.

Our Customers

Cairn delivered 1,080 closed sales in 2019 across 12 developments at an ASP of €372,000 comprising 911 houses at an ASP of €321,000 and 169 apartments at an ASP of €648,000. This compares to 804 closed sales across nine developments in 2018 at an ASP of €366,000 comprising 612 houses at an ASP of €323,000 and 192 apartments at an ASP of €505,000. The Company delivered 133 Part V homes across our various sites to local authorities in 2019 at an ASP of €224,000. The ASP in 2019 across our starter home sites was €314,000. In broadening our product mix and managing our entry level price points, Cairn closed more than 100 duplex unit sales across five of our starter homes sites during 2019 at an ASP of €267,000 (2018: 17 duplex unit closed sales at an ASP of €274,000 on one starter home site).

Starter homes are our core product offering and our strategy is to focus on lowering starter home scheme entry price points by introducing a more diverse range of smaller unit types and to price our starter homes to sell at volume and at price points where first time buyers can access mortgages. House price inflation has averaged c. 1.0% across our active sites in the last 12 months.

The Company continues to lead the delivery of multifamily PRS in Ireland with four transactions announced to date:

1. Completed the sale of 120 apartments at Six Hanover Quay (Dublin 2) to Carysfort Capital/Angelo Gordon in June 2019;
2. Contracted to sell 282 apartments at The Quarter in Citywest (Dublin 24) to Urbeo/Starwood Capital for €94 million (incl. VAT) with a phased delivery commencing in late 2020;
3. Contracted to sell 150 apartments, duplexes and houses at Mariavilla (Maynooth) to Urbeo/Starwood Capital for €53.5 million (incl. VAT) with a phased delivery which commenced in December 2019; and
4. Contracted to sell 229 apartments, duplexes and houses at Shackleton Park and Gandon Park (Lucan) to Carysfort Capital/Angelo Gordon for €78.8 million (incl. VAT) with a phased delivery which commenced in December 2019.

Cairn estimates that there were 18 new build multifamily PRS transactions each with a sales price in excess of €30 million which contracted or completed in Ireland in 2019, comprising c. 3,250 new units. With the exception of the Mariavilla (Maynooth) sale, all of these transactions were in Dublin. The Company's four transactions listed above accounted for c. 24% of these units and c. 20% of this market by value. As an equity-led homebuilder of scale with well located sites and a proven track record, Cairn will continue to be an attractive counterparty for multifamily PRS institutional investors.

Our customers have had to deal with the uncertainty of the COVID-19 outbreak over the last number of weeks and we have moved over to more online interaction with them, including virtual tours of our show homes. At this point in time our customers who are due to move into their new homes are very anxious to complete and move in, whereas new enquiries are at a much lower level. Cairn's 2020 year to date closed sales and forward sales pipeline, as at 2 March, was strong with a sales value of €266.1 million (853 units), of which 152 units will close in 2021. Nearly 85% of our forward sales pipeline is contracted and the Company is still fully operational, albeit with significantly increased health and safety procedures on all of our sites. We are focusing our efforts on completing new homes which are due to close in the near term and continue to complete all forward sold multifamily PRS units as planned. While we were very pleased with our start to 2020, there has been a very significant impact on all businesses in Ireland, including Cairn's, following the COVID-19 outbreak. It is currently very difficult to predict how the Irish economy will perform in 2020. We are taking significant actions to protect our business during this period of uncertainty to ensure we are well positioned, both operationally and financially, to perform once COVID-19 has passed. Further details are set out at the end of this statement.

Production and Innovation

Cairn is currently active on 16 sites which will deliver c. 6,750 new homes. Over 2,500 people work full-time across our active sites, including direct employees, subcontractors and other sector professionals. Cairn commenced construction on three new sites in 2019: a starter home housing site at Edenbrook (Dublin 24) and apartment sites at The Quarter in Citywest (Dublin 24) and Griffith Woods (Dublin 9). In addition, the construction of new phases commenced at our Marianella (Rathgar), Mariavilla (Maynooth) and Shackleton Park (Lucan) sites. Two new sites have commenced in the year to date at Graydon (Newcastle) and Farrankelly (Delgany). The Company completed the construction of our premium apartment development at Six Hanover Quay (Dublin 2), in addition to Phase 1 at Shackleton Park (Lucan), Phase 1 at Elsmore (Naas), Phase 2 at Churchfields (Ashbourne) and Phase 2 at Glenheron (Greystones) during 2019.

Our top 20 subcontractors account for 66% of the Company's total €700 million procurement since IPO (an average of €23 million each), working across an average of eight developments each. The Company has an established and loyal pool of subcontractor partners with whom we collaborate across our large scale, multi-phase, multi-year developments and who benefit from the many advantages of partnering with Cairn. The Company has fixed price contracts in place across all of our active construction sites – 86% of our 2020 and 60% of our 2021 construction costs on these active sites are fixed.

The Company is focused on innovation in continually seeking more efficient and sustainable ways to build our new homes. Off-site manufactured ("OSM") methodologies continue to evolve and we have adopted more OSM into our construction activities: all of our new homes are now built using timber-frame construction, we have introduced bathroom pods across our recently commenced apartment developments in addition to other efficient and modern methods of construction such as steel frame structures and pre-cast construction elements. Our experience of build cost inflation in the last 12 months is c. 2.5%.

Cairn's 35 sites have an average size of c. 545 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"). Our internal planning expertise and the ongoing success which we have demonstrated in bringing sites through planning provides a constant conversion of sites into active development sites.

Cairn continues to materially enhance the value of existing sites through the planning process and has delivered c. 3,500 incremental units on our existing sites which will be margin enhancing over the coming years.

The Company's site acquisition strategy has evolved following the acquisition of our landbank. Our focus remains on strategic opportunities, including acquiring land adjoining existing sites and exploring further joint development opportunities.

Expenditure on site acquisitions amounted to €11.5 million in 2019 (2018: €33.7 million), including our second investment venture development with NAMA, announced in January 2019, when we acquired a 14.5 acre site adjoining our successful Parkside development where we will build in excess of 550 new homes. Cairn completed the acquisition of an additional 97 acres of development land within Clonburris SDZ, as announced on 28 November 2019, for €21 million post year-end in January 2020.

Six Hanover Quay, Dublin 2

Residential Property Market

Consumer sentiment improved in 2019 as the threat of a hard-Brexit receded and while the current outlook for 2020 is uncertain, Cairn remains confident in the medium to long-term outlook which predicts annual demand for new homes in Ireland of c. 34,000 units until 2040 (source: CBI – Population Change and Housing Demand in Ireland, December 2019). The industry response to the housing crisis remains constrained by a number of factors with 21,241 new homes built nationally in 2019, of which only 16,173 new homes were built in multi-unit developments. In the GDA, 11,646 new homes were built, including 2,910 apartments and 932 one off homes (source all: CSO New Dwelling Completions Q4 2019). Cairn estimates the long-term demand for new homes in the GDA at c. 20,000 per annum.

Mortgage Market

The Irish mortgage market continued to moderately expand in 2019 and the value of mortgage drawdowns grew by 9.2% to €9.5 billion (2018: €8.7 billion) and mortgage approval values increased by 9.9% to €11.1 billion in the same period (2018: €10.1 billion) (source: BPFI Mortgage Approvals December 2019 and BPFI Mortgage Drawdowns Q4 2019).

First time buyers accounted for 51% of all loan drawdowns in 2019, although only 7,063 first time buyer mortgages were in respect of new homes (with 14,423 in relation to second-hand homes).

Cairn welcomed the arrival of two new entrants to the owner occupier mortgage market during 2019 and believes that more competition will benefit mortgage holders. Competition amongst mortgage providers remains intense and more attractive headline mortgage interest rates, particularly fixed rates, are available.

The Central Bank of Ireland's macroprudential mortgage lending rules mean that homebuilders in Ireland must bring product to the market at price points where the largest cohort of purchasers, first time buyers, can access mortgages. The broadest market for new homes is those priced between €250,000 and €350,000 (incl. VAT) where average salaries can more readily access mortgage finance.

Government Initiatives

The Government has implemented some initiatives in response to the housing crisis and the Company welcomed the recent extension of two of the most impactful measures, namely the SHD fast-track planning process for residential developments in excess of 100 units and the first time buyer Help to Buy income tax rebate scheme which were both extended until 31 December 2021.

With 13 grants of planning, where we are currently active on 9 of these sites, Cairn accounts for 13.5% of all units granted planning permission and 23% of all site commencements under the SHD process since its introduction in late 2017. The SHD process has enabled the Company to scale at a faster pace and facilitated the increase in its number of new home sales in 2019 to 1,080 completions. Without this process, our business would have been unable to scale beyond our initial IPO target of 1,000 annual new home completions. The Company's success in bringing our landbank through this efficient planning process underpins our confidence in delivering a significantly higher number of new homes to the market over the coming years.

The Help to Buy scheme acts as an important counterbalance to the CBI's macroprudential mortgage lending rules in allowing first time buyers access mortgages. In Dublin, over 66% of all new homes sold in 2019 were sold above Cairn's starter home ASP of €314,000 excluding VAT (source: Property Price Register). Increasing the supply of affordable starter homes in locations close to areas of high employment and key public transport links needs to be proactively encouraged. In particular, investment in key infrastructure projects, as outlined in Project Ireland 2040, needs to be accelerated to unlock the potential for more housing delivery.

The exceptional shortage of affordable housing was a key election issue and it is expected that proposed solutions towards addressing this shortage will be central in any new Programme for Government.

In terms of a long-term solution, I believe that any new Government formed will need to significantly increase the supply of social and affordable new homes in Ireland. Less than 20% of 2019 new home supply was built by main contractors and any increase in supply in the near term will have to come from the private homebuilding sector which will play a critical role in partnering with Government to address the housing crisis. As Ireland's largest homebuilder with a proven track record, an operating platform of scale and a strong, equity-led, balance sheet, Cairn is ideally positioned to play a leading role in assisting this delivery.

People

As I discussed above, our organisational effectiveness agenda seeks to build increased capacity and capability with quality people with the right combination of expertise and homebuilding experience, across low-density housing and high-density apartments, central to this agenda. We continued to invest in our people throughout 2019 and increased our headcount from 155 direct employees at the end of 2018 to 195 direct employees at the end of 2019.

I was delighted to expand the depth and talent of my senior management team further since the start of 2019 with a number of strong appointments including Maura Winston (Chief People Officer with responsibility for our people and organisational effectiveness agenda), Sarah Murray (Director of Customer with responsibility for driving excellence across the customer journey), Mike Grice (Group Development Advisor with a focus on our construction capability and driving delivery across our high density developments) and Kevin Cleary (Technical Director ensuring our consistent approach to quality placemaking and building communities within existing communities as we continue to scale). Fergus McMahon was also promoted to Commercial Director and he leads our commercial function with responsibility for ensuring a commercial and profitable platform for turning great land into great places.

I would also like to extend a warm welcome to Shane Doherty, our new Chief Financial Officer and Executive Director, who joins us in April 2020 to oversee the finance and investor relations functions. Shane has in-depth experience in senior financial and business leadership roles across a range of sectors and I look forward to working closely with him as we continue to develop and grow the business in the years ahead.

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 echo my Chairman's sentiments in thanking each of my colleagues for their dedication, contribution and commitment to our business in 2019, 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.

Outlook & COVID-19

It is difficult for me at this stage to provide a definitive outlook for the business in these uncertain times. 2020 started positively for our business as the strong momentum from our exceptional sales performance in 2019 continued into the early months.

However, our initial outlook for 2020 has been impacted by the evolving social and economic repercussions of the COVID-19 outbreak. There are a range of issues which we are actively working through and have implemented a number of actions to manage the near-term impact on the business and the safety of our people and customers, including:

- On-Site Construction – it is likely we may experience delays in our construction programmes and the completion of our new homes could be affected by the impact of COVID-19. We have implemented a range of extensive health and safety measures and resources across all sites including increased sanitation of welfare facilities, preventing unnecessary site visits from non-essential personnel, minimising shared areas of work and cross-trade interactions, managing deliveries with strict protocols along with several other measures which have been communicated to all staff, subcontractors and suppliers. We are in regular communication with our supply chain to closely monitor resource and material constraints arising from COVID-19 that could impact programmes of work in place. These measures have been taken to ensure the risk to subcontractors and employees working on our sites from COVID-19 is reduced.
- Sales Completions – during the period in which the COVID-19 outbreak persists, we expect engagement from prospective customers to reduce. We will continue our marketing activities to the extent that we can and facilitate both new homes sales and completions whilst respecting Government and Health Service Executive guidelines and policies. All new homes viewings are being held by private appointment only with all show courts and show homes set up to reduce the risk of infection with hand sanitisers, wash facilities etc. All sales material is being issued by email only.
- Operational Integrity – we have implemented a business continuity plan to ensure critical Company operations continue during the period of the outbreak. We are operating with reduced staff presence across business functions at our Central Support Office supported by colleagues working remotely with full IT access and capability.

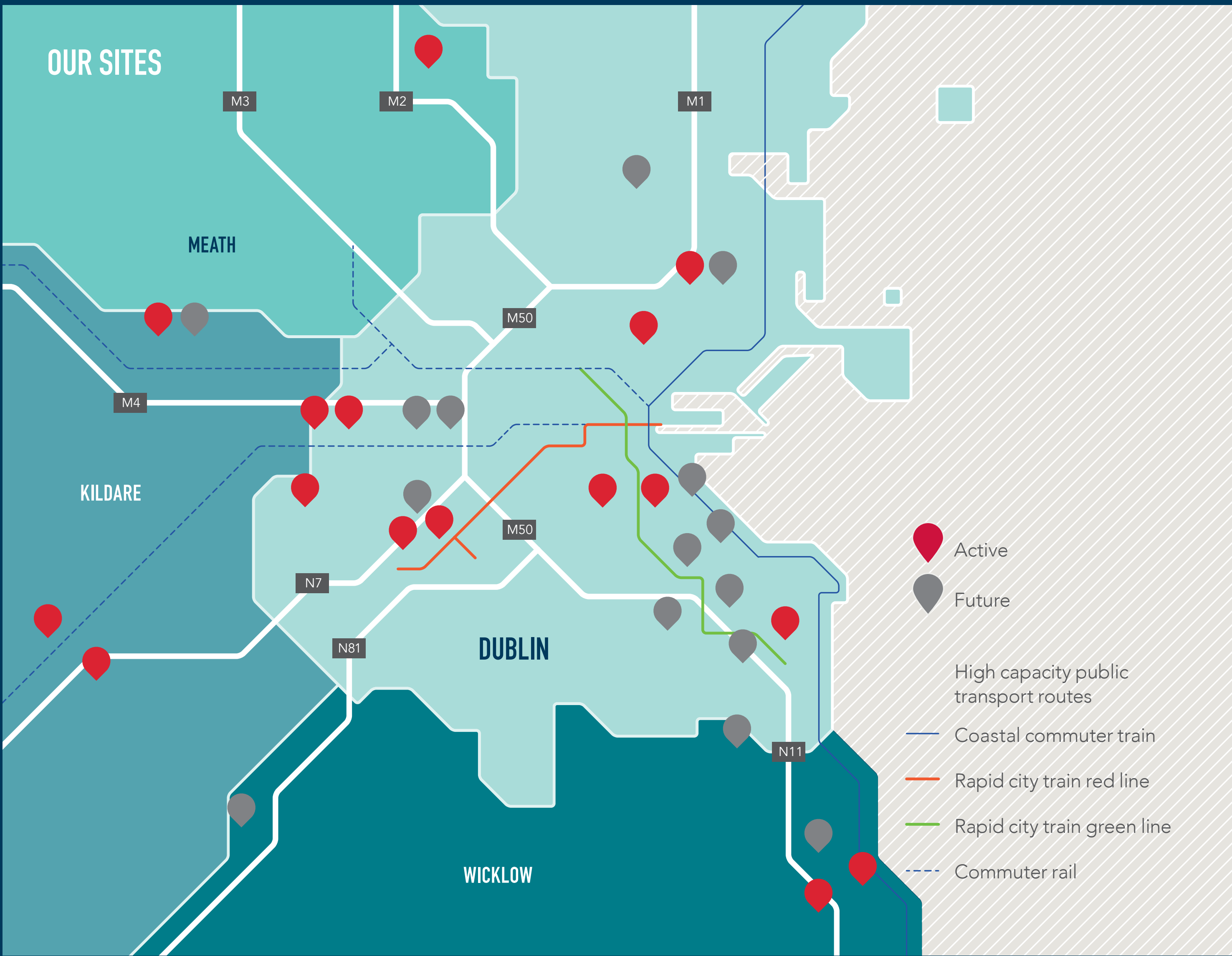
While we are actively managing all of the operating factors within our control, we have also undertaken a detailed assessment of the potential financial impact of COVID-19 on the Company's financial performance. The context of the assessment is that the outbreak of COVID-19 is an event which is both unprecedented and unpredictable for our Company. The Company entered this uncertain period with a strong, liquid balance sheet and sustainable, lowly leveraged debt facilities and we have implemented a number of additional measures to protect our business from any downside risks which may arise, including:

- Fully drawing our €200 million revolving credit facility;
- Prioritising construction programmes on sites where forward sales will be delivered;
- Implementing additional health and safety measures as discussed above;
- Undertaking liquidity stress test scenario exercises;
- Withdrawing our intention to propose a final 2019 dividend and suspending our share buyback programme; and
- Establishing a "COVID-19 Team" comprising key senior management to maintain business continuity.

At this time, it is unclear how long this period of uncertainty will continue for or the depth of the impact COVID-19 will have on the Irish economy. We are implementing all of the necessary short-term measures to protect and bolster the medium and long-term prospects of our business for all stakeholders.

Michael Stanley
Co-Founder & Chief Executive Officer

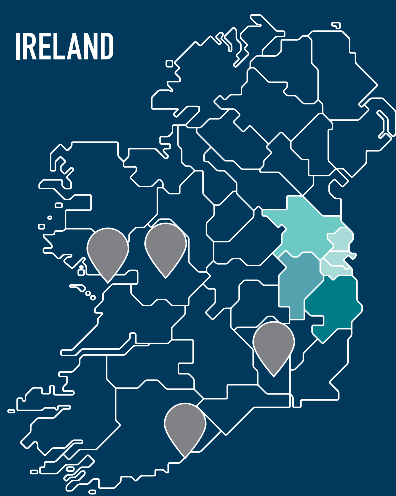
Our Portfolio at a Glance



We develop more than houses, we collaborate with all stakeholders to develop thriving neighbourhoods and communities, in great locations where people love to live.

For a full list of our current and future developments visit **www.cairnhomes.com**

IRELAND



Building in great locations

OUR LANDBANK

c. €900m
Invested in landbank since 2015.

95%
Targeted capital allocation focused on the Greater Dublin Area ("GDA").

€32,000
Average housing site cost.

€63,000
Average apartment site cost.

1,400
New homes built across our active sites in 2019.

35 sites
19 housing (average c. 520 units).
6 housing and apartments (average c. 620 units).
10 high density apartments (average c. 335 units).

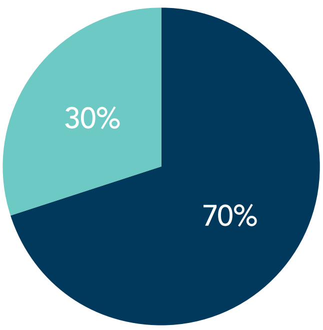
16 active
Sites which will deliver 6,750 new homes.

2 new
Site commencements year to date in 2020.

c. 17,000 units

70%
Houses

30%
Apartments



Business Model

A high level representation of how we organise our business in an efficient and agile manner to effectively deliver and execute our strategy.

Inputs

OUR PEOPLE

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

OUR LANDBANK

With c. 17,000 landbank units, a significant number of new homes will be delivered to the Irish new homes market into the long-term from a defined and established operating model supported by a strong and robust balance sheet.

OUR SUPPLY CHAIN

Maintaining and creating long term relationships with subcontractors and suppliers. Maximising supply chain innovation to ensure best in class standards are delivered.

OUR DESIGN

Our approach to innovation and standardisation across our construction activities, integrating off-site manufactured methodologies and responding to market needs.

OUR CUSTOMERS

We engage with our customers to ensure that the new homes we design and build meet their every need. We understand that buying a new home is one of the biggest decisions each of our customers will make in their life and this frames our approach to customer experience.

Creating value

LAND

c. 17,000 units owned, 79% acquired within one year of IPO.

Agility of 35 core sites.

Unit mix across the price spectrum.

Average site size c. 545 units.

Amortise fixed preliminary costs over longer term construction programmes.

Acquisitions targeted on land adjoining existing sites and joint ventures.

PEOPLE

High calibre, talented team enabled to innovate and produce market leading homes.

Support functions and site management teams fully resourced.

Focus on developing our diverse talent pool and building careers.

Clearly defined operating model which brings together our enabling and delivery functions.

Ongoing engagement.

Developing a strong culture as a source of competitive advantage.

PLANNING & DESIGN

Landbank has no material planning risk.

Placemaking and design driven by creating communities.

Collaborative process across our entire business.

6,874 units granted planning permission since IPO, including 2,409 units since September 2019.

c. 3,500 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.

THE HOMES WE BUILD

Standardised starter home and apartment product across multiple sites using innovative OSM methods.

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

Manage strong, established and growing subcontractor and supplier relationships.

Strategic procurement and supply chain initiatives with fixed price framework agreements with major suppliers.

Large scale sites drive construction cost economies of scale.

Energy efficient homes with high energy ratings moving to A2 ratings in 2020 with adoption of NZEB.

CUSTOMER EXPERIENCE

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

Mapped the customer experience to deliver a supportive, engaged and collaborative home buying process.

Investment in customer service operations with dedicated sales and after-sales customer care teams providing full support during and after buying our new homes.

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.

Outputs

DELIVERING VALUE FOR STAKEHOLDERS

1,800

Closed and forward sales in 2019.

€435.3m

Revenue increased by 29% from €337.0m in 2018.

€85.3m

Gross profit increased by 23% from €69.1m in 2018.

€68.0m

Operating profit grew by 28% from €53.2m in 2018.

6.5 cent

Earnings per share (2018: 4.0 cent).

Customers

1,080 new homes sold in 2019
Net Promoter Score 53.

Employees

We attract and retain the best talent. We engage with and motivate our employees. We reward performance. We provide meaningful and positive working environments and focus on individual employee development and growth.

Supply chain

Our supply chain is our most important asset. We engage in ongoing collaboration with our subcontractors and suppliers to ensure everyone's long-term success

Shareholders

Committed to a policy of progressive capital returns and distributing the Company's surplus capital from free cash generation to shareholders over the long-term.

Communities

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

Maximising opportunities and broadening demand

With a long-term historically low-cost landbank containing the best housing and apartment sites in the best locations, a talented and experienced team with increased capacity and capability, a defined operating model and an established track record, Cairn is uniquely positioned to meet Ireland's continuing need for well designed, quality built and well located new houses and apartments.

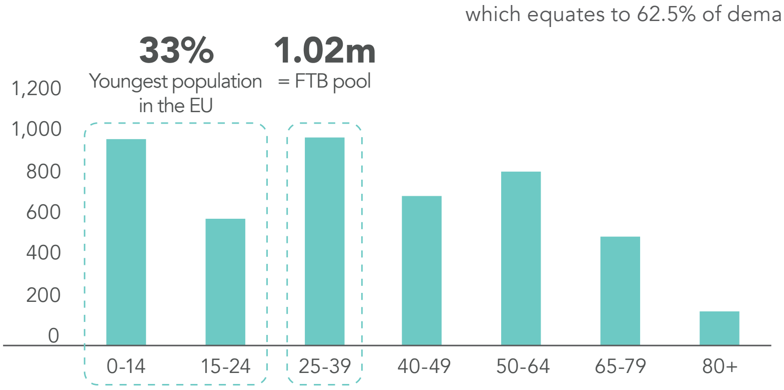
Market Opportunity
The supply of new homes in the Irish market remains constrained with demand still significantly above current supply. This supply/demand imbalance is more profound than at the time of our IPO. The fundamentals of the Irish new homes market, and in particular in the Greater Dublin Area ("GDA"), will remain positive for a scaled homebuilder like Cairn delivering new homes across the price spectrum.

An Outperforming Economy
2019 was another year of expansion for the Irish economy with GDP growth of 5.5% and strengthening consumer spending growth of 3.3%.

Strong Demographics
- Population Growth: +1.3% (+64,500) in the year to April 2019 (3x EU average).
- Irish population will exceed 5m in 2021 (2006 population: 4.24m).

Strong demographics driven by:
- Highest birth rate in the EU (13.5 births for every 1,000 of population in 2017);
- One of the highest household formation sizes in the EU at 2.8x (average 2.3x); and
- Strong inward migration (+33,700 in year to April 2019).

Irish Population by Age Category
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) and nearly 22% of our population are aged between 25 and 39.



This 25 to 39 year old 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 Central Bank of Ireland estimate national demand at 34,000 new homes per annum until 2040. Within this, we estimate GDA demand at 20,000 units. There were 21,241 new homes built in Ireland in 2019 which equates to 62.5% of demand.

MARKET IN 2019

FASTEST GROWING ECONOMY IN THE EU

+9%

Average annual GDP growth since 2012.

Ireland has been the fastest growing economy in the EU for each of the last 6 years.

DEMOGRAPHICS

+233,700

Population growth since our IPO continues to broaden our addressable market.

UNDERSUPPLY OF NEW HOMES

21,241

Supply in 2019 versus demand of 34,000 (CBI).

Total national under-supply since our IPO is 93,876 based on annual demand of 34,000 new homes.

Excluding one-off houses, the number of apartment and multi-unit development homes delivered in the GDA was 10,714, half the level of demand.

Commencement statistics indicate that the construction of 14,440 new homes commenced in the year to September 2019 (+23.8% year-on-year) in the GDA, including 4,418 apartment units (+ 100% year-on-year). The increase in the construction of apartments is welcomed, however a worrying trend is starting to emerge on multi-development houses with Dublin commencements down 8.7% year-on-year. This supply of multi-development new homes in Dublin is unlikely to improve with planning granted in the same period for only 1,321 new multi-development homes, a fall of 65% year-on-year.

With a significant percentage of new apartment commencements forward sold to multifamily PRS institutional investors and a reduction in the number of new homes being granted planning and commencing in multi-development units, we believe that this will result in further urban sprawl as more and more first time buyers will be forced into the commuter belt to acquire their first home.

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.

The outbreak of COVID-19 is an unprecedented event for the Irish economy. It is unclear how long this period of uncertainty will continue for or the depth of its impact on the economy. Cairn has implemented a number of short-term measures to protect the medium and long-term prospects of the business to ensure it can continue to play a leading role in housing delivery in Ireland.

THE MULTIFAMILY PRS MARKET

Exceptional Growth in Multifamily PRS Investment in 2019

- 44% of all real estate investment (2018: 31%; 2017: 17%).
- PRS Investment increased by €1.436bn (+154%).
- Cairn analysis indicated 18 new build PRS transactions, incorporating 3,272 units, completed or sale agreed valued at €1.6bn.
- Market data suggests current residential yields of 3.75% and rental inflation 4.1%.

5

Active apartment sites (1,100 units).

€345m

PRS sales (incl. VAT) agreed. Ongoing engagement on other developments.

11

Apartment sites suitable for PRS.

24%

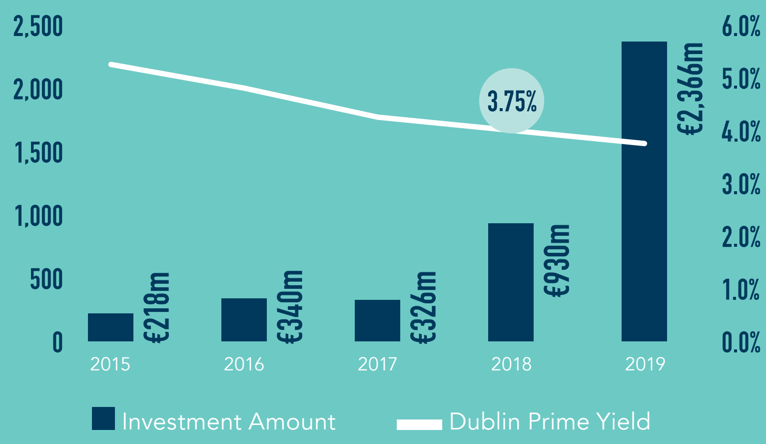
Cairn share of 2019 new build PRS market – rank #1.

c. 4,000

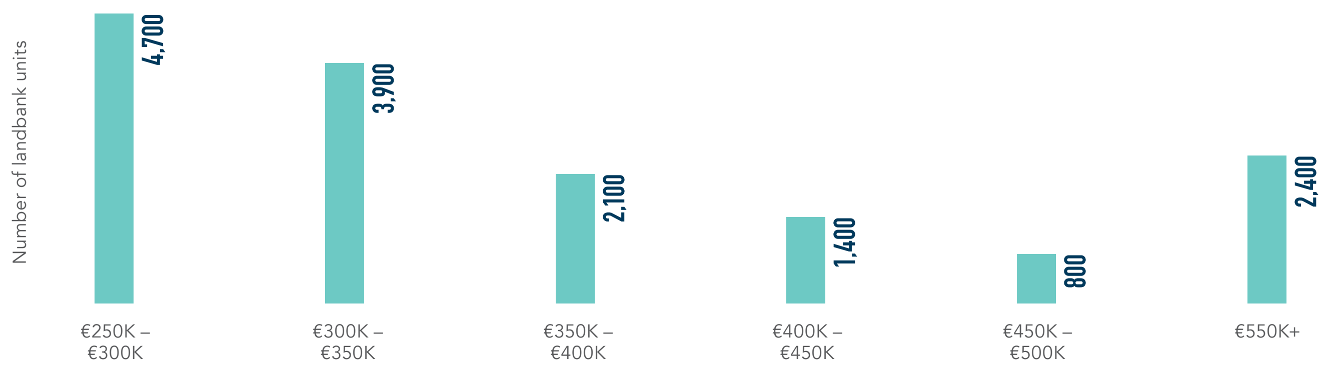
Units at an average site cost of €31k.

€419k

Cairn PRS ASP (rest of market – €510k).



OUR LANDBANK AND ADDRESSABLE MARKET



Cumulative % of our landbank* addressing these price points

31% | 56% | 70% | 79% | 84% | 100%

SINGLE OR JOINT INCOME
REQUIRED FOR 90% LTV MORTGAGE

€64,000 TO €77,000	€77,000 TO €90,000	€90,000 TO €103,000	€103,000 TO €116,000

90%
Of our First Time Buyers are couples or families.

16%
Of all houses in Ireland owned by people aged < 39.

* Analysis excludes c. 1,700 social and Part V units.

BUYER PROFILE & DEEP BUYER POOL

BUYER PROFILE

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

Traditional buyer pool…

- First Time Buyers.
- Up-Sizers.
- Down-Sizers.
- Young Professionals.
- Individual Investors.
- Local Authorities.

is now broader

- Long-term Institutional Investors.
- The Government.
- Affordable Housing Bodies.

OWNING VERSUS RENTING

CAIRN 3 BED STARTER HOME PRIVATE SALES IN 2019

€360,000

Average selling price (including VAT) in 2019 on 216 three bed new home completions across our four starter home developments in Dublin:

- Shackleton Park (Lucan);
- Gandon Park (Lucan);
- Edenbrook (Dublin 24); and
- Parkside (Dublin 13).

FTB MONTHLY MORTGAGE COST

Purchase price	€360,000
Mortgage – 90% LTV	€324,000
Mortgage interest rate	2.30%
Monthly Mortgage Repayment (30 year C&I)	€1,279

MONTHLY RENTAL COST

Lucan	€1,801
Lucan	€1,801
Dublin 24	€1,834
Dublin 13	€2,000
Average	€1,859

Churchfields, Ashbourne, Co. Meath

€580

Cheaper to own (€1,279) than rent (€1,859) a Cairn starter home in Dublin (per month).

45%

More expensive to rent than own a Cairn starter home in Dublin (per month).

58%

Of all houses rented in Ireland are by people aged under 39.

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 24 to 33.

OUR STRATEGIC PRIORITIES	WHAT WE DID IN 2019
1 CUSTOMERS Ensure we deliver an optimal customer experience and gain the trust of all Cairn homeowners.	Moved an additional 1,080 new customers into their new home. Over 3,250 customers have now chosen a Cairn home with over 2,500 of these customers already living in their new homes. This has created an opportunity to obtain increased levels of robust customer feedback which we continue to use to inform design and product decisions and to further enhance the customer journey. We increased our customer communications to include practical homeowner guides and development updates; and we arranged and facilitated an array of inclusive events such as barbecues, Christmas parties and children's entertainment, helping to strengthen relationships in these growing new communities.
2 HOMES Designing and building high quality, well located, energy efficient homes that people will love living in now and into the future.	In growing our output volume by 34% to 1,080 units, delivered new homes of the highest quality to the market. Delivered a broader product range with two-bedroom duplex units sold across six housing sites. Continued to enhance and adapt the Cairn design to evolving trends including the installation of more EV charging points in our new homes. More off-site manufacturing ("OSM") – standardisation of starter homes improved through timber frame construction across all starter homes sites and introduced bathroom pods, SFS framing and pre-cast construction elements to apartment developments. Unlocked the potential of a number of sites with the delivery of key offsite infrastructure.
3 PLACES Creating places for communities to prosper.	Delivered 1,080 new homes across 12 developments. Established 17.3 acres of green spaces and public realm planted 6,248 trees, actively incorporating biodiversity measures. Delivered 133 social houses and launched our community development programme for c. 3,100 new residents. Invested €20m across public infrastructure projects – 18km of roads and bridges and 6 serviced school sites (c. 3,000 pupils). Incorporated communal EV power supply vehicular/car charging points connections across all sites.
4 PEOPLE We attract and retain the best people and trusted partners.	Refined our operating model for increased impact and efficiency. Recruitment strategically focused on building strong leadership capability. Baselined employee engagement levels with an eNPS (starting point to understanding employee loyalty) score of 28. Designed a communications plan to drive programs that are key to team engagement. Introduced the "Cairn Culture Committee" driven by frontline employee representation. Progressed our CSR strategy and Sustainability Agenda. Continued to grow and scale the organisation and supported on ecosystem of 2,500 working full-time across our active sites.
5 OPERATIONAL EXCELLENCE Create a commercial and profitable operating platform to turn land into great places to live.	Secured access to key resources and personnel by expanding our direct team in addition to growing our subcontractor base with 68 new subcontractor and supplier relationships created. Leveraged €288m procurement and buying power as a hedge against build cost inflation. Secured planning consent for 1,830 new homes. Commenced delivery of 3 new high density projects in which standardisation of method of construction and finished product was a key focus to add to our already highly standardised low density product range. Continued to deliver key infrastructure with key distributor roads, services and a bridge built and opened to the public to improve and enhance local environments.

WHAT WE'LL DO IN 2020	KEY PERFORMANCE INDICATORS
We have expanded our Sales & Marketing team to include a dedicated Customer team, including experienced customer aftercare and site maintenance operators, focused on results delivered with exceptional customer service. This new platform will help create a more holistic approach to the customer experience ensuring the pre-sale and marketing promise meets the reality of life in a Cairn home. This will facilitate further integration of our design and product selections and greatly assist with the evolution of future products. We are also continuing to increase our customer focused communications by investing in additional IT infrastructure to allow greater customisation of customer preferences, both pre and post-sale.	Focus on exceptional customer service. Quality improvements monitored by continuous customer feedback, beyond NPS. Increased systems reporting capabilities. Quantify aftercare reporting out to 2 years post home ownership. Report on community building initiatives. Read more on page 24.
Continue to enhance the standard of new homes that we build through our in-house pre-construction design development processes. Create further efficiencies during our construction process by ensuring fit for purpose designs which meet the demands of our broadening buyer pool and deployment of innovative building systems and methodologies. Improve energy efficiency in our new homes by adopting NZEB standards. Enhance the quality and timelines of construction. Focus on cost effectiveness and supply chain efficiencies.	Maintain our best in class quality standards for new homes delivered. Ongoing focus on innovation and sustainability of new homes built. Adoption of NZEB standards. Deliver greater construction programme and cost efficiencies. Read more on page 26.
Continue to deliver major infrastructure and public realm for the benefit of new and existing communities. Roll out our biodiversity strategy and target planting of 6 trees per new home built. Deliver new serviced sites for schools. Expand our community initiatives with regular events for each community. Bring more sites through the planning process with applications focused on placemaking and design.	Review homeowners feedback and incorporate into design of future developments. Measure community engagement programme impact, utilising findings in concept design and planning. Read more on page 28.
Drive enhanced business performance through our organisational effectiveness agenda and best practice processes. Cascade new organisation structure alignment through all functions. Further embed the new leadership capability. Enhance and grow our learning and development capability and embedding innovation and continuous learning. Focus on succession planning, ensuring linkage through reward delivery, and our employee engagement model. Implement new remuneration policy and ensure effective reward and retention of critical talent.	Attrition below targets. Succession planning in place for all key roles. Deployment of Leadership Development Program to full management team. Management Information dashboards across all functions. Improved eNPS score. Deliver Communications Calendar. Read more on page 30.
Improving delivery efficiency even further is a key objective. Develop our project execution planning from the design outset to ensure that constraints and opportunities are identified and actioned as early as possible in the project plan. Strategic procurement initiatives to support project planning targeted at the areas with most potential benefit including improving the quality and breadth of our supply chain and maintain below market build cost inflation. Continued roll out of new NZEB compliant homes with a particular focus on the most efficient space and water heating solutions.	Focus on supply chain innovation and performance measurement to uphold best in class standards to maximise efficiency of delivery through close and supportive relationships. Monitor and mitigate against upward cost pressure. Retain the agility to maximise project margins and programme delivery. Read more on page 32.

1 CUSTOMERS

Delivering an exceptional customer experience

Making the home buying journey exceptionally positive for all of our customers and ensuring that they love where they live.

Our work on the Cairn customer journey in 2018 revealed that our customer's values are closely aligned with ours. Our customer is informed, design savvy and they value honesty and straight talking. They put their trust in us and in 2019 they told us that we delivered on our promise. Our personal approach to managing the sales process was highly rated and we were conscious to ensure this customer focus, which is at the heart of Cairn, continued as we grew.

53

Net Promoter Score

Our customers love attention to detail. Aesthetics are important, but functionality is key. They want homes that work for their lifestyle and customer care that works for their busy lives.

Our customer cares about, not just their home, but their neighbours, neighbourhood and their growing communities. Every time we consider a new initiative – a collaboration with Street Feast or a book clinic with Children's Books Ireland, our customers embraced these events and participated with enthusiasm. They proved that the ownership of place matters and our work to create attractive, well-designed shared spaces is extremely well received.

Our customers increasingly refer their friends and family to our new homes showing trust in Cairn and making us proud of what we do.

Our 2,000th Customers

The Cairn Difference

Our commitment to listening to our customers and placing them and their needs at the heart of our decisions is reflected in positive customer feedback and an impressive Net Promoter Score of 53, considered excellent in any sector.

Each customer is provided with a Cairn sales consultant to make the buying process as straightforward and seamless as possible. We are attentive to our customers' needs throughout the customer journey which manifests in every touchpoint, from children's entertainment at new development launches to providing clear and timely information when a customer needs it.

It's all about putting ourselves in our customers shoes and pre-empting their needs.

Our focus is on building cohesive communities. It all starts in the shared spaces between the houses where neighbours can meet each other and create a sense of place and community. Street feasts, children's book clinics, festive get-togethers – just some of the ways we try to foster warm and friendly community ties.

We are there beyond the closing of our new homes with a dedicated Customer Care Team to manage the Cairn customer guarantee which extends to 12 months post sale closure. We understand the importance of the little things and are there when the customer needs us.

The Cairn Difference

Competitively priced starter homes at prices where first time buyers can access mortgage finance.

Broad product range from duplex units for first time buyers to premium penthouse apartments for private purchasers.

Most credible counterparty positioned to leverage PRS opportunity.

Innovation and sustainability of our A3 rated new homes which will transition to A2 ratings in 2020 with the adoption of NZEB.

Mariavilla, Maynooth, Co. Kildare

2 HOMES

Design and build high quality new homes

Good housing is at the core of quality of life. Sustainable new 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.

A3

Energy rating of all of our new homes

Our new homes need to be able to adapt to the ever-changing needs of our customers who live in them. For example, the way you use storage today may not be how you use it tomorrow – just 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 per day to run and state of the art insulation and build materials. From 2020, all of our new homes will adopt the Nearly Zero Energy Building standard ("NZEB") where the low amount of energy required for a new home should be covered to a very significant extent by energy from renewable sources. This standard will be achieved by the installation of air to heat water pumps in all of our new homes. A Cairn development is a guarantee for future generations, where your choice will stand the test of time.

New site commencements in 2019
4

New homes built
1,400
across 12 sites in 2019.

New homes
1,800
completed and forward sold in 2019.

Broadening product range
5
starter home developments where we sold duplex units.

Three bedroom starter homes
43%
of 2019 sales completions.

Sustainability and innovation
See page 33 for further details of innovation in our new homes.

"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.

3 PLACES

Creating places for communities to prosper

Quality homes in great locations lay the foundations for strong communities. Smart planning and design have the power to transform sites into vibrant living places, encouraging new places where people and communities can prosper. Our focus is to integrate our communities into the fabric of existing towns and villages.

In delivering 1,080 new homes across 12 developments in 2019, we focused on ensuring vibrant, prosperous places for communities to live.

Some of our highlights in 2019 include:

- Contributed over €20m towards public realm and infrastructure projects;
- Built 17.3 acres of green spaces and public realm;
- Opened an award winning 8 acre park at Oak Park, Naas. Winner of the 2019 Excellence in Planning Award;
- Constructed 18km of public roads and bridges including one major road bridge in Mariavilla, Maynooth, and 4 new pedestrian bridges;
- Planted over 6,248 trees equating to 5.8 per new home closed;
- Created 6 new playgrounds;
- Incorporated biodiversity planting and measures across our communities;
- Certified Pollinator Friendly Business by the National Biodiversity Data Centre;
- Commissioned and delivered public artwork at Churchfields, Ashbourne and Parkside, Malahide Road;
- Commended in the Business 2 Arts Awards 2019 for "Eyes for You" in Parkside;
- Delivered public greenways at Parkside and Oak Park;
- Incorporated EV car/vehicular charging points into all developments;
- Launched car sharing facilities across all apartment developments;
- Established 6 serviced sites for new schools with a potential capacity for c. 3,000 pupils across primary and secondary level; and
- Partnered with major retail operators and commenced the delivery of neighbourhood shops and local services.

We have focused on developing new typologies which respond to changing housing need and tenures.

We have switched to timber frame housing construction enabling greater consistency of quality control, reducing the carbon footprint of our developments and enabling greater certainty of programme delivery.

5.8

Trees planted for every new home

The Cairn Difference

Our focus on placemaking sets us apart. Considered shared spaces, playgrounds and parks give our developments a real sense of place and enhance the quality of life for everybody who lives there. This was recognised by our industry peers in 2019 with the awards won at our Oak Park and Six Hanover Quay developments.

€125m

Contributed and committed to public realm and infrastructure to date.

34

Acres of green space, planting and landscaping across our developments to date.

13

Playgrounds and play areas provided across all of our developments.

12,000

Trees planted to date across our developments.

Oak Park, Naas, Co. Kildare
Winner 2019 Excellence in Planning Award
(Irish Property Awards)

4 PEOPLE

People and innovation

Key to our growth and scaling is retaining top talent and enabling them to innovate and to produce market leading homes.

People and innovation are at the heart of our culture and success. From planning through design, construction and aftersales, we prioritise joined up thinking across great teams to deliver brilliant homes to our customers.

People come first....

Our "secret sauce" is the capability of our talent and our unique culture. Attracting, developing and retaining excellent and diverse talent is critical to our performance as a business.

For us, people come first. To achieve our vision of being the most trusted and respected homebuilder in Ireland, we need the best people that will help us to earn that trust. We offer an engaging and collaborative work environment that encourages growth and supports career development. This is reflected in our impressive engagement scores and will be further underpinned by our broader "well-being" strategy and investment in employee development.

We have a business where people are satisfied and rewarded for their work and are enabled and encouraged to perform to their best.

The depth and capability of our leadership team has continued to scale in line with our business, driven by a continued focus on developing best in class delivery and support functions and hiring above our weight.

We work closely with our subcontractor partners, who are a source of competitive advantage as a key part of our ecosystem to deliver great homes. We leverage our platform to grow their business in line with ours. Our aim is to remain their "partner of choice" and this will drive the engagement strategies that we will implement in future years ensuring our extended workforce of subcontractors and third parties are aligned with what we are about "building in great locations to create places where people love to live".

HEADCOUNT BY GENDER:

48	147
Female	Male

HEADCOUNT BY AREA:

126	69
Site based	Central Office

AVERAGE BASE SALARY BY GENDER:

€63,617	€70,833
Female	Male

RECRUITMENT BY GENDER:

26%	74%
Female	Male

RECRUITMENT BY AREA:

75%	25%
Site based	Central Office

We have worked hard to embed an operating model and organisation effectiveness agenda that produces long-term differentiated performance.

Strategy & Steering Activities

Strategic Planning	Financial Forecasting & Controls	Organisational Effectiveness	People & Management	Corporate Reputation & Investor Relations	Market Intelligence

Enabling Activities

TECHNICAL	COMMERCIAL
Developing our landbank into innovatively designed places where people want to live.	Leveraging strategic partnerships and innovative supply chain solutions to drive value.

Delivery Activities

CONSTRUCTION	CUSTOMER	AFTER SALES
Building well crafted, energy efficient new homes and establishing vibrant communities.	Ensuring the customer is at the centre of every decision we make.	Supporting the customer through every stage of the journey and beyond.

WAYS OF WORKING

Value Creation	Systems & Processes	Culture & Values	Cross-Functional Alignment

- Brilliant product design.
- Differentiated placemaking.
- Innovative procurement.
- Risk managed product.

- High quality homes.
- Captive supply chain.
- Strong financial returns.
- Reliable delivery vs plan.
- Great stakeholder relationships.

- Differentiated, trusted brand.
- Strong sales and revenue.
- Great customer experience.
- Excellent product positioning.

The Cairn Difference

Our teams are aligned around a fully integrated operating model and a culture of innovation underpins the work that we do. This is our differentiator and is supported by our best practice processes, structures and our progressive systems to ensure reliable, scalable and sustainable results.

Our values are clear and live in our day to day decisions ensuring we remain focused on driving value creation.

195
Direct employees.

28%
Decrease in reportable safety incidents in 2019.

2,500
Working full-time across Cairn sites.

292
Individual subcontractors on Cairn sites in 2019.

28
eNPS score.

5 OPERATIONAL EXCELLENCE

Maximising operational efficiency

Cairn continues to implement and deliver more efficiencies in the planning and delivery of our new homes as the business expands. There are a number of ways in which we achieve this, including continually improving project planning from the earliest stage, ensuring our supply chain is a key contributor to our closely integrated delivery model and ensuring that our highest standards are maintained across every single new home which we build. Continual and collaborative monitoring of both our supply chain performance and broader project delivery performance provides us with the platform to ensure we optimise our scale, resources, people and operating model.

We have witnessed build cost inflation of c. 2.5% in the last 12 months with labour resources continuing to be the inflationary driver. We work closely with our supply chain in communicating our development pipeline which enables our subcontractors and suppliers to apply perspective to the importance of business continuity in our supply chain. This ensures our supply chain can be competitive, but also profitable and encouraged to invest in their own businesses. This approach enables us to manage build cost inflation in a sensible and disciplined manner.

Our programme of engaging in both direct and indirect procurement continues with a strong focus on collaborative efficiency – we work with our supply chain and design teams to realise real savings on input costs. We continue to enter multi-project group procurement deals, including fixed term and term arrangements. These group arrangements are supported by improving performance measurement and category knowledge. We collaborate on innovative ways in which to deliver our new homes. Off-site manufacturing methods of construction are evolving and we continue to explore the potential for other forms of off-site construction methods and review these in the context of future project perspectives.

Given the scale of our procurement, the renewal and renegotiation of supplier agreements are undertaken reflective of the size of our business and our buying power. Enhanced standardisation in our high density projects is facilitating cost savings across our supply chain.

2.5%

Build cost inflation in the last 12 months

The Cairn Difference

Our approach to sustainability and innovation is integral to the delivery of our new houses and apartments and we are constantly introducing more efficient, environmentally friendly and cost-effective methods of construction:

- Precast super structural elements yield programme gains and consistent quality.
- Timber frames are the most economical and efficient method of construction.
- Bathroom pods are manufactured off-site and delivered ready to fit into place.
- SFS inner leaf makes the building watertight at the earliest possible date, allowing internal finishes to be progressed fast.
- Transitioning to Building Information Modelling technologies for current and future high density projects.
- Schoeck Isokorb connectors reduces the number of trades needed to construct a balcony.
- Designing toward Nearly Zero Energy Buildings ("NZEB") and A2 levels of energy efficient sustainable new homes.
- Sustainable Urban Drainage Systems are an approach to rainwater management and antiflooding technologies.
- Green Walls are an environmentally friendly engineering solution with high aesthetic value and biodiversity gains.

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.

The most significant emerging risk is the ongoing outbreak of COVID-19. The Group is monitoring the situation carefully as it evolves to understand the potential impact on our people and our business. The Company has implemented a number of actions to manage the near-term impact on our people and business as outlined on page 35. Above all, we will maintain our commitment to the health and safety of our employees, subcontractors and customers by putting people first.

Going Concern
The Group's activities, strategy and performance are explained in the Chief Executive Officer's Statement on pages 9 to 13 and the Financial Review on pages 40 and 41 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 Corporate Governance Code Provision 31, 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 this constitutes the Group's rolling strategic planning horizon.

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 range of scenarios which assess the potential impact of severe but plausible risks to the long-term viability of the Group in the COVID-19 context. These scenarios included the stress testing of the Group's business model assuming that a combination of events resulted in a substantial reduction in sales, similar to a severe recession, with a deterioration in employment levels and consumer confidence, coupled with a collapse in bank risk appetite, leading to a material reduction in credit availability. In undertaking the stress testing, the Directors assumed a rapid change in circumstances over a relatively short period of time. In assessing these severe downside scenarios, it was assumed that there was a sudden decline in demand leading to materially reduced sales volumes and sales prices, increased cost for materials and labour and increased finance costs, followed by a gradual recovery. The Directors assumed they would make the most appropriate decisions regarding such matters as the following to ensure that the overall financial risk was minimised through this cycle:
- suspending capital returns to shareholders;
- disposing of non-core sites;
- deferring certain planned site commencements;
- short term rental of unsold new units; and
- implementing cost cutting initiatives.

Having reviewed the three-year plan and considered the above stress testing, 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.

In reaching the above assessments on going concern and our viability statement, the Board has considered the impact of COVID-19 as outlined on page 35. Inevitably, there will be an adverse impact on the business although the extent is not yet clear. In response to this unprecedented scenario, the Company has implemented a number of near-term measures to protect the business from the potential downside risk of COVID-19, as outlined on page 35.

The Board's conclusion is that we have implemented the necessary short term measures which we believe will protect and bolster our business and, as of the date of the report, the Board does not expect any reasonably anticipated COVID-19 outcomes to impact the Group's long-term viability or ability to continue as a going concern.

Risk trend
Risk increased
Risk decreased
Risk unchanged

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
PANDEMIC RISK – COVID-19	The Group is exposed to the impact of the recent outbreak of COVID-19 and the risks to the supply of raw materials, the inability to attract buyers and the interruption to operations due to an absence of a significant number of colleagues and subcontractors for a period due to contracting the virus or due to measures taken to contain the outbreak. The Group recognises the wider risk of a potential fall in revenue and profitability due to lower general economic activity.	The Group has policies and procedures designed to ensure the health and safety of our employees and to deal with major incidents, including an emergency response plan. The Group is continuously reviewing its business continuity planning in anticipation of wider outbreaks of the virus and Government guidance on expected levels of absence. The Group is actively working through a range of issues and have implemented a number of actions to manage the near-term impact on the business and safety of our people and customers, including: On-Site Construction: it is likely we may experience delays in our construction programmes and the completion of our new homes could be affected by the impact of COVID-19. We have implemented a range of extensive health and safety measures and resources across all sites including increased sanitation of welfare facilities, preventing site visits from non-essential personnel, minimising shared areas of work and cross-trade interactions, managing deliveries with strict protocols along with several other measures which have been communicated to all staff, subcontractors and suppliers. We are in regular communication with our supply chain to closely monitor resource and material constraints arising from COVID-19 that could impact programmes of work in place. These measures have been taken to ensure the risk to subcontractors and employees working on our sites from COVID-19 is reduced. Sales Completions: during the period in which the COVID-19 outbreak persists, we expect engagement from prospective customers to reduce. We will continue our marketing activities to the extent that we can and facilitate both new homes sales and completions whilst respecting Government and Health Service Executive guidelines and policies. All new homes viewings are being held by private appointment only with all show courts and show homes set up to reduce the risk of infection with hand sanitisers, wash facilities etc. All sales material is being issued by email only. Operational Integrity: we have implemented a business continuity plan to ensure critical Company operations continue during the period of the outbreak. We are operating with reduced staff presence across business functions at our Central Support Office supported by colleagues working remotely with full IT access and capability. Additionally, we have established a COVID-19 Response Team to ensure that colleagues are supported and protected in this changing environment. While we actively manage all the operating factors within our control, we have also undertaken a detailed assessment of the potential financial impact of COVID-19 on the Company's financial performance. The context of the assessment is that the outbreak of COVID-19 is an event which is both unprecedented and unpredictable for our Company. The Company entered this uncertain period with a strong, liquid balance sheet and sustainable, lowly leveraged debt facilities and we have implemented a number of additional measures to protect our business from any downside risks which may arise, including: • fully drawing our €200 million revolving credit facility; • prioritising construction programmes on sites where forward sales will be delivered; • implementing additional health and safety measures as discussed above; • undertaking liquidity stress test scenario exercises; • withdrawing our intention to propose a final 2019 dividend and suspending our share buyback programme; and • establishing a COVID-19 Response Team comprising key senior management to maintain business continuity. At this time, it is unclear how long this period of uncertainty will continue for or the depth of the impact COVID-19 will have. The Board will continue to monitor these mitigation strategies and adjust as necessary in light of evolving COVID-19 developments over the coming weeks.	New risk

Risk Report continued

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
ECONOMIC CONDITIONS	The Group is sensitive to the performance of the broader 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 data for indications of weakness or change 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. A dedicated COVID-19 response team has been established to assess and manage impacts of near-term challenges on the business.	The economic outlook for 2020 is uncertain and this presents increased risk to the Group.
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 support customer demand.	The Group monitors mortgage availability, including any impact from regulations on mortgage lending and interest rates on an ongoing basis and it is a regular item for discussion at Board meetings. The Group also monitors approval and drawdown 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, in conjunction with industry experts. A dedicated COVID-19 response team has been established to assess and manage impacts of near-term challenges on the business.	Availability of mortgage finance is regularly reviewed, both internally and in conjunction with industry experts. The current COVID-19 crisis means there is potentially increased risk 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 risk of an escalation in the spread of COVID-19 resulting in an increased health and safety risk to subcontractors and employees working on our sites.	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. A strong health and safety culture exists across the organisation with the Company participating annually in the CIF "Health & Safety Week" and all active sites being subject to the Group's "Safe-T Cert" scheme, a formal certification scheme designed for certifying the Safety Management Systems of contractors working in the construction industry. With regard to COVID-19, communications have been sent to all colleagues advising them on the steps they should take to maintain safe working environments in the workplace and in the event that they show symptoms of the virus. The Group will continue to monitor guidance from Government and will communicate with colleagues on a regular basis as appropriate. Specifically, the Group has implemented a range of additional health and safety measures and resources across all sites including increased sanitation of welfare facilities, the removal of non-essential personnel from site offices, minimising shared areas of work and cross-trade interactions, providing additional personal protective equipment along with several other measures which have been communicated to all staff, subcontractors and suppliers.	Cairn continues to achieve high standards in the area of Health and Safety and strives to make ongoing improvements. The current COVID-19 crisis means there is potentially increased Health and Safety risk this year.

Risk trend
Risk increased
Risk decreased
Risk unchanged

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
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 and the potential disruption to subcontractor availability caused by the potential impact of COVID-19.	Supply and subcontractor agreements are fixed for a significant portion of each active site, in order to ensure that supply is guaranteed. Given the size of the Group's landbank 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. Regular communications with the supply chain on the measures in place to minimise disruption to normal operations arising from COVID-19.	Risk increased Subcontractor relationships and capacity are closely monitored by the business on an ongoing basis. Ongoing communications with the supply chain to identify and address resource constraints arising from COVID-19.
BREXIT	Brexit related risks which could be detrimental to the Group as it may impact consumer confidence, procurement and sourcing of materials, house prices and sales rates.	The Group continues to monitor the potential impacts of Brexit. Close monitoring of economic data for indications of weakness or change in the economy reviewed at Board and management level. Continuous evaluation of procurement approach, source of construction materials and exposure to international markets. Strong Irish supplier base (> 90%) with limited exposure to UK materials. Majority of labour and materials are sourced domestically.	Risk unchanged More political certainty in the United Kingdom providing greater visibility over potential outcomes.
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.	Risk unchanged The Group continues to place a strong emphasis on succession planning.

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
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. Quarterly performance and personal development reviews in place to ensure that Group strategy and goals are communicated to key employees and to provide regular feedback to ensure they remain motivated. The Group employs talent acquisition recruitment specialists to ensure ongoing recruitment of high quality employees.	The Group continues to strengthen its organisation structure and has 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.
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. 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. The Group has implemented a number of measures to protect our business in response to the recent outbreak of COVID-19 including: • fully drawing our €200 million revolving credit facility; • undertaking liquidity stress test scenarios; and • not committing further funds to our share buyback programme and not paying a final 2019 dividend.	The Group has taken significant steps to protect the business against what is an increased risk in the near-term.

Risk trend
Risk increased
Risk decreased
Risk unchanged

RISK AREA	RISK DESCRIPTION	MITIGATION	RISK TREND
GOVERNMENT POLICY	Inability to respond to changes in a complex and stringent regulatory environment that applies to the housing industry. Risk that the Government, housing agencies and local authorities introduce new legislation or make other changes that impact the Group.	The Group monitors all policy changes and its experienced team is well placed to recognise and respond to any changes. The Group also uses external advisors who monitor and advise on any likely changes to relevant legislation. Participation in housing 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 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 remains able to comply with planning regulations.
PROGRAMME RISK/PROJECT PLANNING	The risk that the Group incurs costs which are higher than expected or experiences delays in construction due to project planning, other operational issues or the potential disruption caused by the spread of COVID-19.	Robust project plans and controls are in place. In-house design team actively engaged in all pre-planning and pre-construction activities. 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. Regular communications with the supply chain to closely monitor resource constraints arising from COVID-19 that may impact the programme of works in place.	Risk increased Initial planning and ongoing monitoring of programme execution is a key business process for the Group. Ongoing communications with the supply chain to identify and address programme risk arising from COVID-19.
QUALITY AND AVAILABILITY OF MATERIALS	The risk of the inability to contain the spread of COVID-19 with resulting unexpected supply chain disruptions and 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 suppliers provide materials that do not meet our high standards and expectations.	The Group's scale ensures it has access to high quality materials at competitive prices. Framework agreements in place with key suppliers providing certainty over quality, standards, supply, and pricing. Stringent quality specifications are prescribed and monitored through a dedicated quality manager and on site engineers, supported by on site testing and assessments. Off site manufacturing – using resilient materials and suppliers that have the capacity to deliver in line with the Group's growth plans. Regular communications with the supply chain to closely monitor availability of materials in order to minimise disruption from COVID-19.	Risk increased Access to adequate quantities of suitable materials at competitive prices is a core focus for the Group. Ongoing communications with the supply chain to identify and address supply constraints arising from COVID-19.

Financial Review

Revenue
Continued scaling of the business in 2019 delivered revenue of €435.3 million (2018: €337.0 million) and included 1,080 unit sales and a small number of non-core development site sales. Unit sales increased by 34% and revenue by 29% when compared to 2018. Revenue from unit sales of €401.8 million came from 12 separate selling sites, demonstrating further expansion of the business. Our average selling price ("ASP") was €372,000 (excluding VAT) and represents a broad product mix, but reflects our continued focus on the starter home market.

Gross Profit and Operating Profit
Gross profit of €85.3 million (2018: €69.1 million) was a 23% increase over 2018 and equated to a gross margin of 19.6% (2018: 20.5%). The business continues to enjoy the benefits of a low-cost landbank and procurement and operational efficiencies through its scale.

Administrative expenses for the year were €17.4 million (2018: €15.9 million), equating to just 4% of revenue, which is consistent with our commitment to having a lean and efficient cost structure. Operating profit of €68.0 million (2018: €53.2 million) was 28%, or €14.8 million higher when compared to a year earlier, equating to an operating profit margin of 15.6% (2018: 15.8%).

Profit after Tax and Earnings per Share
Finance costs for the year of €9.5 million (2018: €15.6 million including exceptional finance items, and €11.7 million excluding exceptional finance items) include the interest, amortised arrangement fees, issue costs and commitment fees on our financing facilities. Overall, the Group delivered a profit after tax of €51.2 million for the year, compared with €31.4 million in 2018. Basic earnings per share for 2019 was 6.5 cent (2018: 4.0 cent).

Financial Position
Total assets amounted to €970.2 million at 31 December 2019 (2018: €1,005.8 million). Net assets totalled €763.7 million (2018: €756.6 million). During the year, the Company paid dividends of €19.7 million and completed share buybacks of €22.2 million, a total return of €41.9 million to shareholders.

Inventories at year end were €897.3 million (2018: €933.4 million), and included land held for development of €692.8 million (2018: €750.7 million), and construction work in progress of €204.5 million (2018: €180.8 million).

The investment in work in progress reflects the increase in development activity during the year as the company is now active on 16 development sites.

The reduction in land held for development is consistent with our commitment to monetise a significant portion of our landbank over the medium-term.

Before dividends and share buybacks, net debt reduced by €85.1 million over the course of 2019, or by €43.2 million after the company made payments of €41.9 million to shareholders. At 31 December 2019, the Company had net debt of €91.2 million (2018: €134.4 million), comprising drawn debt of €148.0 million (net of unamortised arrangement fees and issue costs) (2018: €196.7 million) and available cash of €56.8 million (2018: €62.2 million).

During the year, the Company also repaid the €50.0 million term loan facility with Activate Capital from cash reserves. The debt facilities we put in place in 2018 continue to provide the Company with adequate flexibility and a comfortable maturity profile. Our net debt to inventories (at cost) was just 10.2% at year end (2018: 14.4%).

"We delivered another strong financial performance in 2019 with substantial growth in revenue and operating profit."

Ian Cahill
Head of Finance

Glenheron, Greystones, Co. Wicklow

Cash Flow

During 2019 the Group generated net cash from operations of €99.2 million (2018: €40.1 million), demonstrating continued progress on our cash generation journey.

Following the €550 million capital reorganisation in May 2019, the Board paid a first interim ordinary dividend of 2.5 cent per share in October 2019. We also announced a €25 million share buyback programme in September 2019. A further extension of this by €35 million, increasing the size of the share buyback programme to €60 million, was announced in January 2020. Approximately €47 million has been completed as at 24 March 2020.

Outlook

Our strong closed and forward sales pipeline demonstrated a positive start to 2020. However, our outlook has been impacted by the COVID-19 outbreak.

We believe that our strong liquidity and operational agility position us well to meet the challenges presented by this crisis. In order to maximise available liquidity, we have recently drawn down the remainder of our revolving credit facility. The Board has also taken the decision not to pay a final 2019 dividend and to suspend our €60 million share buyback programme.

The implementation of these measures further strengthens our confidence in the medium and long-term prospects of the business.

Ian Cahill
Head of Finance

We are committed to building homes and creating places that contribute positively to communities and society and minimise our impact on the environment.

Throughout 2019 we focussed and increased our activities across the four pillars of our CSR strategy – Community, Environment, People and Industry – ensuring all of our activities aligned with our values and strategic pillars. We have made huge strides forward in areas such as community cohesion and placemaking, biodiversity, health safety and wellbeing and as a business we are committed to continuing to invest in these areas more.

As we move to a more long-term Sustainability Agenda, we are transitioning our CSR pillars to align with Environmental, Social and Governance ("ESG") criteria as our central standards in measuring our environmental and societal impact.

Corporate Social Responsibility continued

CSR PILLARS

2019 ACTIVITIES

Community

Working with all stakeholders, especially our customers, to create successful places and spaces. Placemaking that strengthens the social fabric.

Public Realm and Infrastructure
Providing considered, well-designed and healthy spaces that improve quality of life.

- Established over 17 acres of parks and public realm.
- Delivered community development for c. 3,100 new residents.
- Delivered serviced sites for 6 schools catering for up to 3,000 pupils.
- Continued to provide for community buildings and créches across our developments.
- Created and delivered 6 playgrounds.

Environment

Reducing our carbon footprint. Making a positive contribution to the environmental quality of the communities in which we work and the environment as a whole.

Climate Change
Assessing and acting to reduce our carbon emissions.

- Engagement in Low Carbon Pledge.
- Benchmark year for recording and reporting our emissions across:
  - Scope 1 – Gas, Petrol & Diesel Consumption;
  - Scope 2 – Electricity; and
  - Scope 3 – Business Travel, Waste Generated & Water Consumption;
- Provided car sharing facilities (Go Car). for each Cairn development community.
- Installation of EV infrastructure facilities for every Cairn home delivered.

People

People come first. Valuing our teams, customers and partners and providing resources and opportunities to grow and develop together.

Safety as a Priority
Our vision is to be the safest housebuilder in Ireland.

- A continued focus on site safety, education and awareness.
- Production of dedicated Cairn Safety Hub with events, instructional video and documentation to promote and educate employees and contractors on all aspects of site safety.

Industry

Leading from the front. Developing strong industry relationships, a well-trained workforce and a sustainable future for the sector.

Training and Employment
Stimulating employment and growth across the sector.

- Provided for 2,500 full-time jobs across 16 active sites.
- Apprenticeship & Graduate Programme – engagement with industry partners and third level institutions to design a sustainable programme.

ONGOING SUSTAINABILITY AGENDA – 2020 ONWARDS

Community Engagement Events
Initiating and facilitating events designed to stimulate community growth and cohesion.

- Launched suite of pilot initiatives aimed at community creation and cohesion and ran events such as Street Feasts and Book Doctor with Children's Books Ireland.

Arts Programme
Adding positively to the social and cultural fabric of our communities.

- 2 new artworks and design pieces.
- Highly Commended for Commissioning at Allianz Business to Arts Awards.
- Engaged with Business to Arts as commissioning partner.

Ongoing sustainability agenda – 2020 onwards:

- Continue to deliver new schools, community buildings and créches.
- Increasing rollout of community engagement events and initiatives.
- Increased engagement with Business To Arts in commissioning of public art.

Biodiversity
Promotion of native tree species. Pollinator friendly planting throughout developments with wildflower meadows and greenwalls.

- Planted 6,248 trees with 5.8 trees planted for each new home sold.
- Engaged with the National Biodiversity Data Centre as Business Supporter of All Ireland Pollinator Plan 2015-2020.
- Creation of wildflower meadows and reinstatement of native hedgerows and groundcover.

Sustainable Innovation
Implementing innovative and sustainable materials and processes.

- Transition to timber frame and sustainable offsite construction methods.
- Precast superstructural elements.
- SUDs (sustainable urban drainage systems, NZEB (Nearly Zero Energy Buildings) and introduced bathroom pods in our high-density apartment developments.

Ongoing sustainability agenda – 2020 onwards:

- Ongoing implementation of the Low Carbon Pledge.
- Continued biodiversity focus and increased native tree planting.
- Continued focus on innovative and sustainable technologies, methodologies and practices.

Employee Wellbeing and Engagement
Creating a workplace that is attractive and fulfilling.

- Deep dive and pulse surveys identifying key drivers for staff and Employee Net Promoter Score ("eNPS") measurement.
- Employee Health & Wellbeing Program.
- Cultural Committee formed to coordinate social and charitable projects.

Enhanced Customer Care and Communication
Reaching for the highest possible levels of customer service and responsiveness.

- Establishment of a dedicated customer care team and more streamlined processes.
- Expansion of customer care team.
- Rolling surveys and NPS scoring (53).

Ongoing sustainability agenda – 2020 onwards:

- Rollout of Health & Wellbeing Program initiatives such as health cover, gym membership, paternity leave, employee assistance programme and bike to work schemes.

Sustainable Strategic Alliances
Fostering innovative strategic partnerships and interrogating our supply chain for carbon emission reduction.

- Rolled out collaborative Kingspan framework agreement and standardised timber frame construction across Cairn developments.
- Continued to refine new residential typologies for new tenures.
- Working with offsite manufacturers for programmatic gains and carbon footprint reduction.

Increased Engagement with Subcontractor Base
Working closely with our subcontractors to ensure sustainable growth, leveraging our platform to help grow their businesses.

- Increased pipeline visibility and transparency with regular communications and subcontractor/supplier townhalls.
- Strengthened partnerships and shared learnings and insights across all of our subcontractor base.
- Black Hat Supplier Safety Workshops.

Ongoing sustainability agenda – 2020 onwards:

- Full rollout of Apprenticeship and Graduate Programme.

Cairn's Low Carbon Pledge

Cairn are signed up to the Low Carbon Pledge and are committed to reducing our Scope 1, 2 and 3 greenhouse gas emission intensity by 50% by 2030.

Currently at the initial stages of the Pledge, we are recording and reporting all of our scope 1, 2 and 3 carbon emissions, using 2019 as our benchmark year. To ensure consistency and comparability of efforts, the internationally recognised Greenhouse Gas Protocol Corporate Standard is being used as the underlying measurement framework.

As part of the initiative, Cairn will also contribute to a Knowledge Platform which will provide guidance on best practice to share our carbon management knowledge within the signatory group and we will be engaging with community energy schemes developed by the Sustainable Energy Authority of Ireland ("SEAI").

A working/steering group has been formed to oversee our Carbon Emissions Intensity reduction plan and will report to the Board on a quarterly basis and contribute data to an Annual Business in the Community Ireland Low Carbon Report audited by PWC.

PHASED APPROACH TO LOW CARBON PLEDGE IMPLEMENTATION:

1. MEASURE, REPORT AND COMMUNICATE OUR CARBON EMISSIONS
2. INTEGRATE CARBON REDUCTION EFFORTS INTO OUR BUSINESS
3. INVEST IN LOW-CARBON INITIATIVES AND TECHNOLOGIES
4. LEAD IN DIALOGUES WITH POLICY MAKERS, SUPPLIERS EMPLOYEES AND LOCAL COMMUNITIES
5. COLLABORATE WITH OTHER BUSINESSES TO ACCELERATE CLIMATE ACTION IN OUR COMPANY, SECTOR AND COUNTRY

Non-Financial Information Statement

The following non-financial information constitutes our Non-Financial Information Statement, covering the requirements in respect of the environment, people, social and community issues, human rights and anti-bribery & anti-corruption.

Certain of the non-financial information required pursuant to the EU Directive 2014/95/EU is also provided by reference to the following location:

Non-financial Information	Section	Pages
Business Model	Business Model	16 and 17
Policies	Non-Financial Information Statement	N/A
Principal Risks	Risk Report	34 to 39
Key Performance Indicators	Our Strategy	22 and 23

Our Annual Report contains a range of non-financial information. We have a variety of policies and guidance that support our key outcomes for all our stakeholders. Policies, guidance and statements of intent are in place to ensure consistent governance. For the purposes of non-financial reporting requirements, these are inclusive of but not limited to:

Reporting Requirement	Policy Statement	Description
Environmental Matters	CSR Statement of Intent	Our CSR Policy mission is to use our skills, scale and commitment to help build a better society for all. The Policy outlines the important role Cairn will play in building communities and creating places that contribute positively to society. More information is available in the Sustainability section of our report on pages 42 to 46 relating to the sustainability agenda at Cairn and the journey it is embarking on.
	Procurement & Subcontractor Use Policy	Our Procurement & Subcontractor Use Policy has been rolled out across the business over the prior two years. Whilst it includes provisions for our relationships with our supply chain partners, it is intended that this Policy will be reviewed and updated in 2020 to ensure it addresses additional areas of priority in relation to environmental matters and responsible sourcing of materials with the aim to reduce our impact on the natural environment.
Social & Employee Matters	Code of Conduct	At Cairn, our Code of Conduct is the oracle of how we operate and work together as a business. It is how we present ourselves to the outside world. We expect our employees and sub-contractors to work with integrity and respect all stakeholders within our business model. The Code also contains our mission, our vision and our values which are core to how we operate as a business. This Code also governs our communications and relationships with advisors, customers, suppliers and the broader community.
	Diversity & Inclusion Policy	Cairn recognises the benefit and value of diversity across our organisation. We are committed to the creation of an inclusive culture where our people reflect the diverse communities and customers that we serve and where each person is given the opportunity to contribute and use their talents and abilities, experiences and skills to participate in delivering sustainable commercial opportunities.
	Health & Safety Policy & Safety Statement	Health & safety is at the core of everything we do. It is our number one priority to provide a safe working environment for our employees and subcontractors. Effective management of health and safety will have a positive impact on the way we deliver value.
Human Rights, Bribery & Corruption	Code of Conduct	At Cairn, we promote human rights through our employment policies and practices, and through our supply chain as best we can manage it. We recognise that our supply chain is diverse and our partnerships have direct and indirect environmental and social impacts. We aim to actively encourage our supply chain partners to consider their social and environmental impact when making decisions on behalf of Cairn.
	Anti-Bribery & Corruption Policy Anti-Fraud Policy Lobbying Policy "Speak–Up" Policy	Cairn recognises that bribery, corruption and fraud can undermine the rule of law and as such our Policy actively reflects our legal and social responsibilities in relation to how we conduct our business. We also have a "Speak-up" policy and a Lobbying Policy which governs how we manage whistleblowing and how we interact with government agencies
	Data Protection Policy & Privacy Statement	The privacy of our employees, customers, sub-contractors and third party agencies we work with is very important within Cairn. Our Data Protection Policy and Omnibus Procedures guidance governs how we collect, handle, store, share, use and dispose of data.

Board of Directors

Committees

A Audit & Risk   R Remuneration   N Nomination   A R N Chair

JOHN REYNOLDS
Chairman

Age: 61
Nationality: Irish
Appointed to the Board:
28 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: 54
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.

Other current appointments:
Not applicable.

ALAN MCINTOSH
Co-Founder & Non-Executive Director

N

Age: 52
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

A R N

Age: 65
Nationality: Irish
Appointed to the Board:
28 April 2015

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.

LINDA HICKEY
Non-Executive Director

A R

Age: 58
Nationality: Irish
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 for fifteen years, 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; Chair of the Board of The Irish Blood Transfusion Service; member of Quanta Capital Advisory Board, and senior adviser at Powerscourt.

GILES DAVIES

Non-Executive Director

A R N

Age: 51
Nationality: British
Appointed to the Board: 28 April 2015

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 international practice in the emerging field of conservation enterprise, ESG and related investment financing. He previously served as Non-Executive Chairman of Wilderness Scotland, Non-Executive Chairman of Capital Management & Investment plc, and as a Non-Executive Director of Algeco Scotsman Group.

Other current appointments:
Not applicable.

JAYNE MCGIVERN

Non-Executive Director

A

Age: 59
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, 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

R N

Age: 62
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 he has advised clients, both domestic and international, for almost 40 years.

Other current appointments:
Not applicable.

ANDREW BERNHARDT

Non-Executive Director

A R

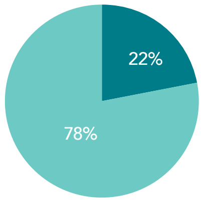
Age: 59
Nationality: British
Appointed to the Board: 28 April 2015

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.

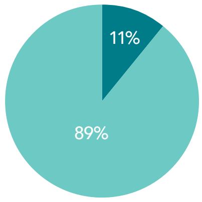
Other current appointments:
Non-Executive Director of AJ Walter Aviation Limited
Chairman of Fairey Industrial Ceramics Ltd.

Board Diversity



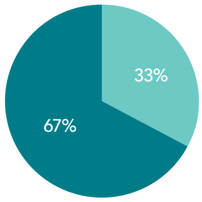
Gender

- Male
- Female



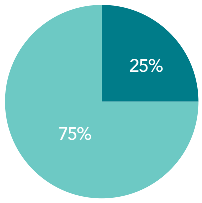
Role

- Non-Executive
- Executive



Tenure

- 1-2 years
- 3-5 years



Independence

- Non-independent
- Independent

Management Team

MICHAEL STANLEY
Chief Executive Officer & Co-Founder

SHANE DOHERTY
Incoming Chief Finance Officer

MAURA WINSTON
Chief People Officer

LIAM O'BRIEN
Managing Director, Housing

SARAH MURRAY
Director of Customer

FERGUS MCMAHON
Commercial Director

MIKE GRICE
Group Development Advisor

KEVIN CLEARY
Technical Director

IAN CAHILL
Head of Finance

DECLAN MURRAY
Head of Investor Relations

TARA GRIMLEY
Company Secretary

SINEAD GEOGHEGAN
Group Financial Controller

AIDAN MCLERNON
Planning & Development Manager

GERALD HOARE
Senior Manager, Pre-Construction

JOHN GRACE
Planning & Development Manager

DEREK ROCHE
Health & Safety Manager

EIMÉAR O'FLANAGAN
Human Resources Manager

Site Management Team

CONTRACTS AND PROJECT MANAGERS

KEVIN SWEENEY

GERRY BUTCHER

DAMIEN O'BRIEN

SEOIRSE COMERFORD

BRIAN HEVERIN

SEAN FITZGERALD

DONAL DOCKERY

NOEL MCGANN

Corporate Governance Report

"We continue to provide responsible leadership, oversee management and contribute to creating long-term sustainable value for the benefit of all stakeholders."

John Reynolds
Chairman of the Board

Dear Shareholder,

I am pleased to introduce our latest corporate governance report, which outlines our activity and progress in what was a busy year for the Board. I am also pleased to report that for the year ended 31 December 2019, the Company remains compliant with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex, (together the "Code"). 2019 – our fifth year as a listed company – was another year of solid progress for the Company despite challenging macroeconomic conditions. It was also a year of significant change, both in terms of the Board's composition but also the governance framework under which we operate. Despite those changes, the role of the Board remains unchanged – to provide responsible leadership, oversee management and contribute to creating long-term sustainable value for the benefit of our shareholders and all other stakeholders. As a Board and senior management team, we remain firmly focused on that task.

Board Changes

Periodic and orderly refreshment of a Board is a central aspect of maintaining high standards of corporate governance, effective oversight of a business and ensuring diversity of thought and constructive challenge. During the past year, there were a number of changes to the non-executive cohort of the Board, with Jayne McGivern, David O'Beirne and Linda Hickey joining as independent Directors. In engaging an external search firm to identify candidates for the three positions, we communicated a clear objective of broadening the diversity of the Board as well as placing a focus on the construction sector and legal and public company experience. In the appointment of Jayne, David and Linda, we are fortunate to have enhanced the diversity of the Board while also appointing Directors who meet our target of adding these three valuable skillsets to the Board. Their contributions to the Board since their appointment speak to how much the Board will benefit from their appointments.

Culture and Workforce Engagement

The Board places a clear emphasis on setting the tone from the top and leading by example, while ensuring our culture is shared and understood by all our people and among our wider stakeholders. At Cairn, we are fortunate that the distance between the Board and senior management and the remainder of the workforce is small. Since our listing, the Board has played an active role in monitoring our corporate culture, recognising its importance in ensuring we continue to generate value for stakeholders and a work environment which values the contribution of all of our people.

During 2019, we conducted extensive engagement surveys with our stakeholders, including employees and customers. While, as a Board, we recognise that such surveys need to be supplemented by steps to develop a fundamental understanding of the feedback provided, we were happy with both the level and nature of responses. The Board is committed to promoting a positive culture that is aligned with our values and strategy, and aligns with our vision, mission and values.

The Board's insight into our culture is supplemented by consistent information from the Remuneration Committee on the Company's ability to attract and retain talent; overviews of exit interviews; and, performance evaluations for middle and senior management.

As you will see detailed in our Annual Report, the Board has designated David O'Beirne as the Director responsible for workforce engagement. Engagement will take place through a range of formal and informal channels and will further bolster our ability to monitor and assess the evolution of corporate culture. While we have developed strong processes and feedback channels to ensure the Board is appraised of, and understands, the views of our workforce since the business was founded, we believe the appointment of the Director to lead this role, as set out by the new UK Code, is a further positive development which will strengthen the mechanics we already have in place. In future Annual Reports, we will provide detailed disclosure on how our governance framework ensures employees views continue to be not just heard at Board level but play a role in the Board's decision-making.

Stakeholder Engagement

The Board is cognisant of Provision 5 of the new UK Corporate Governance Code, which asks Boards to have regard for engagement with stakeholders and the communities in which we operate. For Cairn, it is impossible to operate any other way. As a Company, our licence to operate is grounded in our ability to build more than houses, it is to put in place the foundations for communities to prosper. To do so, we consistently engage with the consumers who may buy the home, the wider communities where we are building, the planning authorities who are vital to our developments and our partners and suppliers who provide the platform for us to succeed. In the area of stakeholder engagement and interaction, as a Board, we are confident we were operating in a fashion the new principles of the Code have formalised. All decisions of the Board will continue to have regard for their impact on our key stakeholders, which remains central to our long-term sustainability.

Shareholder Consultation

Outside of engaging with our employees and wider stakeholders, during 2019 and early 2020, with the Chair of the Remuneration Committee I spoke with a number of our major shareholders to discuss our proposed remuneration policy. As always, I found these discussions to be very helpful in understanding evolving expectations. Further details of those discussions, which primarily focused on remuneration, are set out in the Remuneration Committee Report on pages 69 to 88.

Management Succession

During 2019, we recruited a new Chief Financial Officer ("CFO"), Mr Shane Doherty who will join the Company in April 2020, to replace Mr Tim Kenny who informed the Board of his decision in July 2019 to leave his role. We are pleased to have found a CFO of Shane's calibre to succeed Tim and further details on his recruitment are set out in the Nomination Committee Report on pages 65 to 68. In terms of wider succession, the Board, through the Nomination Committee continuously reviews and evaluates succession arrangements for all senior roles and to minimise 'keyman' risk to the business.

Shareholder Alignment

During the course of 2019, the Remuneration Committee also reviewed and modified management incentive arrangements in line with our growth and development as a business and to ensure close alignment with that of our shareholders and evolving market practice. These changes, which are set out in detail in our Remuneration Committee Report on pages 69 to 88, include the adoption of post-employment shareholding requirements and further alignment of executive pensions with that of the wider workforce.

Board Performance Evaluation

Following an external review of the Board completed in 2018, one outcome of which was the process to appoint additional non-executive Directors during the year, we conducted an internal evaluation process during 2019. This process evaluated the effectiveness of the Board as a whole together with the performance of individual Directors and each of our Committees. We are pleased with the outcome of this evaluation and the Board is satisfied with its performance and oversight for the year in review.

Summary

The remainder of this report sets out the role, responsibility and work of the Board during the year together with each of the Board Committees. Reports from the Chairs of our Audit & Risk Committee, Nomination Committee and Remuneration Committee are set out between pages 61 and 88. The effective and efficient operation of each of these Committees, together with their interaction with the Board, is central to ensuring that all of the oversight responsibilities of the Board receive due care and attention in a timely manner. I am grateful to the members of our Committees for their commitment and work during the course of 2019.

The following table sets out where to find further details on how we have implemented the key principles of the 2018 UK Code. I hope it aids you in reviewing our approach to leading Cairn over 2019.

Section	Area
Board leadership and company purpose	Details on how the Board promotes the long-term success of the Company are set out in our Strategic Report on pages 02 to 47 and throughout this Corporate Governance Report on pages 54 to 60. Our purpose and values are set out on the inside front cover. Relations with shareholders are described on page 59. Our whistleblowing programme is described on page 63.
Division of responsibilities	Pages 48 to 53 gives details of the Board and Management Team. The Board governance structure is detailed on pages 56 and 57.
Composition, succession and evaluation	The processes we followed to refresh the Board are set out within the Nomination Committee Report on pages 65 to 68.
Audit, risk and internal control	The Audit & Risk Committee Report can be found on pages 61 to 64, with further detail on the principal risks to the business in the Risk Report on pages 34 to 39.
Remuneration	The Company's Remuneration Policy and the Remuneration Committee Report can be found on pages 69 to 88.

I hope you find the remainder of the report useful and informative. I look forward to seeing as many of you as possible at our AGM. Even if you cannot attend, I would encourage you to vote as many of your shares as possible, so that we gain a better understanding of the views of our shareholders as a whole.

John Reynolds
Chairman

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. Further details of the independence assessment is contained within the Nomination Committee Report on pages 65 to 68. 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 Risks 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 Nomination Committee and the Remuneration Committee. An overview of these Committees is provided within 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.

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 nine times during the year and in addition, also held four sub-Committees meetings each constituted for varying purposes. Details of Directors' attendance at Board meetings as well as their tenure is set out below. 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.

Director	Meeting Attendance	Board Tenure
John Reynolds (Chairman)	9/9	5 years
Andrew Bernhardt	9/9	5 years
Gary Britton	9/9	5 years
Giles Davies	9/9	5 years
Linda Hickey	4/4	1 year
Tim Kenny	8/9	2 years
Jayne McGivern	5/5	1 year
Alan McIntosh	9/9	5 years
David O'Beirne	5/5	1 year
Michael Stanley	8/9	5 years

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 Senior 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.

Corporate Governance Report continued

Directors' Terms of Appointment

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

Under the Company's Constitution, one third of all Directors must retire by rotation at each Annual General Meeting and may seek re-election. However, in keeping with best corporate governance practice, the Board has decided that all Directors will seek re-election. Accordingly, all Directors will retire at the Annual General Meeting currently scheduled for 20 May 2020 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 Policy on Diversity

During 2019, the Board adopted a formal Diversity and Equality Policy applicable to the Company as a whole. The Board and management continues to be cognisant of the benefits of diversity and the recommendations of the Hampton-Alexander review, recognise the clear benefits of increasing diversity at all levels of the organisation. Cairn made significant progress in this area during 2019 and the first quarter of 2020 throughout the Company.

As at 31 December 2019, our female employees made up 25% of our total workforce, while 33% of the Chief Executive Officer's direct reports were female. Many of the Company's employee base are also from varying backgrounds of nationality, ethnicity, and religion. In each of these areas, the Company has made progress and diversity will continue to be key focus area for the Board and management in 2020 and beyond. Details on diversity within the Company can be found on page 30.

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 pages 34 to 39.

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 Chief Financial Officer 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 34 to 39.

Financial Risk Management

The financial risk management objectives and policies of the Company are set out in note 29 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 workplace. 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.

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 Chief Financial Officer. 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 2020 Annual General Meeting of the Company is scheduled to be held at the Company's registered office, 7 Grand Canal, Grand Canal Street Lower, Dublin 2, D02 KW81 at 11.00am on 20 May 2020. The 2019 Annual Report and 2020 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.

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. However, in light of current public health guidelines in place as a result of the COVID-19 outbreak, and the importance of the health and safety of shareholders, staff and others, shareholders are asked where possible not to attend this year's AGM in person but instead to vote using the proxy voting service, and submit any questions for the Directors electronically in advance of the AGM in accordance with the instructions for doing so in the Notice.

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).

Audit & Risk Committee Report

"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

Committee Member	Meeting Attendance	Committee Tenure
Gary Britton (Chair)	5/5	5 years
Andrew Bernhardt	5/5	5 years
Giles Davies	5/5	5 years
Linda Hickey*	2/2	<1 year
Jayne McGivern*	2/2	<1 year

* Ms Hickey and Ms McGivern were appointed to the Committee on 8 July 2019.

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.

Committee Membership

The Committee currently comprises five Non-Executive Directors. During the year, two additional Committee members Ms Linda Hickey and Ms Jayne McGivern were appointed to the Committee on 8 July 2019.

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision 24 of the UK Corporate Governance Code. In accordance with the requirements of provision 24 of the UK Corporate Governance Code, I am designated as the Committee member with recent and relevant financial experience. The biographical details on pages 48 and 49 demonstrate that members of the Committee have a wide range of financial, capital markets, commercial and business experience relevant to the sector in which the Group operates.

The Committee met five times during the year and all members of the Committee in post at the date of the meeting attended each meeting.

Meetings are attended by the members of the Committee and others being principally the Chairman, the Company Secretary, the Group Finance Director, the Head of Finance, the Group Financial Controller, the Health & Safety Manager and representatives of the outsourced Internal Audit function who attend by invitation. Other members of executive 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 Duties

- 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 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 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;
- Reviewing the activities of the Health & Safety function and the effectiveness of the Group's management of the General Data Protection Regulation; and
- Reporting to the Board on how the Committee has discharged its responsibilities.

KEY AREAS OF ACTIVITY DURING 2019

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, draft annual report and draft interim results before recommending their approval to the Board. As part of their review, the Committee considered changes to accounting standards during the year and discussed with management the impact of their implementation on the Group's accounting policies. The Committee considered the appropriateness of the relevant accounting policies and significant judgements and key estimates adopted in the preparation of the financial statements. The Committee also considered the views of the External Auditors in making these assessments. The significant issues in relation to the financial statements considered by the Committee and how these were addressed are set out on page 64. The Committee also reviewed the observations on internal control prepared by the External Auditor as part of the audit process.

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 continued to monitor and review 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 pages 34 to 39.

The Committee also met with the Group's Health & Safety Manager on at least two occasions during the year. These meetings included presentations of the results of both internal and externally facilitated audits of individual sites, reviewing key health and safety statistics, monitoring resourcing requirements for the function and overseeing the achievement of key objectives during 2019 which were set at the beginning of the year.

The Committee also met with the Data Protection Officer for the Group, who along with the Company Secretary, has responsibility for the Group's compliance with the General Data Protection Regulation ("GDPR"). Oversight and approval of the GDPR programme and ongoing monitoring of its objectives were the main areas of focus during 2019.

Going Concern, Viability and Directors' Compliance Statements

The Committee reviewed the draft Going Concern Statement, Viability Statement and Directors' Compliance Statement prior to recommending them to the Board for its review and approval. These statements are included in the Directors' Report on pages 89 to 91 and the Risk Report on pages 34 to 39. The reviews 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 scenario workings assessing the ability of the Group to continue trading for at least three years. In making this assessment, the Committee and Board have also considered the impact of COVID-19 as outlined on pages 34 and 35. Inevitably, there will be a negative impact on the business although the extent is not yet clear. The Committee and Board do not expect any reasonably anticipated COVID-19 outcomes to impact the Group's ability to continue as a going concern. The Committee also reviewed the table of obligations relating to the Directors' Compliance Statement and the arrangements and structures which provide reasonable assurance of compliance.

Internal Audit

The Group's Internal Audit function is outsourced, however the Committee continues to maintain oversight of and responsibility for the function's effectiveness on an annual basis. The Internal Audit function completed five Internal Audit reviews during the year; (1) Project Management; (2) Internal Financial Controls and Funding and Liquidity; (3) Sales, Pricing and CRM; (4) Review of Payment Process; and (5) Procurement and Subcontractor Management. The Committee considered reports and updates from the Internal Audit function for each of these reviews which summarised the work undertaken, findings, recommendations and management responses to audits conducted during the year. A register is maintained internally which monitors progress against any recommended process and control enhancements to ensure that they are implemented appropriately and in a timely and controlled manner.

The Committee considered and approved the programme of work to be undertaken by the Internal Audit function in 2019 and the planned programme of work for 2020. The Committee also met representatives of the outsourced Internal Audit function during the year where they presented Internal Audit report findings and recommendations and updated the Committee on the actions taken to implement recommendations. The Committee also met with the members of the Internal Audit function privately without management present.

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 2019 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 in the Group 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 Auditor's judgement or independence.

Non-Audit Services

The Committee review the engagement of the External Auditor to provide non-audit services on an ongoing basis. In considering any proposal for the provision of non-audit services by the External Auditor, the Committee considered several 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 2019 and their related fees are disclosed in note 9 to the consolidated financial statements. The Committee has undertaken a rigorous review of non-audit services provided during 2019 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 advice on legacy matters from the 2015 Project Clear transaction, tax advisory services, the review of the interim accounts and iXBRL accounts conversion services.

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 previous three-year period by the year ended 31 December 2020. During the year the Committee appointed PwC as 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. This appointment resulted in a significant decrease in the ratio of audit fees to non-audit fees by the External Auditor. For the year ended 31 December 2019 non-audit fees totalled 40% of audit fees in 2019 and 55% of the average audit fee over the previous three-year period, well within the limits of the policy.

Whistleblowing, Fraud & Anti Bribery

The Group's Anti-Fraud, 'Speak Up' and Anti-Bribery Policies were approved in 2017 and circulated throughout the Group. The policies are published on the Group's intranet and employees are required to confirm they have read them. The Committee continue to monitor and review any breaches to these Policies.

Estimates and Judgements

The Committee reviewed in detail the areas of significant judgement, complexity and estimation in connection with the financial statements for 2019. The Committee considered a report from the External Auditors on the audit work undertaken and conclusions reached as set out in their audit report on pages 94 to 99. The Committee also had an in-depth discussion on these matters with the External Auditors. These significant areas were the carrying value of inventories and profit recognition.

Carrying Value of Inventories and Profit Recognition

The Group continued to invest capital in developing its landbank during 2019 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 2019 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 or actual sales prices achieved to date.

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.

As Chair of the Committee, I engaged with the Company Secretary, the Group Finance Director, the Head of Finance, 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

Nomination Committee Report

"2019 was a particularly busy year for the Committee with a keen focus on Board and Committee composition and adopting the principles of the new Code."

Giles Davies
Chair of the Nomination Committee

Dear Shareholder,

I am pleased to present the Nomination Committee ("the Committee") report covering the work of the Committee during the 2019 financial year. This has been a busy year for the Committee with a keen focus on Board and Committee composition. From 1 January 2019, the new UK Corporate Governance Code ("the Code") also came into effect for Cairn, which has several material implications for Nomination Committees in Ireland and the UK. The review and adoption of principles of the new Code also formed part of the Committee's activity during the year.

The primary role of the Committee is to monitor and maintain an appropriate balance of skills, experience, independence and diversity on the Board while regularly reviewing its structure, size and composition. It is also responsible for ensuring there is a formal, rigorous and transparent process for the appointment of new Directors to the Board. Succession planning is a fundamental aspect of the Committee's work and encompasses a number of factors:

- contingency planning – for sudden and unforeseen departures;
- medium-term planning – the orderly replacement of current Board members and senior executives; and
- long-term planning – the relationship between the delivery of the Company strategy and objectives to the skills needed on the Board now and in the future.

During the year, the Committee oversaw the recruitment process resulting in the appointment of David O'Beirne, Jayne McGivern and Linda Hickey in the first half of 2019, and the recruitment of Chief Financial Officer, Shane Doherty who, following the departure of Tim Kenny, will join the Company in April 2020. More widely, the Board and Committee continue to receive presentations from management on the development of the talent pipeline throughout the organisation, as well as insights into recruitment processes at all levels of the organisation. As a Committee, we also lead oversight of the annual Board evaluation process to assess the performance of individual Directors and the effectiveness of the Board and its Committees.

During the past year, there were a number of changes to the Committee. I took on the role of Chair of the Committee and both Alan McIntosh and David O'Beirne joined the Committee.

Giles Davies
Chair of the Nomination Committee

Role of the Committee

The Committee is responsible for Board recruitment and will conduct a continuous and proactive process of planning and assessment, taking into account the Board's composition against the Company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company. The Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge, experience and diversity to ensure that the Board is effective in discharging its responsibilities.

The Committee meets at least 2 times per year and, during 2019, met 6 times. Member attendance at meetings is detailed below.

Committee Member	Meeting Attendance	Committee Tenure
Giles Davies* (Chair)	6/6	5 years
Gary Britton	6/6	5 years
Alan McIntosh*	3/3	<1 year
David O'Beirne*	3/3	<1 year
John Reynolds*	3/3	4 years

* Alan McIntosh and David O'Beirne joined the Committee on 8 July 2019. John Reynolds stepped down and was succeeded as Chair of the Committee by Giles Davies on the same date.

In line with the provisions of the Code, a majority (75%) of members of the Committee are independent. In addition to the above, the Chairman of the Board and the Chief Executive Officer are also often invited to attend meetings.

KEY AREAS OF ACTIVITY DURING 2019

GOVERNANCE

- 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.
- Conducted an internally facilitated Committee evaluation.
- Reviewed and approved a new Diversity & Inclusion Policy for the Group.
- Reviewed the provisions of the Code and in particular, guidelines with respect to workforce engagement.

BOARD COMPOSITION

- 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.
- Recruited a new Chief Financial Officer.
- Reviewed the composition of each of the Board Committees recommending to the Board several changes to the composition of each Committee.

SUCCESSION PLANNING

- Ensured that succession requirements were considered in the hiring of key senior management (Director of Customer, Technical Director, Commercial Director and Chief People Officer).
- 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 and Skills

The Committee considers Board and Committee composition at each meeting. This includes the consideration of new appointments, both in respect of planned succession and as a result of the ongoing review of skills. The selection and appointment procedure commences with the agreement of a role profile and selection of a recruitment firm to help identify potential candidates for the role. Three new Non-Executive Directors were appointed in 2019 and details on their recruitment process are set out below. Each Non-Executive Director appointed was as a result of a rigorous search process led by Korn Ferry. Korn Ferry is a leading independent recruitment firm and has no other relationship with the Company other than in its role to provide recruitment services.

During the year, there were a number of changes to Board and Committee composition. David O'Beirne, Jayne McGivern and Linda Hickey joined the Board in March and April, respectively. Each appointment has added significant diversity of expertise and knowledge to the Board. Our Board continues to include an appropriate balance of longer serving and more recently appointed Directors, with diverse backgrounds and experience. This serves to bring fresh thinking to the Board yet preserves the knowledge, experience and understanding of the evolution of the Cairn business within the Board as a whole, all of which provides the platform for fruitful discussion at Board level.

Skills Matrix of Non-Executive Directors

Name	Industry PLC NED Experience	Governance Experience	Commercial Executive Experience	Sector Direct Experience	Entrepreneurial Background/ Experience	Policy/Government Interaction Experience	Large Project Delivery Background	Sales/Marketing Experience	Independent	Capital Markets	Finance	Legal	Not for Profit
John Reynolds*	●	●	●			●	●	●		●	●		●
Linda Hickey	●	●	●			●		●	●	●			●
Andrew Bernhardt	●	●	●		●	●	●		●		●		
Alan McIntosh			●	●	●		●	●		●	●		
Giles Davies		●			●	●			●		●		●
Jayne McGivern	●	●	●	●	●	●	●	●	●				
David O'Beirne		●				●			●			●	
Gary Britton	●	●	●			●			●		●		●

* John Reynolds was independent upon appointment as Chairman of the Board in April 2015.

The Committee will continue to monitor the composition and balance of the Board to ensure that broad expertise is available from the existing members and will recommend further appointments as and when appropriate to assure the long-term success of the Company.

Board Balance, Effectiveness and Independence

The Committee reviewed the size and performance of the Board during the year and this process occurs annually. A key element of ensuring the Board continues to operate at a high standard is independent oversight, which allows Non-Executive Directors to scrutinise and, when necessary, challenge management proposals and strategy. Throughout the year, over half of the Board, excluding the Chairman, comprised independent Non-Executive Directors. Giles Davies is the Senior Independent Director of the Company. The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders when necessary.

When evaluating the independence of Directors and the Board overall, the Committee has had due regard to any matters which might affect, or appear to affect, the independence of certain of the Directors. Following a rigorous review as part of the Board's annual evaluation, each of the Non-Executive Directors, except for Alan McIntosh as a founder and former Executive Director and excluding the Chairman who was independent upon appointment, is independent. In determining the independence of the Non-Executives, the Committee scrutinised any issues relating to actual or perceived conflicts of interest.

In assessing the independence of Linda Hickey, the Committee had due regard for her former position as a senior executive at Goodbody Stockbrokers ("Goodbody"), one of the Company's corporate brokers, as well as on the Board of Kingspan Group plc ("Kingspan"), one of the Company's suppliers. The Committee concluded that Ms Hickey was fully independent, taking into account the following material factors:

- Ms Hickey retired from her role at Goodbody in April 2019 prior to her joining the Board;
- The annual level of fees and expenses paid to Goodbody for 2019 were c. €50k (2018: c. €50k) for corporate broking, with one-off fees of c. €45k incurred in relation to share repurchases during 2019. These total purchases are significantly below 1% of revenue for Goodbody and are not considered material;
- In relation to her position as a non-executive on the Board of Kingspan, Kingspan is the largest supplier of timber frame housing in Ireland. The availability of alternative suppliers at such scale simply does not exist in the Irish market and procurement of these products was subject to the Company's strict procurement procedures. Non-executive directors are not involved in the procurement process; and
- The total purchases from Kingspan in 2019 were €15.5 million, which is not material for a business of Kingspan's size, with €4.7 billion of revenues in 2019.

Ms Hickey adds valuable experience having worked for two of the largest Irish stockbroking firms. In an Irish and international context, she has deep experience in capital markets and particularly with Irish public companies, which is very valuable to the Company and our shareholders. In addition, we consider experience gained through her role as a non-executive director of a global building materials company to be an asset to the Company. At the 2019 AGM, Ms Hickey was elected to the Board with 100% shareholder support.

Separately, in considering the independence of David O'Beirne, both at the time of his appointment and subsequently as part of the annual review of the Board's composition, the Committee had particular regard for his position as a partner of Eversheds Sutherland ("Eversheds"), one of the Company's legal advisors. The Committee concluded that Mr O'Beirne was fully independent, taking into account the following material factors:

- A&L Goodbody solicitors are the Company's corporate lawyers advising on all matters pertaining to governance and corporate affairs;
- All fees paid to Eversheds relate to specific property transactions including property conveyancing. All work undertaken by Eversheds for the Company is managed by other employees within the firm, and there are material protections in place – both at Eversheds and Cairn – to ensure that no information about the Company's legal affairs is available which is not available to all other Directors generally;
- He does not, nor has not, had any involvement in advising the Company on any legal matters;
- Mr O'Beirne has on no occasion acted as an advisor in any capacity to the Company;
- The total fees paid to Eversheds during the year were €1.78m (2018: €1.30m) and account for less than 4% of Eversheds annual revenues; and
- He has no role in the selection or retention of legal advisors to the Company.

Mr O'Beirne is an experienced and accomplished corporate lawyer and, as evidenced by his contributions since his appointment, adds important legal and regulatory experience to the Board. Based on the foregoing, the Committee concluded that there was no material relationship, financial or otherwise, which might directly or indirectly influence his judgement. Despite this, the Board and the Committee are cognisant of the increase in fees paid to Eversheds from 2018 to 2019, which was reflective of the expansion in our need for conveyancing services due to the increase in the number of new homes delivered annually. We will continue to closely monitor the level of fees paid to Eversheds in the coming year, and the Committee will ensure that the Board continues to operate within the Company's Conflicts of Interest policy. At the 2019 AGM, Mr O'Beirne was elected to the Board with over 99% shareholder support.

Non-Executive directors are not, and will not be, involved in any discussion regarding their own independence, either at Committee or Board level.

Appointment of Chief Financial Officer

In July 2019, Tim Kenny advised the Board of his intention to leave his role as Group Finance Director in January 2020, remaining employed until then with the Company to ensure the successful delivery of a number of important projects while promoting an orderly transition to his successor. The process to recruit his replacement started immediately. Following an international search conducted by Odgers Bernstein throughout 2019, the appointment of Shane Doherty was announced in January 2020. Mr Doherty joins from Morgan McKinley, an international professional staffing and resourcing solutions business, where he has been Group Chief Financial Officer since March 2018.

Led by the Committee, the process around his appointment was rigorous and comprehensive, and included the review of in excess of twenty internal and external candidates, as well as conducting several interviews. Following discussions and review of the depth of candidates, the Committee proposed the appointment of Mr Doherty, which was unanimously approved by the Board. In determining Mr Doherty's appointment, his knowledge, skills and experience, specifically his significant financial, accounting and operational experience as a chief financial officer was an important factor.

Following the recruitment of Mr Doherty, the Committee, working with the whole Board, reviewed the efficacy of its succession planning and recruitment process. The Board is satisfied its succession planning and approach to recruitment is operating to a high standard and continues to align with its overall approach to governance and strategy.

Diversity & Inclusion

A diverse workforce brings a broader range of perspectives and drives innovation, which supports us in better understanding the expectations of those for whom we build houses. The Board and the executive play a key role in setting the tone on diversity and inclusion, and the Committee applies the principles of Diversity and Inclusion when considering appointments. We use selection criteria that do not discriminate in any direct or indirect way for all of our roles.

During 2019, the Board adopted a formal Diversity and Equality Policy applicable to the Company as a whole. As at 31 December 2019, our female employees made up 25% of our total workforce, while 33% of the Chief Executive Officer's direct reports were female. Many of the Company's employee base are also from varying backgrounds of nationality, ethnicity, and religion. In each of these areas, the Company has made progress and diversity will continue to be key focus area for the Board and management in 2020 and beyond. Additional details on diversity within the Company can be found on page 30.

The Board and the Committee remain mindful of the targets set by the Hampton Alexander Review and the Parker Review respectively for companies to have 33% female representation on their boards by 2021. At the time of publishing this report, female representation on the Board is 22%. Further information on gender diversity, including in our broader executive team, may be found on pages 30 and 50 to 53.

Committee Evaluation

The Committee conducted an internally facilitated evaluation assessing its effectiveness during 2019 using an individual, confidential questionnaire and the Company Secretary analysed the responses and presented a summary of the findings to the Committee in early 2020. Overall the Committee is considered to be operating effectively and each of the members continue to perform their role independently and effectively. Several actions were noted for prioritisation in 2020 including succession planning for key senior roles, finalising Cairn's sustainability agenda and where responsibility for sustainability rests within the Board structure, and reviewing the remit of the Committee overall to consider more formal terms of reference with respect to our broader governance agenda. The workforce engagement strategy with the designated non-executive director responsible for this element of the principles within the Code, David O'Beirne, will also be prioritised in 2020 by this Committee.

Remuneration Committee Report

> **"2019 was another year of excellent growth and clear delivery against key strategic objectives for Cairn."**
>
> **Linda Hickey**
> Chair of the Remuneration Committee

Dear Shareholder,

As Chair of the Remuneration Committee (the "Committee"), I am pleased to present our Remuneration Report for the year ended 31 December 2019. In the period since our initial public offering, the Company has grown considerably, delivering on our promise set out at admission that we would develop and optimise our landbank in order to create an Irish housebuilder of scale, capable of delivering sustainable profits over the long-term. Driven by talented employees throughout the organisation, Cairn's revenue, gross profit and EPS have grown significantly since listing to over €435 million, €85 million and 6.5 cent per ordinary share, respectively, in 2019. Our headcount has also increased significantly from IPO to 195 at the end of 2019, placing an even greater importance on the reward and incentive arrangements that are required to attract and retain the best people.

During 2019, the Committee undertook a review of the Remuneration Policy to ensure it remains fit for purpose and engaged directly with shareholders to seek their feedback on the proposed revisions. In determining the changes required, the Committee was guided by the principles that (i) variable pay would only be awarded for stretching performance, (ii) a significant majority of the total package should be at risk for performance, and (iii) an owner-based mindset is best achieved through the delivery of shares to employees for performance.

In line with the development of the business, a key focus for the Committee has been, and will continue to be, that we ensure our approach to remuneration is transparent and, of equal importance, our communication with shareholders through the Annual Report and direct engagement remains a priority. Throughout this report we have sought to provide enhanced disclosure on our remuneration framework and how Committee decisions reflect the strategic goals and performance 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 and in developing the proposed 2020 Remuneration Policy, the Committee seeks to ensure that the following are achieved in a way which enables our business to scale up through attracting and retaining the best talent and delivering shareholder value:

- 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.

Performance and Remuneration Outcomes

2019 was another year of strong growth for the Group, with management driving continued progress as evidenced across a number of key areas:

- **Continued Scaling:** Delivered over 1,800 closed and forward sold units in the period, including 1,080 new home sales completions. Active on 16 developments, up from 12 at the end of 2018, which will deliver c. 6,750 new homes. Closed and forward sales pipeline of 853 units (€266.1 million, excl. VAT) as at 2 March 2020;
- **Significant Growth:** Revenues increased by 29% to €435.3 million (2018: €337.0 million);
- **Multifamily Private Rental Sector ("PRS") Sales and Forward Sales:** €345 million revenue (incl. VAT) on 830 units from one completed and four forward sold multifamily PRS transactions in city centre, suburban and commuter belt locations (equating to a 24% share of the 2019 new build multifamily PRS market);
- **Financial Performance:** Gross profit increased by 23% to €85.3 million (2018: €69.1 million), operating profit grew by 28% to €68.0 million (2018: €53.2 million) and Group profit after tax increased by 63% to €51.2 million (2017: €31.4 million). This resulted in an Earnings Per Share ("EPS") of 6.5 cent (2018: 4.0 cent); and
- **Cash Generation and Capital Returns:** Operating cash flow grew by 147% to €99.2 million (2018: €40.1 million). 2.50 cent per share interim dividend paid in October 2019 and €23 million returned to shareholders through a share buyback programme.

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 for 2019 to both the Chief Executive Officer ("CEO") and the former Group Finance Director for his time in role for the full year of 2019. While the 'hurdle' for high performance continually rises, the team have performed exceptionally well in 2019 and have performed very well in terms of financial and operational performance despite, at times, challenging macro and market conditions. Further details of the bonus framework and performance are provided on pages 79 and 80. From 2020 onwards, bonuses will be paid out against a formulaic framework.

Change in Chief Financial Officer ("CFO")

As announced in July 2019, Tim Kenny stepped down as Group Finance Director and left the business in January 2020. Upon departure, Mr Kenny's remuneration was determined in line with our existing remuneration policy. Mr Kenny was treated as a good leaver on the basis of his contribution to the business to date, meaning he was entitled to fixed pay for the duration of his notice period as well as a bonus pro-rated for time served. Details of his 2019 remuneration are set out on page 78, and reflects the fact that Mr Kenny served for the entire of the 2019 financial year.

In January 2020, we announced that Shane Doherty would succeed Tim Kenny as CFO with effect from April 2020. Mr Doherty joins from Morgan McKinley where he has served as Group Chief Financial Officer for over two years. Mr Doherty's salary has been set at €375,000 and pension contributions will be 15% of salary. His variable pay will be aligned with the Policy proposed at the 2020 AGM.

On joining the Company, the CFO will receive an LTIP award at the exceptional limit of 200% of salary permitted under the Policy. The first half of the award (i.e. of 100% of salary) represents a regular grant for 2020 under the LTIP. The remainder (an additional 100% of salary) reflects awards foregone from his previous employer. When calculating the value of the awards, the Committee linked the grant directly to the value of remuneration the new CFO had forfeited. The Committee is satisfied that this level of award was necessary to ensure the appointment of a candidate of Shane's calibre to the Company whilst appropriately recognising awards at their fair market value that he left in his prior role.

2018 UK Corporate Governance Code

As set out in last year's Annual Report, since the Financial Reporting Council published the new UK Corporate Governance Code (the Code) in July 2018, the Committee has been taken steps to refine our approach to remuneration to reflect the updated principles and provisions of the Code. In terms of our revised remuneration policy, the principal new provisions relate to pensions and post-employment shareholding requirements, which apply from 1 January 2020. Outside of the structural amendments to the fixed and variable remuneration framework, the Committee continues to actively oversee remuneration arrangements for the remainder of the employee base. As part of that oversight, a restricted share plan will be proposed at our 2020 AGM. The restricted share plan is part of the reward arrangements for the wider employee base and will not form part of the Remuneration Policy for Executive Directors.

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.

Shareholder Engagement

During the course of 2019 and early 2020, we engaged directly with shareholders to seek their feedback on the proposed 2020 Remuneration Policy. 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. As part of our re-design of the Remuneration Policy, 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 to outline our proposed changes to the Remuneration Policy and requested a meeting to obtain their feedback and input on a range of governance areas. The Committee found the feedback to be valuable, particularly on aligning the reward framework with the delivery of strategy and how best for us to communicate key decisions through the Annual Report.

Together with our shareholders, we discussed our evolving growth and scaling requirements, best practice in the market and delivering sustainable results. The following were key themes which we reflected on in the decisions at Committee level:

1) Align **pensions** with the broader employee population whilst retaining a competitive positioning within our local market;
2) Detail the case and underlying rationale for **increased variable pay opportunities;**
3) Acknowledge that every business and market is different and that there is **no 'one size fits all' approach** to remuneration;
4) Ensure long term **shareholder interests are aligned with management** through share ownership;
5) Consider the **introduction of a ROCE (Return on Capital Employed) metric** as the business evolves and matures in the years ahead;
6) Ensure strong risk management by introducing **bonus deferral** alongside the current clawback provisions;
7) **Align any exiting Executive Directors** with shareholders through post-employment shareholdings; and
8) Introduce sensible, business-relevant **stakeholder metrics** into LTIP and/or bonus.

Our engagement with shareholders is an ongoing process which we have carried out on multiple occasions during the past 12 months. I would like to take this opportunity to thank shareholders for their time in engaging with us which allowed us to reflect their views in our final decisions.

Key Changes to 2020 Remuneration Policy

Following our engagement with shareholders and consideration of evolving best-practice, we made a number of changes which are reflected in our 2020 Remuneration Policy which will be put to shareholders for an advisory vote in our 2020 AGM. These changes can be summarised as follows and are described in further detail in the policy table:

1) Introduced **a structured bonus plan** with transparent metrics for Executive Directors, effective immediately;
2) Increased the **maximum bonus** opportunity from 75% for the CFO and 105% for the CEO to 150% of salary for both executives;
3) Introduced **two-year bonus deferral into shares** on all bonus received by Executive Directors above 125% of salary;
4) Increased the **potential award levels** in normal circumstances under the LTIP from 100% to 150% of salary;
5) Reduced the **Executive Director pension contribution ceiling** from 25% to 15% of salary, bringing it further in line with the broader employee population whilst retaining a reasonable competitive positioning within our local market; this reduction will apply to the current CEO equally over the next two years. This ceiling of 15% of salary will apply to any future hires;
6) Introduced a **post-employment shareholding requirement**, with Executive Directors required to hold at least 100% of salary for a year after departure reducing to 50% of salary for two years after exit; and
7) Introduced **stakeholder metrics** alongside cash returns as part of a broader set of LTIP metrics to underpin the sustainability and returns mindset in the business.

In determining the changes to the Policy, the Committee was guided by a number of principles including: (i) variable pay should only be awarded for stretching performance, (ii) a significant majority of total remuneration should be at risk for performance, and (iii) an owner-based mindset is best achieved through the delivery of shares to employees for performance. While there has been an increase in potential pay under the bonus plan for the Executive Directors, maximum payouts will only be awarded for truly stretching performance against challenging and formulaic performance targets. Deferral will apply to the final sixth of the bonus opportunity. While we recognise that a greater level of deferral is standard among a number of our Irish and UK peers, the Committee is aware of the relatively unique circumstances of the Company, with the CEO not participating in the LTIP, continuing to be paid a salary below that of peers, accepting a reduction in his pension contributions, and being already firmly aligned with the interests of other shareholders through the size of his holdings in the Company (see page 83 for further details). Despite these factors, the Committee introduced deferral for the first time and, when introducing a revised policy in 2023, will likely increase the level of deferral again.

In electing to alter the maximum payouts under the bonus plan, the Committee was cognisant of the principle of opting for an emphasis on variable or at-risk pay, as opposed to increasing fixed pay. In fact, the CEO's salary has not increased in any of the last four years and his total cash compensation reduced in 2017. This approach, coupled with a significant reduction in pension contributions, has resulted in restrained overall remuneration levels under the proposed policy. In finalising the proposals before engaging shareholders, the Committee reviewed the proposed remuneration levels against an extensive and robust peer group, which confirmed that bonus levels of up to 150% of salary under the 2020 policy remained reasonable and at market levels, particularly when coupled with a conservative market salary. The peer group employed was vigorously tested to ensure appropriateness in terms of size and relevance.

The maximum grant in normal circumstances under the LTIP has been increased to 150% of salary, however, the Committee does not necessarily intend to make awards at this level and will exercise discretion in making future awards.

As outlined in other areas of this report, the Board is carefully monitoring the development of the COVID-19 outbreak and its potential impact on the business. The Committee, like the Board, will continue to monitor these developments and their potential impact on the incentive framework which will be evaluated on a regular basis.

On behalf of the Committee and the entire Board, I thank all shareholders and their representatives for the constructive engagement in 2019 and 2020, and their valuable feedback and suggestions. We are grateful for your continued support and welcome any future guidance.

Linda Hickey
Chair, Remuneration Committee

Remuneration Committee Report continued

REMUNERATION STRATEGY

The Company's proposed 2020 Remuneration Policy is set out below, reflecting evolving market practice, strategy and shareholder feedback.

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 embedding an 'ownership mindset' within the Company's culture.

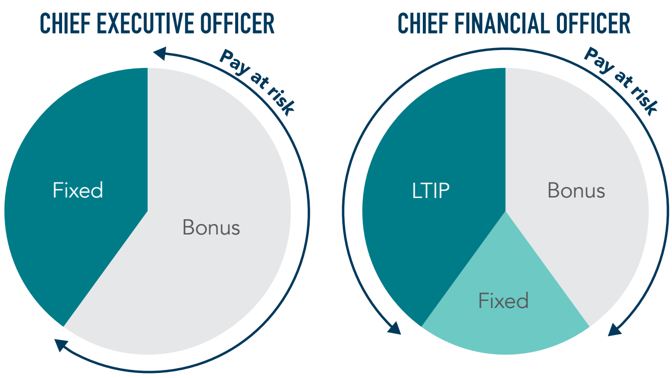
The primary objective of the Policy is to promote the long-term success of the business by ensuring remuneration reflects business performance and personal contribution to the delivery of the Company's strategy in a way which creates long-term shareholder value.

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;
- 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 sector and geography 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 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. Recognising the growth-oriented, long-term mindset required in senior management, the following pay mix underpins our Remuneration Strategy.

Pay Mix at Maximum



Note: The Chief Executive Officer does not receive LTIP awards.

2020 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 reflecting market practice and shareholder feedback.

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

Element and Link to Remuneration Policy	Approach	Maximum Opportunity

SALARY

Element and Link to Remuneration Policy

To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.

Approach

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 executive director salaries, account is taken of movements in salaries generally across the Company.

Maximum Opportunity

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

Element and Link to Remuneration Policy

To incentivise and reward the delivery of near-term business targets and objectives.

Approach

Annual Incentive payments to Executive Directors and other senior management are based on:

Metric	Measure
Financial (50%)	• Revenue vs. target • Margin vs. target
Stakeholder (20%)	• Customer metric vs. target • Health & Safety underpin
Personal Objectives (30%)	1. Strategy 2. Landbank and Portfolio Balancing 3. Risk 4. Brand 5. Talent Development

The measures, their weighting and the objectives are reviewed on an annual basis. They will be disclosed when they are no longer commercially sensitive.

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 75.

Any bonus awarded to Executive Directors above 125% of salary is deferred into shares for a period of two years.

Maximum Opportunity

The target and maximum awards, as a percentage of annual salary, for the Executive Directors are as follows:

	Target	Max.
Chief Executive Officer	75%	150%
Other Executive Directors	75%	150%*

* The incoming CFO's maximum contractual bonus entitlement is 100% for 2020. The actual award will be dependent upon individual performance and potential.

Element and Link to Remuneration Policy	Approach	Maximum Opportunity
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, TSR (Total Shareholder Return), cash generation and stakeholder metrics. 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 75. Any unvested awards will also be subject to malus provisions.	Under normal circumstances, the maximum annual award of Performance Shares is up to 150% 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. This limitation will also apply to the Restricted Share Plan (which, for the avoidance of doubt, excludes Executive Directors).
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 15% 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 "Save as You Earn" plans.	Maximum levels have not been set as payments depend on the individual's 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 unforeseen circumstances or transactions 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, 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.

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.

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.

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 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. On termination of employment, a departing Executive Director will be required to hold at least 100% of salary for a year after departure reducing to 50% of salary for two years after exit. This post-termination shareholding requirement will not apply to Mr Kenny as it is being introduced from 2020.

Differences in Pay Policy for Employees and Executive Directors

The principles applied to the remuneration of Executive Directors are essentially the same as those throughout the Company. The difference between pay for Executive Directors and other 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 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. For the avoidance of doubt, Executive directors will not participate in the Restricted Stock Unit ("RSU") scheme.

Remuneration Policy for Recruitment of New Executive Directors

In determining the remuneration package for new Executive Directors, 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
Shane Doherty*	14 April 2020	6 months	6 months

* Shane Doherty will join the Company on 14 April 2020.

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 vesting 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 line with the new Remuneration Policy detailed on pages 73 to 77, a post-employment shareholding requirement will apply to Executive Directors who will be required to hold at least 100% of salary for a year after departure reducing to 50% of salary for two years after exit.

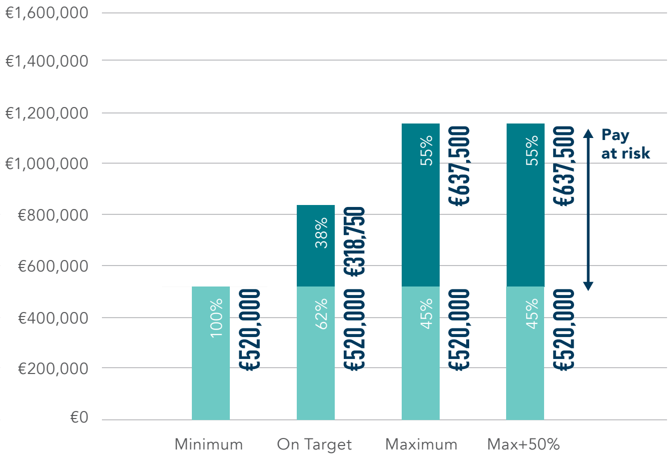
In the event that a participant ceases to be an employee by reason of a termination for serious misconduct, share awards held by the participant, whether or not vested, would lapse immediately on the service of notice of such termination, unless the Committee in its sole discretion determines otherwise.

In the event that a participant resigns voluntarily, the Committee will consider their contribution to the business in determining if good leaver status would be awarded for unvested awards. Each circumstance will be determined on a case by case basis and the Committee will exercise its discretion in the best interests of the Company and shareholders.

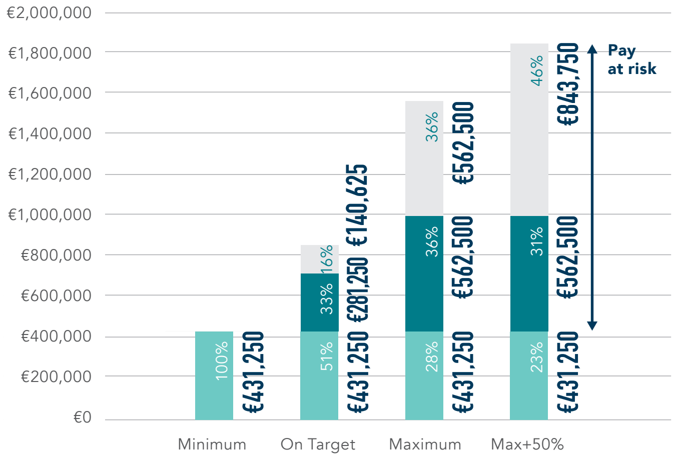
Remuneration Outcomes in Different Performance Scenarios

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

Michael Stanley (Chief Executive Officer)



Shane Doherty (Chief Financial Officer)



Minimum: Includes fixed pay only (salary, pension and benefits). There is no annual bonus payment and no vesting under the LTIP.
On Target: Fixed pay plus target bonus payout of 75% of base salary and 25% payout under the LTIP.
Max: Fixed pay plus full bonus payout of 150% of base salary for Mr Stanley. For Mr Doherty, fixed pay plus full bonus of 150% of base salary and full LTIP payout of 150% of base salary.
Max+50%: Same as Max but also includes the impact of a 50% share price appreciation on the LTIP payout.

In the above scenarios, as Mr Stanley does not participate in the LTIP, these have not been included in his remuneration outcomes.

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 2019 and how it will be operated in 2020.

At a Glance Summary

Component	Michael Stanley – Chief Executive Officer	Tim Kenny – Former Group Finance Director
Single figure totals 2019	€966,000	€808,000
Annual bonus 2019	100% of salary payout = €425,000	75% of salary payout = €299,000
LTIP vesting in 2019	N/A	N/A
LTIP awards granted in 2019	N/A	100% of salary*
Salaries for 2020	€425,000	N/A
Shareholding at year end as % of salary	6,242.9%	19.8%

* Mr Kenny was considered a good leaver and as such, his awards will vest in line with his period of service to 31 December 2019 and plan performance conditions.

Remuneration Outcomes for Executive Directors for the Year Ended 31 December 2019

The table below sets out the details of the remuneration payable to the Executive Directors for the year ended 31 December 2019, with comparatives for the prior year ended 31 December 2018.

	Salary		Annual Incentive		Retirement Benefit		Car Allowance		Total	
Executive Director	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Michael Stanley	**425**	425	**425**	383	**106**	102	**10**	10	**966**	920
Tim Kenny	**399**	380	**299**	285	**100**	95	**10**	10	**808**	770
Alan McIntosh*	**–**	190	**–**	–	**–**	16	**–**	6	**–**	212

* Mr McIntosh stepped down as an Executive director in August 2018 to become a Non-Executive director. The figures shown above reflect time spent as an Executive director.

Non-Executive Directors' Remuneration Details

The Committee reviewed independent benchmarking for Non-Executive Director fees from Mercer. No changes were proposed or made to Non-Executive Director fees during 2019. The fees paid to Non-Executive Directors in respect of the years ended 31 December 2019 with comparatives for the prior year ended 31 December 2018 are set out below:

	Base Fee		Chair Fee		SID Fee		Total	
Non-Executive Director	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
John Reynolds	**150**	150	**–**	–	**–**	–	**150**	150
Andrew Bernhardt	**60**	60	**–**	–	**–**	–	**60**	60
Gary Britton	**60**	60	**15**	15	**–**	–	**75**	75
Giles Davies	**60**	60	**12**	12	**10**	10	**82**	82
Linda Hickey*	**43**	–	**6**	–	**–**	–	**49**	–
Jayne McGivern*	**50**	–	**–**	–	**–**	–	**50**	–
Alan McIntosh**	**60**	25	**–**	–	**–**	–	**60**	25
David O'Beirne*	**50**	–	**–**	–	**–**	–	**50**	–

* Ms Hickey, Ms McGivern and Mr O'Beirne's fees above are reflective of their time spent in the role.
** Mr 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 Non-Executive Director role in 2018.

2019 Annual Bonus

The maximum bonus opportunity for 2019 was 105% of salary for the Chief Executive Officer and 75% of salary for the Group Finance Director. Annual incentives were based 70% on financial performance and 30% on the achievement of individual performance objectives linked to leadership and operational targets. Given the stage of growth of the Company, the goals were set 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 have placed a particular focus on how the bonus framework should be altered to reflect that the business is in a more mature stage of development as detailed and outlined in the Remuneration Policy. The breakdown and resulting bonus outcomes for 2019 for the Chief Executive Officer and Group Finance Director were:

	Target Incentive (% of salary)	Maximum Incentive (% of salary)	Actual 2019 Bonus (% of salary)
Michael Stanley	70%	105%	100%
Tim Kenny	50%	75%	75%

BONUS FRAMEWORK DISCLOSURE

Both the Chief Executive Officer and the Group Finance Director achieved 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 2019 is set out below:

Michael Stanley, Chief Executive Officer:

Area	Goal	Weighting	Performance
Financial	Achievement of key financial objectives and targets relating to revenue, profit and cash generation. These were set against the 3-year budget to achieve progress as set by the Board at the start of the year.	70%	*Above target* • Significant growth and scaling delivered. • Revenues increased to €435.3 million (2018: €337.0 million). • Over 1,800 units closed and forward sold in 2019, including 1,080 sales completions (+34% year on year). Closed and forward sales pipeline of 853 units (€266.1 million, excl. VAT) as at 2 March 2020. • Gross profit increased by 23% to €85.3 million (2018: €69.1 million), operating profit grew by 28% to €68.0 million (2018: €53.2 million) and Group profit after tax increased by 63% to €51.2 million (2017: €31.4 million). This resulted in an Earnings Per Share ("EPS") of 6.5 cent (2018: 4.0 cent). • Cash Generation and Capital Returns were very strong: operating cash flow grew by 147% to €99.2 million (2018: €40.1 million). An interim dividend of 2.50 cent was paid in October 2019 and €23 million returned to shareholders through a share buyback programme.
Strategic Value	Evaluate and execute land acquisitions to ensure strategic value captured and portfolio is risk balanced and value led.	10%	*Above target* • €345 million (incl. VAT) of earned and forward sales revenue for 830 units from one completed and four forward sold multifamily PRS transactions in city centre, suburban and commuter belt locations (equating to a 24% share of the 2019 new build multifamily PRS market) demonstrating meaningful capture of addressable opportunity in institutional capital. • Led and delivered revenue from non-core site sales to release underlying value of €32.2m. • c. 3,500 incremental units from planning gains which enhanced landbank value.
Succession Planning	Attract, retain and motivate best in market leadership.	10%	*Above target* • Succession planning methodology in place which is linked to LTIP and active talent development. • In conjunction with the Nomination Committee, played a role in key talent hiring to strengthen future succession options with the recruitment of senior management and the development of a diverse pipeline. • Performance management fully established and supporting our mission, values and culture. • Established new operating model to support efficient scaling and delivery.

Area	Goal	Weighting	Performance
Brand, Values and Stakeholders	Define strategy and values for the Group that aligns with shareholder value and long term sustainable growth. Represent Cairn group effectively to create leverage for the company with stakeholders and enhancement of Cairn brand identity and group reputation in the market.	5%	*Above target* • Strategy and Values in place for the business and fully cascaded across all team into team and personal goals. • Consistent focus on communicating the brand effectively across all channels. Strong corporate presence and reputation within local market. • Industry Awards as a recognition of progress in these areas – 2019 Excellence in Planning Award – Private Sector (Oak Park, Naas) and Building and Architect of the Year Awards 2019: Housing Project of the Year (Six Hanover Quay).
Risk Management	Provide leadership to ensure that there is an appropriate governance framework for the business, underpinned by the appropriate risk appetite for the Group.	5%	*Above target* • Excellent Health and Safety support and record. • Governance and risk framework as disclosed in annual report is fully effective and supported by the CEO.

Tim Kenny, Former Group Finance Director

Area	Goal	Weighting	Performance
Financial	In combination with the CEO, continue to drive the delivery of revenue, profitability and cash generation targets for this year as set against 3 year budget to achieve progress as set by the Board at the start of the year.	70%	*Above target* • Supporting the CEO in order to drive outstanding financial and operational performance. • Excellent financial results for the business with strong growth in revenue (+29%) and operating profit (+28%) in 2019. • Significant increase in EPS to 6.5 cent (+ 63%). • Capital returns to shareholders. • Supported target unit sales delivery. • Completion of the sale of Six Hanover Quay in June 2019 which delivered net revenue of €90 million and a profit of €14.1 million. Leadership and oversight of all the related final commercial and legal negotiations.
Supporting /Completing Transactions	Evaluate options for maximising financial performance and shareholder returns.	20%	*Above target* • Played a leading role in Multifamily Private Rental Sector ("PRS") transactions. • Forward Sales. • €345 million (incl. VAT) of earned and forward sales revenue for 830 units from both completed and supported forward sale of multifamily PRS transactions in city centre, suburban and commuter belt locations which represented a 24% share of the 2019 new build multifamily PRS market). • Leadership of the forward sale of The Quarter at Citywest. • Leadership of the sale and forward sales of multifamily PRS units at Mariavilla (Maynooth), Shackleton Park (Lucan) and Gandon Park (Lucan).
Strategy & Reporting	Enhance financial reporting and forecasting capability to support decision making internally and externally.	5%	*Above target* • Leadership of a budget and forecast process resulting in high quality information being provided to the Board and management with supporting sensitivities and risk analysis to support decision-making. • Negotiation and enablement of the dividend payout and share buy-back to deliver shareholder value. • Leadership of the implementation of a €550 million capital reorganisation.
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 Group.	5%	*Above target* • Excellent Health and Safety support and record. • Strong performance across finance team to further develop a commercial capability to enable us to make data led decisions and to scale. • Excellent governance framework and supporting processes in place with strong risk management focus and decision making.

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 outstanding 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. 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 will participate in the LTIP is the Chief Financial Officer.

LTIP Target Setting – 2017 to 2022 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 which is evidenced in the increased EPS target outlined below for the 2019 and 2020 LTIP.

2017 LTIP

In 2017, we made the first award under our LTIP, the performance period for which ended on 31 December 2019. 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 had 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.

The performance criteria for the 2017 LTIP were as follows:

A total of 80% of the shares under the award were 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 were 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%

The outcomes of the EPS and TSR elements of the 2017 LTIP are below.

	EPS performance outcomes
2017	0.6c
2018	4.0c
2019	6.5c
Total	**11.1c**

As 16.7c was the threshold vesting hurdle, the EPS element of the award did not vest. TSR for the performance period was 1.9% p.a. which was lower than the 8% p.a. threshold, therefore, the TSR element of the award also did not vest. As such, the 2017 LTIP award was deemed to have lapsed in full.

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 2018 LTIP 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 2018 LTIP 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%

Mr Kenny was considered a good leaver and so his 2018 LTIP award would vest pro-rata based on his period of service to 31 December 2019 and subject to plan performance conditions.

2019 LTIP
On 15 April 2019, 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	15.04.19	300,905	€1.326	€399,000	100%	15.04.22	2 years

Vesting of these awards will be subject to EPS and TSR performance targets measured over the period 2019 to 2021.

A total of 80% of the shares under the 2019 LTIP 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 2019 LTIP 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%

Mr Kenny was considered a good leaver and so his 2019 LTIP award would vest pro-rata based on his period of service to 31 December 2019 and subject to plan performance conditions.

2020 LTIP

Whilst it is always the Company's intention to provide shareholders with the forward-looking LTIP targets, in light of the exceptional circumstances surrounding COVID-19 facing all companies, the Committee has determined it is prudent to delay the setting of the 2020 LTIP targets until it has a clearer line of sight as to what constitutes strong performance in the period ahead. The metrics and targets will be communicated to shareholders through an RNS, immediately after they are confirmed.

The Committee will continue to monitor these developments and their potential impact on the incentive framework which will be evaluated on a regular basis.

Retirement Benefits

In 2019, the Executive Directors received a cash supplement in lieu of pension, consistent with the Remuneration Policy. In 2020, it is proposed that the Chief Executive Officer's pension contribution of 25% of salary will reduce to 15% (5% p.a. reduction phased equally over two years commencing in 2020), to bring his pension contribution further in line with the general workforce.

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.

Change in Remuneration of Chief Executive Officer

The table below sets out the percentage change in the remuneration awarded to Michael Stanley between 2018 and 2019.

	Percentage Change 2019	Percentage Change 2018
Michael Stanley (Chief Executive Officer)	5.0%	15.4%

Mr Stanley received no salary increase in 2017, 2018 or 2019. The 15.4% increase in 2018 and the 5% increase in 2019 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 2018 and 2019, it is not appropriate to disclose the comparable average employee remuneration. The Company will provide a comparative analysis from 2020 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 2019 and 2018.

	2019	2018
Total Employee Remuneration	€20.9m	€15.5m
Distributions to Shareholders*	€42.3m	–

* Dividends and purchase of own shares in 2019.

Directors' Shareholding as Percentage of Salary

The table below sets out the percentage of base salary held in shares in the Company by the current Executive Director, CEO Michael Stanley as at 31 December 2019.

Shareholdings as at 31 December 2019	(% of base salary)
Michael Stanley	6,242.9%

REMUNERATION POLICY IMPLEMENTATION IN 2020

A summary of how the Remuneration Policy will be applied for 2020 is set out below.

Salary

The salary of the Chief Executive Officer and incoming Chief Financial Officer are detailed below. The Chief Executive Officer's salary remains unchanged from 2018.

	1 January 2020	1 January 2019
Michael Stanley	€425,000	€425,000
Shane Doherty*	€375,000	N/A

* Mr Doherty will join the Company in April 2020. The amount stated above is annual base salary.

The Committee believes that the proposed Remuneration Policy for 2020 represents the right reward strategy for the Company's stage of growth whilst reflecting evolving market practice and shareholder views.

The Committee is satisfied that for 2020 onwards, the following LTIP and Annual Bonus metrics, balanced across financial, stakeholder and returns metrics reflect the growing scale of the Company.

LTIP Metrics

As advised, whilst it is always the Company's intention to provide shareholders with the forward-looking LTIP targets, in light of the exceptional circumstances surrounding COVID-19 facing all companies, the Committee has determined it is prudent to delay the setting of the 2020 LTIP targets until it has a clearer line of sight as to what constitutes strong performance in the period ahead. The metrics and targets will be communicated to shareholders through an RNS, immediately after they are confirmed.

The Committee will continue to monitor these developments and their potential impact on the incentive framework which will be evaluated on a regular basis.

Annual Bonus Metrics

The performance framework and bonus opportunity for 2020 will change pending approval of the Remuneration Policy from 2020. The maximum opportunity will be 150% of salary for Executive Directors. This ensures that a significant portion of Executive remuneration remains at risk and subject to the achievement of more formulaic targets outlined below. Specific disclosure of the performance framework for 2020 will be detailed in the 2020 Annual Report. In line with the new Policy, any bonus awarded to Executive Directors above 125% of salary will be deferred into shares for a two-year period.

Weighting	Measures
Financials (50%)	• Revenue vs. target. • Margin delivery vs. target.
Personal Objectives (30%)	• A mix of personal and strategic measures, to draw a sharp focus on areas of significance beyond financial performance.
Stakeholder (20%)	• Customer Satisfaction vs. target. • Health & Safety underpin.

Pension

Pension contributions for the Chief Executive Officer will reduce over two years from 25% of base salary to 15% (5% p.a. reduction phased equally over two years commencing in 2020), to bring his pension contribution further in line with the general workforce. Pension contributions for the Chief Financial Officer will be 15% of base salary.

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 2019	Granted During the Year	Exercised During the Year	Lapsed During the Year	At December 2019	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
	–	300,905	–	–	**300,905**	1.326	Nil	N/A	15.04.19	15.04.22	14.04.26
					515,594						
Tara Grimley (Company Secretary)											
	96,507	–	–	–	**96,507**	1.09	Nil	N/A	19.12.18	19.12.21	18.12.25
	–	63,348	–	–	**63,348**	1.326	Nil	N/A	15.04.19	15.04.22	14.04.26
					159,855						

Directors' & Secretary's Interests in Ordinary Share Capital

The interests of the Directors and Company Secretary who held office at 31 December 2019 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 2019	No. of Ordinary Shares at 31 December 2018
Directors		
John Reynolds	**129,174**	–
Michael Stanley	**21,057,409**	25,657,409
Alan McIntosh	**39,641,464**	49,641,464
Tim Kenny	**62,750**	62,750
Gary Britton	**130,000**	130,000
Giles Davies	**50,000**	50,000
Linda Hickey	**75,000**	–
Andrew Bernhardt	**–**	–
Jayne McGivern	**–**	–
David O'Beirne	**–**	–
Tara Grimley (Company Secretary)	**–**	–
Total	**61,145,797**	**75,541,623**

All of the above interests were beneficially owned. Aside 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 2019.

There were no changes in the above Directors and Secretary's interests between 31 December 2019 and 25 March 2020.

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).

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 2019	No. of Founder Shares at 31 December 2019	No. of Deferred Shares at 31 December 2018	No. of Founder Shares at 31 December 2018
Founder Directors				
Michael Stanley	**9,990,000**	**6,713,752**	9,990,000	6,713,752
Alan McIntosh	**9,990,000**	**9,591,075**	9,990,000	9,591,075
Total	**19,980,000**	**16,304,827**	**19,980,000**	**16,304,827**

The total number of Founder Shares in issue at 31 December 2019 is 19,182,149 (19,182,149 at 31 December 2018).

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.

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.

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, Chief Financial Officer and oversee the remuneration practices for certain other senior managers, including salary, annual incentive, pension contributions 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 programme of work to execute these responsibilities which for 2019 were:

EXECUTIVE REMUNERATION	GOVERNANCE	SHAREHOLDER CONSULTATION	LONG TERM INCENTIVES
• Reviewed annual performance of the Executive Directors. • Determined fixed and variable remuneration for Executive Directors and senior management.	• Reviewed and made progress against the remuneration strategy agreed to execute the Remuneration Policy. • Worked with the Committee's consultants during 2019 to ensure rigour of Committee analysis and decisions. • Considered and approved the Remuneration Report and remuneration disclosure requirements. • Reviewed and approved its annual agenda and Terms of Reference.	• Revised Remuneration Policy in line with normal governance calendar and revised LTIP and Bonus plan following consultation with shareholders. • Engaged with shareholders to discuss Remuneration approach for 2019 and 2020 Remuneration Policy.	• Set 2019 and 2020 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	Q2	Q3	Q4
• Evaluation of business strategy and priorities relative to remuneration. • Executive Director goal setting. • Terms of Reference review. • 2019 and 2020 LTIP target setting.	• Succession planning and "Nine-Box" assessment of top talent. • 2020 LTIP target approval.	• Remuneration Report development. • New hire review and reward relative to succession gaps.	• Year-end performance and compensation assessment for Executive Directors. • Assessment of remuneration outcomes for general employee base.

The Committee met eleven times during the year ended 31 December 2019. The main agenda items included:

- Determining the annual incentives payable for 2019;
- 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 2018 Remuneration Report.

The Company Chairman, Chief Executive Officer and Chief Financial Officer 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.

Remuneration Committee Report continued

Consultation with Shareholders

When determining remuneration, the Committee takes into account the views of representative investor bodies and shareholder views. In advance of the 2020 AGM, 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 recommended for an advisory shareholder vote at the 2020 Annual General Meeting.

Attendance & Tenure

Committee Member	Meeting Attendance	Committee Tenure
Linda Hickey (Chair)*	5/5	<1 year
Andrew Bernhardt*	10/11	5 years
Gary Britton	11/11	5 years
Giles Davies*	11/11	5 years
David O'Beirne*	5/5	<1 year

* Ms Hickey succeeded Mr Davies as Chair of the Committee on 8 July 2019. Mr O'Beirne was appointed to the Committee on the same date. Mr Bernhardt missed one meeting during the year, which had been called at short notice, due to a pre-existing conflict. His views were sought in advance of the meeting.

The Chairman of the Board, the Chief Executive Officer and Chief People Officer are also invited to attend meetings except in circumstances when their remuneration is tabled for discussion.

External Advice

The Committee seeks independent advice when necessary from external consultants. Mercer acted as independent remuneration advisors to the Committee for 2019. During 2019, the Committee also sought advice from FTI Consulting ("FTI"), engaged by the Company to provide independent advisory corporate governance support to the Board, as well as both the Nomination and Remuneration Committees. The Committee is satisfied that the advice from both Mercer and FTI was objective and independent.

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 2019 Annual General Meeting in respect of the Remuneration Committee Report.

Directors' Remuneration Report	For	Against	Withheld*
Number of Votes (millions)	535,628,007	17,247,618	3,357,802
Percentage %	96.88	3.12	–

* A vote withheld is not a vote in law and is therefore excluded from the calculation of votes for and against the resolution.

Directors' Report

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2019.

Principal Activities, Business Review and Future Developments

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 2019, the Group consisted of the Company, Cairn Homes plc, and a number of subsidiaries, which are detailed in note 26 to the consolidated financial statements. Shareholders are referred to the Chairman's Statement, Chief Executive Officer's Statement and the Financial Review which contain a review of operations and the financial performance of the Group for 2019, the outlook for 2020 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 2019 and the Consolidated Statement of Financial Position at that date are set out on pages 100 and 101 respectively. The Group's profit for the year ended 31 December 2019 was €51.2 million (2018: €31.4 million).

Dividends

The Company paid a first interim dividend of 2.5 cent per ordinary share on 18 October 2019 to shareholders on the register on the record date of 20 September 2019.

Directors and Company Secretary

The names of the Directors and a biographical note on each appear on pages 48 and 49. Ms Jayne McGivern and Mr David O'Beirne joined the Board on 1 March 2019 and Ms Linda Hickey joined the Board on 12 April 2019. Mr Tim Kenny resigned from the Board on 7 January 2020. The Company Secretary's details are set out in the Management Team on page 51.

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 22 May 2019 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 2020 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 85 and 86.

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 2019 and 24 March 2020 (being the latest practicable date before approval of this Annual Report), the Company had 770,655,088 Ordinary Shares and 750,715,547 Ordinary Shares in issue respectively, 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:

	% of Total Issued Share Capital	
Share Class	**31 December 2019**	**24 March 2020**
Ordinary Shares	95.16	95.04
Founder Shares	2.37	2.43
Deferred Shares	2.47	2.53

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 2019 and 24 March 2020 (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 24 March 2020 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 2019	%	Notified Holding 24 March 2020	%
BMO Global Asset Management	90,213,585	11.71	75,983,973	10.12
FIL Investment International	75,442,686	9.79	73,251,251	9.76
Lansdowne Partners International Limited	67,260,849	8.73	72,023,160	9.59
Coltrane Asset Management	61,536,000	7.98	Below 3%	Below 3%
Emerald Everleigh Limited Partnership*	39,641,464	5.14	39,641,464	5.28
Fidelity Management & Research	39,612,371	5.14	39,897,966	5.31
T. Rowe Price Associates, Inc.	31,939,348	4.14	31,285,354	4.17
GLG Partners L.P.	25,394,714	3.30	28,025,485	3.73
Capital World Investors	Below 3%	Below 3%	38,941,000	5.19
Soros Fund Management LLC	Below 3%	Below 3%	24,128,855	3.21
Total Shares in Issuance	**770,655,088**		**750,715,547**	

* 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 35 to 39 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 118 to 120, substantial shareholdings above, and the disclosures on Directors' remuneration and interests in the Remuneration Committee Report on pages 69 to 88 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 6 to 8, the Chief Executive Officer's Statement on pages 9 to 13 and the Financial Review on pages 40 and 41.
2. The Corporate Governance Report on pages 54 to 60.
3. The Principal Risks and Uncertainties on pages 35 to 39.
4. Details of Earnings Per Share on page 126.
5. Details of the Capital Structure of the Company on pages 118 to 120.

Corporate Governance Regulations

As required by company law, the Directors have prepared a Corporate Governance Report which is set out on pages 54 to 60 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 34.

Subsidiaries
Information on the Company's subsidiaries is set out in note 26 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 five independent Non-Executive Directors. Details of the Committee and its activities are set out on pages 61 to 64.

External Auditor
KPMG were appointed statutory auditor in 2015. 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 2020 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 25 March 2020.

Signed on behalf of the Board

John Reynolds.

John Reynolds
Chairman

Michael Stanley
Director

Financial Statements

Consolidated Financial Statements
For the year ended 31 December 2019

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 48 and 49 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 2019 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.

John Reynolds
Chairman

Michael Stanley
Director

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cairn Homes plc ('the Company' and, together with its subsidiaries, 'the Group') for the year ended 31 December 2019, 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 for the Group and note 1 for the Company. 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 2019 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 and Risk Committee.

We were appointed as auditor by the Directors on 10 June 2015. The period of total uninterrupted engagement is the five years ended 31 December 2019. 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 judgement, 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 €897.3m (2018: €933.4m) and profit recognition

Refer to page 64 (Audit and Risk Committee Report), page 109 (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 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 inventories 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 inspected 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 inspected forecast residential unit sales prices for consistency with sales prices achieved for similar properties or estimates supplied by external 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 of management 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 demand for housing.

c) For sites in development, we compared actual revenues and costs to estimates to assess whether net realisable values were updated and that the overall expected sales margins were 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 permission to documentary support and evaluated 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 assumptions relating to the Group's inventories and profit recognition.

Independent Auditor's Report continued

to the members of Cairn Homes plc

Revenue recognition €435.3m (2018: €337.0m)
Refer to page 109 (accounting policy for revenue) and note 6 to the consolidated financial statements (financial disclosures – revenue)

The key audit matter
There was a substantial increase in reported revenue compared to prior year. A relatively high proportion of total revenue was recorded in the latter part of the year, which required particular emphasis on the recognition of revenue in the correct accounting period. Also, as well as traditional sales of residential units to private individuals, the Group entered into other types of agreements with certain customers during the year for the sale of multiple units, which required particular consideration in relation to the application of the relevant accounting standard.

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 revenue had been recognised in the correct accounting period.
c) We evaluated the approach adopted by management for the timing and amount of revenue to be recognised in accordance with the relevant accounting standard 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 revenue recognition model in the relevant accounting standard, 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.

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 the relevant accounting standard.

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 €2.8m (2018: €2.6m). This has been calculated with reference to a benchmark of profit before taxation. Materiality represents approximately 4.8% (2018: 6.9%) 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 profit before taxation benchmark because profitability increased significantly in 2019, and this benchmark is typically applied for listed groups which have reached a mature stage. In assessing materiality in absolute terms for 2019 we also had regard to the level of revenue and total assets.

In the prior year, our materiality was calculated with reference to a benchmark of total revenue, of which it represented 0.77%. In assessing materiality in absolute terms for 2018 we also had regard to the level of profit and total assets.

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.14m (2018: €0.13m), 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 (2018: €1.8m), determined with reference to a benchmark of total assets, of which it represents 0.26% (2018: 0.25%).

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 34 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, 2019 Highlights, Investment Case section, Chairman's Statement, Chief Executive Officer's Statement, Our Portfolio at a Glance section, Business Model, Market Overview, Our Strategy section, Strategy in Action section, Risk Report, Financial Review, Corporate Social Responsibility section, Board of Directors section, Management Team section, Site Management Team section, Corporate Governance Report, Audit and 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 report that, in those parts of the Directors' Report specified for our consideration:

- 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; and
- 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 34 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 and Risk Committee Report*: if the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; and
- *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 of Euronext Dublin and/or the UK Listing Authority for our review.

We have nothing to report in these respects.

Independent Auditor's Report continued

to the members of Cairn Homes plc

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Report on pages 54 to 60 and the Directors' Report, 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 Directors' 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 2019 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 34 in relation to going concern and longer-term viability;
- the part of the Corporate Governance Report on pages 54 to 60 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 93, 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

25 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

		2019	2018		
	Note	Total €'000	Before Exceptional Items €'000	Exceptional Items (note 31) €'000	Total €'000
Continuing operations					
Revenue	6	**435,331**	337,021	–	**337,021**
Cost of sales		**(350,030)**	(267,924)	–	**(267,924)**
Gross profit		**85,301**	69,097	–	**69,097**
Other income		**119**	–	–	**–**
Administrative expenses	7	**(17,371)**	(15,879)	–	**(15,879)**
Operating profit		**68,049**	53,218	–	**53,218**
Finance income		**–**	3	–	**3**
Finance costs	8	**(9,461)**	(11,708)	(3,930)	**(15,638)**
Profit before taxation		**58,588**	41,513	(3,930)	**37,583**
Tax charge	10	**(7,372)**			**(6,165)**
Profit for the year		**51,216**			**31,418**
Other comprehensive income		**–**			**–**
Total comprehensive income for the year		**51,216**			**31,418**
Profit attributable to:					
Owners of the Company		**51,224**			**30,764**
Non-controlling interests		**(8)**			**654**
Profit for the year		**51,216**			**31,418**
Basic earnings per share	27	**6.5 cent**			**4.0 cent**
Diluted earnings per share	27	**6.5 cent**			**4.0 cent**

Consolidated Statement of Financial Position
At 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Non-current assets			
Property, plant and equipment	11	**1,976**	1,358
Right of use assets	12	**1,083**	–
Intangible assets	13	**673**	855
		3,732	**2,213**
Current assets			
Inventories	14	**897,259**	933,355
Trade and other receivables	15	**11,701**	8,033
Current taxation		**655**	–
Cash and cash equivalents	16	**56,810**	62,232
		966,425	**1,003,620**
Total assets		**970,157**	**1,005,833**
Equity			
Share capital	17	**810**	828
Share premium	17	**199,616**	749,616
Other undenominated capital	17	**18**	–
Share-based payment reserve	18	**8,002**	7,782
Retained earnings		**552,796**	(6,088)
Equity attributable to owners of the Company		**761,242**	**752,138**
Non-controlling interests	28	**2,496**	4,418
Total equity		**763,738**	**756,556**
Liabilities			
Non-current liabilities			
Loans and borrowings	19	**148,041**	147,338
Lease liabilities	20	**804**	–
Deferred taxation	22	**5,084**	5,856
		153,929	**153,194**
Current liabilities			
Loans and borrowings	19	**–**	49,333
Lease liabilities	20	**334**	–
Trade and other payables	23	**52,156**	40,820
Current taxation		**–**	5,930
		52,490	**96,083**
Total liabilities		**206,419**	**249,277**
Total equity and liabilities		**970,157**	**1,005,833**

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 2019

	Attributable to owners of the Company									
	Share Capital									
	Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Other undenom-inated Capital €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
As at 1 January 2019	**789**	**20**	**19**	**749,616**	**–**	**7,782**	**(6,088)**	**752,138**	**4,418**	**756,556**
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	**51,224**	**51,224**	(8)	**51,216**
	–	**–**	**–**	**–**	**–**	**–**	**51,224**	**51,224**	**(8)**	**51,216**
Transactions with owners of the Company										
Purchase of own shares (note 17)	(18)	–	–	–	18	–	(22,647)	**(22,647)**	–	**(22,647)**
Equity-settled share-based payments	–	–	–	–	–	220	–	**220**	–	**220**
Dividends paid to shareholders	–	–	–	–	–	–	(19,693)	**(19,693)**	–	**(19,693)**
Dividends and capital distribution paid by subsidiary to non-controlling shareholder	–	–	–	–	–	–	–	**–**	(1,914)	**(1,914)**
Capital reorganisation – reduction of share premium and transfer to distributable reserves (note 17)	–	–	–	(550,000)	–	–	550,000	**–**	–	**–**
	(18)	**–**	**–**	**(550,000)**	**18**	**220**	**507,660**	**(42,120)**	**(1,914)**	**(44,034)**
As at 31 December 2019	**771**	**20**	**19**	**199,616**	**18**	**8,002**	**552,796**	**761,242**	**2,496**	**763,738**

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 Cash Flows

For the year ended 31 December 2019

	2019 €'000	2018 €'000
Cash flows from operating activities		
Profit for the year	**51,216**	31,418
Adjustments for:		
Share-based payments expense	**220**	1,184
Finance costs	**9,461**	15,638
Finance income	**–**	(3)
Depreciation of property, plant and equipment	**201**	195
Depreciation of right of use assets	**360**	–
Amortisation of intangible assets	**182**	135
Taxation	**7,372**	6,165
	69,012	**54,732**
Decrease/(increase) in inventories	**36,587**	(21,351)
Increase in trade and other receivables	**(3,668)**	(2,493)
Increase in trade and other payables	**11,993**	10,083
Tax paid	**(14,736)**	(858)
Net cash from operating activities	**99,188**	**40,113**
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,309)**	(424)
Purchases of intangible assets	**–**	(169)
Transfer from restricted cash	**–**	17,002
Net cash (used in)/from investing activities	**(1,309)**	**16,409**
Cash flows from financing activities		
Purchase of own shares	**(22,241)**	–
Proceeds from borrowings, net of debt issue costs	**–**	94,151
Repayment of loans	**(50,000)**	(145,559)
Investment in subsidiary by non-controlling shareholder	**–**	2,496
Settlement of contingent consideration for Argentum acquisition	**–**	(3,250)
Dividends paid	**(19,693)**	–
Dividends and capital distribution paid by subsidiary to non-controlling shareholder	**(1,914)**	(527)
Repayment of lease liabilities	**(305)**	–
Interest and other finance costs paid	**(9,148)**	(10,404)
Net cash used in financing activities	**(103,301)**	**(63,093)**
Net decrease in cash and cash equivalents in the year	**(5,422)**	**(6,571)**
Cash and cash equivalents at beginning of the year	**62,232**	68,803
Cash and cash equivalents at end of the year	**56,810**	**62,232**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

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 2019 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 2019. They did not have a material effect on the consolidated results of the Group:
- IFRS 16 *Leases*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation;*
- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IAS 28 *Long-term Interest in Associates and Joint Ventures*; and
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

Details of the impact of IFRS 16 are set out in notes 3 (c), 12 and 20.

The following standards and interpretations are not yet endorsed by the EU. The potential impact of these standards on the Group is under review:
- IFRS 17, *Insurance Contracts;*
- Amendments to IFRS 3, *Definition of a Business*; 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 2020. The Group has not adopted these standards early, and instead intends to apply them from their effective date. The potential impact of these standards on the Group is under review.
- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8, *Definition of Material*; and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

(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. In terms of reaching this assessment, the Board has also considered the impact of the COVID-19 outbreak. Inevitably, there will be some negative impact on the business although the extent is not yet clear. The Board does not expect any reasonably anticipated COVID-19 outcomes to impact the Group's ability to continue as a going concern.

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 significant accounting judgement impacting these financial statements is:
- scale and mix of each development and the achievement of associated planning permissions

This may involve assumptions on new or amended planning permission applications. This judgement then feeds into the process of forecasting expected profitability by development which is used to determine the profit that the Group is able to recognise on its

2. Key Judgements and Estimates continued
developments in each reporting period.

The key sources of estimation uncertainty impacting these financial statements are:
- forecast selling prices; and
- carrying value of inventories and allocations from inventories to cost of sales (See notes 3 (f) and 14).

Due to the nature of the Group's activities and, in particular the scale of its development costs and the length of the development cycle, the Group has to allocate site-wide development costs between units completed in the current year and those in future years. It also has to forecast the costs to complete on such developments and make estimates relating to future sales prices. Forecast selling prices are inherently uncertain due to changes in market conditions. These estimates impact management's assessment of the net realisable value of the Group's inventories and also determine the extent of profit or loss that should be recognised in respect of each development in each reporting period.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has developed internal controls designed to effectively assess and review carrying values and the appropriateness of estimates made.

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 2019.

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
- Motor vehicles 4 years
- Computers & equipment 3-7 years

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

3. Significant Accounting Policies continued
(b) Property, plant and equipment continued
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
Leases
IFRS 16, Leases, is effective for the first time in the financial year ended 31 December 2019. IFRS 16 has replaced IAS 17 Leases. The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees under which the distinction between operating leases and finance leases is removed for lessees.

The policy applicable up to 31 December 2018 under IAS 17 was that payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. The Group had no finance leases under IAS 17.

Under IFRS 16, all assets held by the Group under lease agreements which are greater than twelve months in duration are recognised as right-of-use assets within the statement of financial position representing its rights to use the underlying asset. The present value of future payments to be made under those lease agreements is recognised as a liability representing its obligation to make lease payments. Rental expenses are replaced in profit or loss with finance costs on the lease liability and depreciation of the right-of-use assets.

The Group has applied IFRS 16 using the modified retrospective approach, under which the right-of-use asset and related lease liability have been determined by discounting the lease payments over the expected term of the lease at a discount rate of 2.6% reflecting the Group's incremental borrowing rate. Accordingly, the comparative information presented for 2018 has not been restated and it is presented, as previously reported, under IAS 17 and related interpretations.

The Group recognises a right-of-use asset and a lease liability at inception, being the later of the date of initial application of IFRS 16 or the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the inception date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by the lease payments made. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs, and subsequently at cost less any accumulated depreciation. Depreciation is charged on a straight-line basis over the lease term from the inception date.

The right-of-use asset and lease liability recognised under IFRS 16 represents the Group's lease on the central support office, which is the only lease impacted by IFRS 16.

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

	1 January 2019 €'000
Right-of-use assets	1,443
Lease liabilities	1,443

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 2.6% at 1 January 2019.

	1 January 2019 €'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,510
Discounted using the incremental borrowing rate at 1 January 2019	1,443
Lease liabilities recognised at 1 January 2019	**1,443**
Lease liabilities recognised at 31 December 2019	**1,138**

Impact for the year ended 31 December 2019
As a result of initially applying IFRS 16, the Group has recognised €1.1 million of right-of-use assets and €1.1 million of lease liabilities as at 31 December 2019. In addition, the Group has recognised depreciation and interest costs, instead of an operating lease expense. During the year ended 31 December 2019, the Group recognised €0.360 million of depreciation charge on right of use assets and €0.038 million of interest costs on lease liabilities.

3. Significant Accounting Policies continued

(d) Intangible assets

Computer software

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

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

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

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

(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 units, 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 inventories.

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.

(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).

3. Significant Accounting Policies continued

(g) Share-based payments continued

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 tax assets and liabilities requires judgement in interpreting tax legislation and current case law in order to estimate the amount to be recognised. In line with accounting standards, the Group reflects the effect of an uncertainty using either the "most likely amount" method or the "expected value" method, as appropriate for the particular uncertainty.

(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) 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.

Any 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.

(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.

3. Significant Accounting Policies continued

(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

(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	IFRS 9 classification
Financial assets	
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Financial liabilities	
Loans and borrowings	Amortised cost
Trade payables and accruals	Amortised cost

(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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

3. Significant Accounting Policies continued
(p) Financial instruments continued
(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).

(v) Derecognition and modification of financial liabilities continued
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.

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).

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 29 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

	2019 €'000	2018 €'000
Residential property sales	**401,808**	294,184
Residential site sales	**32,152**	41,657
Revenue from contracts with customers	**433,960**	335,841
Other revenue		
Income from property rental	**1,371**	1,180
	435,331	337,021

	2019 €'000	2018 €'000
Residential property sales		
Houses	**292,331**	197,676
Apartments	**109,477**	96,508
	401,808	294,184

7. Administrative Expenses

	2019 €'000	2018 €'000
Employee benefits expense (note 9)	**10,820**	10,045
Other expenses	**6,551**	5,834
	17,371	**15,879**

8. Finance Costs

	2019	2018		
	Total €'000	Before exceptional items €'000	Exceptional items €'000	Total €'000
Interest expense on financial liabilities measured at amortised cost	**8,049**	11,085	–	11,085
Other finance costs	**1,374**	623	–	623
Interest on lease liabilities	**38**	–	–	–
Settlement of contingent consideration	**–**	–	3,250	3,250
Write-off of residual arrangement fees on refinancing	**–**	–	680	680
	9,461	**11,708**	**3,930**	**15,638**

Interest expense for the year ended 31 December 2019 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 2018
In the prior year, in accordance with IFRS 3 *Business Combinations*, a contingent consideration settlement of €3.25 million was charged to profit or loss in relation to the Swords site which was acquired as part of the Argentum acquisition in 2016.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

8. Finance Costs continued
Exceptional finance costs in 2018 continued
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 arose from non-routine transactions and were therefore classified as exceptional finance costs (note 31).

9. Statutory and Other Information
(i) Employees
The average number of persons employed by the Group (including Executive Directors) during the year was:

	2019	2018
Number of employees	**182**	146

The aggregate payroll costs of these employees were:

	2019 €'000	2018 €'000
Wages and salaries	**17,546**	13,336
Social welfare costs	**1,917**	1,414
Pension costs – defined contribution schemes	**1,275**	634
Share-based payments expense	**220**	1,449
Other	**113**	81
	21,071	**16,914**
Amounts capitalised into inventories	**(10,251)**	(6,869)
Employee benefits expense	**10,820**	**10,045**

(ii) Other information

	2019 €'000	2018 €'000
Operating lease rental expense	**–**	343
Net foreign currency (gains)/losses recognised in profit or loss	**(2)**	27
Auditor's remuneration		
Audit of Group, Company and subsidiary financial statements	**295**	265
Other assurance services	**20**	20
Tax advisory services	**29**	192
Other non-audit services	**68**	155
	412	**632**
Auditor's remuneration for the audit of the Company financial statements was €15,000 (2018: €15,000)		
Directors' remuneration*		
Salaries, fees and other emoluments	**2,244**	2,421
Pension contributions – defined contribution schemes	**106**	120
	2,350	**2,541**

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

10. Taxation

	2019 €'000	2018 €'000
Current tax charge for the year	**8,144**	5,920
Deferred tax (credit)/charge for the year (note 22)	**(772)**	245
Total tax charge	**7,372**	**6,165**

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

	2019 €'000	2018 €'000
Profit before tax	**58,588**	**37,583**
Tax charge at standard Irish income tax rate of 12.5%	**7,324**	4,698
Effects of:		
Income taxed/expenses deductible at the higher rate of corporation tax	**32**	204
Expenses not deductible for tax purposes	**96**	164
Prior utilisation of tax losses	**–**	886
Adjustment in respect of prior year	**(80)**	213
Total tax charge	**7,372**	**6,165**

11. Property, Plant and Equipment

	Leasehold improvements €'000	Motor vehicles €'000	Computers & equipment €'000	2019 Total €'000
Cost				
At 1 January 2019	463	–	1,762	**2,225**
Additions	20	77	1,212	**1,309**
At 31 December 2019	**483**	**77**	**2,974**	**3,534**
Accumulated depreciation				
At 1 January 2019	(198)	–	(669)	**(867)**
Depreciation	(58)	(11)	(622)	**(691)**
At 31 December 2019	**(256)**	**(11)**	**(1,291)**	**(1,558)**
Net book value				
At 31 December 2019	**227**	**66**	**1,683**	**1,976**

Depreciation of €0.49 million (2018: €0.24 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 2019

11. Property, Plant and Equipment continued

	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**

12. Right of Use Assets

	2019 €'000	2018 €'000
Cost		
At 1 January 2019 on initial application of IFRS 16	**1,443**	–
Additions	**–**	–
At 31 December 2019	**1,443**	**–**
Accumulated depreciation		
At 1 January 2019	**–**	–
Depreciation	**(360)**	–
At 31 December 2019	**(360)**	**–**
Net book value		
At 31 December 2019	**1,083**	**–**

Following the adoption of IFRS 16, the Group has recognised a right-of-use asset in respect of the lease of its central support office property. On initial application of IFRS 16, the asset and related lease liability (notes 3(c) and 20) were determined by discounting the lease payments over the expected remaining term of the lease at a discount rate of 2.6% reflecting the Group's incremental borrowing rate at 1 January 2019.

13. Intangible Assets

	2019 €'000
Software	
Cost	
At 1 January 2019	**1,103**
Additions	**–**
At 31 December 2019	**1,103**
Accumulated amortisation	
At 1 January 2019	**(248)**
Amortisation	**(182)**
At 31 December 2019	**(430)**
Net book value	
At 31 December 2019	**673**

	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**

14. Inventories

	2019 €'000	2018 €'000
Land held for development	**692,756**	750,653
Construction work in progress	**204,503**	180,833
Development land collateral	**–**	1,869
	897,259	**933,355**

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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

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 inventories 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 inventories.

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 now completed the foreclosure process of transferring development land collateral into its direct ownership and the carrying value of this collateral property at 31 December 2019 was nil (2018: €1.9 million).

The total amount charged to cost of sales from inventories during the year was €348.2 million (2018: €266.6 million).

15. Trade and Other Receivables

	2019 €'000	2018 €'000
Construction bonds	**5,884**	3,963
Other receivables	**5,817**	4,070
	11,701	**8,033**

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

16. Cash and Cash Equivalents

	2019 €'000	2018 €'000
Cash and cash equivalents	**56,810**	**62,232**

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 cash and cash equivalents is identical to the carrying value.

17. Share Capital and Share Premium

Authorised	Number	2019 €'000	Number	2018 €'000
Ordinary Shares of €0.001 each	1,000,000,000	1,000	1,000,000,000	1,000
Founder Shares of €0.001 each	100,000,000	100	100,000,000	100
Deferred Shares of €0.001 each	120,000,000	120	120,000,000	120
A Ordinary Shares of €1.00 each	20,000	20	20,000	20
Total authorised share capital		**1,240**		**1,240**

Issued and fully paid	Number	Share capital €'000	Share premium €'000	Total €'000
As at 31 December 2019				
Ordinary Shares of €0.001 each	770,655,088	771	199,597	200,368
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		**810**	**199,616**	**200,426**

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**

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 13,555,311 at 31 December 2019.

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
No shares were issued during the year ended 31 December 2019.

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.

Notes to the Consolidated Financial Statements continued
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17. Share Capital and Share Premium continued
Share Issues continued

Capital reorganisation

On 29 April 2019, the High Court approved a capital reorganisation to reduce the Company's share premium account by €550 million and the resulting reserves from this cancellation have been treated as realised profits. The capital reorganisation took effect on 1 May 2019.

Share buyback

Further to the authority granted at the Annual General Meeting on 22 May 2019, the Company commenced a €25 million share buyback programme on 13 September 2019. As at 31 December 2019, the total cost of shares repurchased under the buyback programme was €22,646,683. In accordance with the share buyback programme, all repurchased shares are subsequently cancelled. 18,128,083 repurchased shares were cancelled in the year ended 31 December 2019. This programme completed on 13 January 2020.

On 16 January 2020, the Company announced an extension of its €25 million share buyback programme to include up to a further €35 million, thereby increasing the size of the overall share buyback programme to €60 million (note 33). Despite the Group's robust financial position and strong cashflow generation capability, the Board has carefully considered its capital return policy in the face of the COVID-19 crisis and, with the long term interests of the Group in mind, has determined to suspend the share buyback programme, as of 24 March 2020.

Other Undenominated Capital	2019 €'000	2018 €'000
At 1 January	–	–
Nominal value of own shares purchased	18	–
At 31 December	18	–

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.

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 3,889,750 shares made to employees remain outstanding as at 31 December 2019 (2018: 3,121,413). 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, 2018 and 2019 to fair value the TSR-based LTIP awards. The fair value (per unit) at the date of grant of these awards ranged from €1.11 to €1.326 (2019 awards); €1.088 to €1.862 (2018 awards) and €1.52 to €1.76 (2017 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;

18. Share-Based Payments continued

Long Term Incentive Plan continued

- 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), €1.89 (2018) and €1.058 (2019).

The Group recognised costs related to the LTIP during the year ended 31 December 2019 of €0.220 million (2018: €1.449 million), of which €0.070 million (2018: €1.184 million) was charged to profit or loss and €0.150 million (2018: €0.265 million) was included in construction work in progress within inventories. There was a corresponding increase of €0.220 million in the share-based payment reserve in equity.

The number of outstanding conditional share awards under the LTIP are as follows:

	2019 €'000	2018 €'000
Outstanding at beginning of year	**3,121,413**	1,465,909
Forfeited during the year	**(247,359)**	–
Lapsed during the year	**(1,350,777)**	–
Granted during the year	**2,366,473**	1,655,504
Outstanding at end of year	**3,889,750**	3,121,413

Share Options

500,000 ordinary share options were issued in the year ended 31 December 2015, to a Director at that time and none have been exercised as at 31 December 2019. 250,000 of these options vested during 2018 and the remaining 250,000 vested 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 vested during 2019 was calculated at €0.220 per share. The related charge to profit or loss during the year ended 31 December 2019 was nil (2018: nil).

19. Loans and Borrowings

	2019 €'000	2018 €'000
Current liabilities		
Bank and other loans		
Repayable within one year	**–**	49,333
Non-current liabilities		
Bank and other loans		
Repayable as follows:		
Between one and two years	**–**	–
Between two and five years	**90,704**	75,058
Greater than five years	**57,337**	72,280
	148,041	147,338
Total borrowings	**148,041**	196,671

In the prior year, 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). These debt facilities are secured by a debenture incorporating fixed and floating charges and assignments over certain assets of the Group.

The €50 million term loan with Activate Capital, which the Group entered into on 5 July 2017, was repaid on 12 July 2019.

The Group had undrawn revolving credit facilities of €194 million at 31 December 2019.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

20. Lease Liabilities

	2019 €'000	2018 €'000
Current liabilities		
Lease liabilities		
Repayable within one year	**334**	–
	334	–
Non-current liabilities		
Lease liabilities		
Repayable as follows:		
Between one and two years	**334**	–
Between two and five years	**470**	–
	804	–
Total lease liabilities	**1,138**	–

Following the adoption of IFRS 16, the Group has recognised a lease liability in respect of the lease of its central support office property. On initial application of IFRS 16 the lease liability and related right-of-use asset were determined by discounting the lease payments over the expected remaining term of the lease at a discount rate of 2.6% reflecting the Group's incremental borrowing rate.

The undiscounted remaining contractual cash flows at 31 December 2019 are as follows:

	Contractual cash flows				
As at 31 December 2019	**Total €'000**	**6 months or less €'000**	**6-12 months €'000**	**1-2 year €'000**	**2-5 years €'000**
Lease liability	**(1,201)**	(172)	(172)	(343)	(514)

21. Reconciliation of Movement of Liabilities to Cash Flows Arising from Financing Activities

	Liabilities			
	Loans and borrowings (note 19) €'000	Accrued interest and other finance costs €'000	Lease liabilities €'000	Total €'000
Balance at 1 January 2019	**196,671**	**1,825**	–	**198,496**
Cash flows from financing activities				
Repayment of loans	(50,000)	–	–	**(50,000)**
Interest and other finance costs paid	–	(9,148)	–	**(9,148)**
Repayment of lease liabilities	–	–	(305)	**(305)**
Total changes from financing cash flows	**(50,000)**	**(9,148)**	**(305)**	**(59,453)**
Other changes				
Amortisation of borrowing costs	1,370	–	–	**1,370**
Interest and other finance costs for the year	–	8,091	–	**8,091**
Recognition of lease liabilities on IFRS 16 transition	–	–	1,443	**1,443**
Total other changes	**1,370**	**8,091**	**1,443**	**10,904**
Balance at 31 December 2019	**148,041**	**768**	**1,138**	**149,947**

	Liabilities		
	Loans and borrowings (note 19) €'000	Accrued interest and other finance costs €'000	Total €'000
Balance at 1 January 2018	**245,199**	**2,721**	**247,920**
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**	**1,825**	**198,496**

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

22. Deferred Taxation

Movement in net deferred tax liability:	2019 €'000	2018 €'000
Opening balance	**5,856**	5,611
(Credit)/charge to profit or loss	**(772)**	245
As at year end	**5,084**	5,856

Deferred tax arises from temporary differences relating to tax losses (deferred tax assets) and land held for development (deferred tax liabilities).

2019	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	**744**	**(6,600)**	**(5,856)**
Recognised in profit or loss	**–**	**772**	**772**
Closing balance	**744**	**(5,828)**	**(5,084)**

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)**

There are unrecognised deferred tax assets of €0.129 million at 31 December 2019 (2018: €0.129 million).

23. Trade and Other Payables

	2019 €'000	2018 €'000
Trade payables	**13,102**	16,064
Accruals	**19,094**	15,662
VAT liability	**17,768**	7,828
Other creditors	**2,192**	1,266
	52,156	40,820

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.

24. Dividends

Dividends of €19.7 million (2.5 cent per ordinary share) were paid by the Company during the year (2018: nil).

Dividends and a capital distribution totalling €1.9 million (2018: dividend of €0.527 million) were paid during the year by the Company's subsidiary, Balgriffin Cells P13-P15 DAC (note 28), to National Asset Management Agency ("NAMA") in respect of its 35% shareholding.

25. Related Party Transactions

For the year ended 31 December 2019, 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:

	2019 €'000	2018 €'000
Short-term employee benefits	**2,244**	2,192
Post-employment benefits (pension contributions – defined contribution schemes)	**106**	102
Share-based payment expense – LTIP	**–**	380
Total remuneration of key management personnel	**2,350**	2,674

26. Group Entities

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

Group company	Principal activity	Company's holding Direct	Company's holding 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	Dormant (dissolved January 2020)	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%

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

27. Earnings Per Share
The basic earnings per share for the year ended 31 December 2019 is based on the earnings attributable to ordinary shareholders of €51.224 million and the weighted average number of ordinary shares outstanding for the period.

	2019 €'000	2018 €'000
Profit for the year attributable to the owners of the Company	**51,224**	30,764
Numerator for basic and diluted earnings per share	**51,224**	30,764
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares for year (basic)	**785,864,442**	771,848,317
Dilutive effect of options	**89,471**	197,625
Denominator for diluted earnings per share	**785,953,913**	772,045,942
Earnings per share (cent)		
– Basic	**6.5**	4.0
– Diluted	**6.5**	4.0

There is no dilution in respect of Founder Shares. It is assumed, as is required under IAS 33, that the test period for the Founder Share conversion calculation is from 1 September 2019 to 31 December 2019, however the actual test period for determining the Founder Share conversion in 2020 will be from 1 March 2020 to 30 June 2020. 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 (note 18). There is no dilution in respect of the LTIP as the performance conditions are not met as at 31 December 2019.

Adjusted earnings per share	2019 €'000	2018 €'000
Profit attributable to owners of the Company	51,224	30,764
Exceptional items (note 31)	–	3,930
Tax effect of exceptional items	–	(491)
Adjusted profit for purposes of calculating adjusted earnings per share	**51,224**	**34,203**
Weighted average number of ordinary shares for period (basic)	785,864,442	771,848,317
Adjusted earnings per share – basic	**6.5 cent**	**4.4 cent**

Adjusted earnings per share is 6.5 cent (2018: 4.4 cent). The only adjustment to basic earnings per share was to exclude the exceptional items (net of their tax effect) in 2018 (note 31).

28. Non-Controlling Interests

The non-controlling interest at 31 December 2019 of €2.5 million relates to the 25% share of the net assets of a subsidiary entity, Balgriffin Investment No. 2 HoldCo DAC, which is held by National Asset Management Agency ("NAMA"). Cairn Homes plc holds 75% of the equity share capital in this subsidiary which is involved in the development of residential property.

The non-controlling interest at 31 December 2018 of €4.4 million relates to the 25% share of Balgriffin Investment No. 2 HoldCo DAC referred to above and the 35% share of the net assets of a subsidiary entity, Balgriffin Cells P13-P15 DAC, which was also held by NAMA. Balgriffin Cells P13-P15 DAC was formerly involved in the development of residential property. It completed its development activities in 2018 and was since wound up in an orderly manner and dissolved in January 2020.

Name	Principal activities	Country of incorporation	Ownership interest held by non-controlling interest % 2019	2018
Balgriffin Cells P13-P15 DAC	Development of property	Ireland	**35%**	35%
Balgriffin Investment No. 2 HoldCo DAC	Holding company	Ireland	**25%**	25%

29. 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.

The maximum amount of credit exposure is therefore:

	2019 €'000	2018 €'000
Construction bonds and other receivables	**11,701**	8,033
Cash and cash equivalents – current	**56,810**	62,232
	68,511	70,265

Construction bonds and other receivables of €11.7 million at 31 December 2019 were all not past due. The construction bonds and other receivables have been reviewed and considering the nature of the counterparties no credit losses are expected. As a result, no credit loss provision has been recognised.

Notes to the Consolidated Financial Statements continued
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29. Financial Instruments and Risk Management continued
(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 2019 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.

	2019 €'000	2018 €'000
Financial liabilities due in less than one year		
Trade payables and accruals	**32,196**	31,726
Lease liabilities	**334**	–
Borrowings	–	49,333
	32,530	81,059
Financial liabilities due after more than one year		
Lease liabilities	**804**	
Borrowings	**148,041**	147,338
	148,845	147,338
Funds available:		
Cash and cash equivalents	**56,810**	62,232
Revolving credit facilities undrawn	**194,000**	198,927
	250,810	261,159

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 the financial forecasts.

These forecasts are based on:
- detailed forecasting by site for the period 2020-2022, reflecting trends experienced up to the date of preparation of the financial forecasts; and
- future revenues for 2020-2022 based on management's assessment of trends across principal development sites.

Notwithstanding the evolving COVID-19 situation (note 33), the Directors expect that the Group will meet all of its obligations as they fall due on the basis that there is sufficient liquidity available to the Group for the period beyond one year from the date of approval of these financial statements.

29. Financial Instruments and Risk Management continued

(c) Liquidity risk continued

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 2019	**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	32,196	(32,196)	(32,196)	–	–	–	–
Lease liabilities	1,138	(1,201)	(172)	(172)	(343)	(514)	–
Loans and borrowings	148,041	(170,585)	(2,226)	(2,226)	(4,451)	(101,616)	(60,066)
	181,375	**(203,982)**	**(34,594)**	**(2,398)**	**(4,794)**	**(102,130)**	**(60,066)**

		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)**

(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 2019, 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; and

(b) a €72.5 million private placement of loan notes with Pricoa Capital which have a fixed coupon of 3.36%.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

29. Financial Instruments and Risk Management continued
(d) Market risk continued
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 2019				
Variable-rate instruments – borrowings	(606)	–	(606)	–
Cash flow sensitivity (net)	(606)	–	(606)	–

	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)	–

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 9.4% at 31 December 2019 (2018: 13.4%). Net debt is defined as loans and borrowings (note 19) less cash and cash equivalents (note 16).

On 29 April 2019, the High Court approved a capital reorganisation to reduce the Company's share premium account by €550 million and the resulting reserves from this cancellation have been treated as realised profits. The capital reorganisation took effect on 1 May 2019 (note 17).

Further to the authority granted at the Annual General Meeting on 22 May 2019, the Company commenced a €25 million share buyback programme on 13 September 2019. As at 31 December 2019, the total cost of shares repurchased under the buyback programme was €22,646,683. In accordance with the share buyback programme, all repurchased shares are subsequently cancelled. 18,128,083 repurchased shares were cancelled in the year ended 31 December 2019. This programme completed on 13 January 2020.

On 16 January 2020, the Company announced an extension of its €25 million share buyback programme to include up to a further €35 million, thereby increasing the size of the overall share buyback programme to €60 million (note 33). Despite the Group's robust financial position and strong cashflow generation capability, the Board has carefully considered its capital return policy in the face of the COVID-19 crisis and, with the long term interests of the Group in mind, has determined to suspend the share buyback programme, as of 24 March 2020.

The Company paid a first interim ordinary dividend of 2.5 cent per share (€19.7 million) in October 2019.

(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

29. Financial Instruments and Risk Management continued

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

- **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.

	2019 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	11,701			
Cash and cash equivalents	56,810			
	68,511			
Financial liabilities measured at amortised cost				
Trade payables and accruals	32,196			
Borrowings	148,041		148,041	
	180,237			

	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	62,232			
	70,265			
Financial liabilities measured at amortised cost				
Trade payables and accruals	31,726			
Borrowings	196,671		196,671	
	228,397			

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

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 2019 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 26 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.

At 31 December 2019, the Group had contracted as follows:
- to sell 282 apartments at The Quarter in Citywest, Dublin 24 to Urbeo for €94 million (incl. VAT). These apartments are currently under construction with a phased delivery commencing in late 2020.
- to sell 150 Multifamily PRS residential units in Mariavilla, Maynooth to Urbeo for €53.5 million (incl. VAT). 64 of these units were completed and sold pre year end for €24.2 million (incl. VAT) with the remaining 86 apartments currently under construction with a phased delivery until the end of 2020.
- to sell 229 Multifamily PRS units in Lucan to Carysfort Capital for €78.75 million (incl. VAT). 15 of these units were completed and sold pre year end for €5.2 million (incl. VAT) with the remaining 214 apartments currently under construction with a phased delivery until the end of 2020.
- to acquire two sites, comprising 97 acres of development land within Clonburris SDZ, at a cost of €21 million (incl. VAT). Subsequent to the year end, the Group completed the purchase of these sites (note 33).

At 31 December 2019, the Group had a contingent liability in respect of construction bonds in the amount of €1.5 million.

There are no other commitments or contingent liabilities that should be disclosed in these financial statements.

31. Exceptional Items
Year ended 31 December 2019
There were no exceptional items during 2019.

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 8) in 2018 related to the settlement of this contingent consideration which was agreed with the Argentum vendors during 2018. This was 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 8, note 19) of €0.68 million relating to the previous term loan and revolving credit facility were charged to profit or loss in 2018.

These charges arose from non-routine transactions and were therefore classified as exceptional items.

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 2019, determined in accordance with IFRS as adopted by the EU, is €5.6 million (2018: loss of €4.7 million).

33. Events After the Reporting Period

On 15 January and 16 January 2020, Cairn Homes Properties Limited completed the acquisition of two sites, comprising 97 acres of development land within Clonburris SDZ, at a cost of €21 million (incl. VAT).

On 16 January 2020, the Company announced an extension of its €25 million share buyback programme to include up to a further €35 million, thereby increasing the size of the overall share buyback programme to €60 million (note 17). In the period from 1 January 2020 to 24 March 2020, the Company repurchased 21,321,025 shares at a total cost of €24.5 million, of which 19,939,541 shares had been cancelled as at 24 March 2020. Despite the Group's robust financial position and strong cashflow generation capability, the Board has carefully considered its capital return policy in the face of the COVID-19 crisis and, with the long term interests of the Group in mind, has determined to suspend the share buyback programme, as of 24 March 2020.

The recent outbreak of COVID-19 is clearly concerning and the Company is monitoring developments very closely. The safety and wellbeing of its people has been the Company's overriding priority. The Company has established a COVID-19 response group to assess the range of possible risks, impacts and mitigation strategies and this group will continue to respond to the situation as it evolves. Since the year-end, the Company has seen significant macro-economic uncertainty as a result of the outbreak and inevitably, there will be some negative impact on the business although the extent is not yet clear as the scale and duration remain uncertain. As at the date of approval of the financial statements, the Group is well positioned given its current financial position and strong liquidity position and has mitigation plans in place, which it continues to adapt as the situation evolves.

34. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 25 March 2020.

Company Financial Statements

For the year ended 31 December 2019

Company Statement of Financial Position

At 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Non-current assets			
Property, plant and equipment	2	**438**	507
Right of use assets	3	**1,083**	–
Intangible assets	4	**673**	855
Investments in subsidiaries	5	**34,313**	36,640
		36,507	38,002
Current assets			
Amounts due from subsidiary undertakings	6	**652,262**	687,270
Trade and other receivables	7	**389**	336
Cash and cash equivalents		**6,123**	5,146
		658,774	692,752
Total assets		**695,281**	730,754
Equity			
Share capital	8	**810**	828
Share premium	8	**199,616**	749,616
Other undenominated capital		**18**	–
Share-based payment reserve	9	**8,002**	7,782
Retained earnings		**463,109**	(38,988)
Total equity		**671,555**	719,238
Liabilities			
Non-current liabilities			
Lease liabilities	10	**804**	–
		804	–
Current liabilities			
Trade and other payables	11	**22,588**	11,516
Lease liabilities	10	**334**	–
		22,922	11,516
Total liabilities		**23,726**	11,516
Total equity and liabilities		**695,281**	730,754

On behalf of the Board

John Reynolds
Chairman

Michael Stanley
Director

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share Capital							
	Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Other undenominated capital €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
As at 1 January 2019	**789**	**20**	**19**	**749,616**	**–**	**7,782**	**(38,988)**	**719,238**
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	–	–	(5,563)	**(5,563)**
					–		(5,563)	**(5,563)**
Transactions with owners of the Company								
Purchase of own shares	(18)	–	–	–	18	–	(22,647)	**(22,647)**
Dividends paid to shareholders	–	–	–	–	–	–	(19,693)	**(19,693)**
Equity-settled share-based payments	–	–	–	–	–	220	–	**220**
Capital reorganisation – reduction of share premium and transfer to distributable reserves	–	–	–	(550,000)	–	–	550,000	**–**
	(18)	**–**	**–**	**(550,000)**	**18**	**220**	**507,660**	**(42,120)**
As at 31 December 2019	**771**	**20**	**19**	**199,616**	**18**	**8,002**	**463,109**	**671,555**

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 Cash Flows
For the year ended 31 December 2019

	2019 €'000	2018 €'000
Cash flows from operating activities		
Loss for the year	**(5,563)**	(4,659)
Adjustments for:		
Share-based payments expense	**70**	1,184
Finance costs	**38**	–
Dividend income	**(1,201)**	–
Distribution income	**(2,354)**	–
Impairment of investment in subsidiary undertaking	**2,354**	–
Depreciation of property, plant and equipment	**201**	195
Depreciation of right of use assets	**360**	–
Amortisation of intangible assets	**182**	135
Taxation	**–**	130
	(5,913)	(3,015)
Decrease/(increase) in amounts due from group undertakings	**35,008**	(12,954)
(Increase)/decrease in trade and other receivables	**(53)**	312
Increase in trade and other payables	**10,790**	8,469
Net cash from/(used in) operating activities	**39,832**	**(7,188)**
Cash flows from investing activities		
Investment in shares in subsidiary undertakings	**–**	(7,489)
Dividends and capital distribution received from subsidiary	**3,555**	–
Purchases of property, plant and equipment	**(132)**	(121)
Purchases of intangible assets	**–**	(169)
Net cash from/(used in) investing activities	**3,423**	**(7,779)**
Cash flows from financing activities		
Purchase of own shares	**(22,241)**	–
Dividends paid	**(19,693)**	–
Repayment of lease liabilities	**(306)**	–
Interest paid	**(38)**	–
Net cash used in financing activities	**(42,278)**	**–**
Net increase/(decrease) in cash and cash equivalents in the year	**977**	**(14,967)**
Cash and cash equivalents at beginning of year	**5,146**	20,113
Cash and cash equivalents at end of year	**6,123**	**5,146**

Notes to the Company Financial Statements
For the year ended 31 December 2019

Notes to the Company Financial Statements continued
For the year ended 31 December 2019

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 2019 is €5.6 million (2018: loss of €4.7 million).

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

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

(b) Intra-group guarantees
The Company has given guarantees in respect of borrowings and other liabilities arising in the ordinary course of business of the Company and 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	2019 Total €'000
Cost			
At 1 January 2019	463	475	938
Additions	20	112	132
At 31 December 2019	**483**	**587**	**1,070**
Accumulated depreciation			
At 1 January 2019	(198)	(233)	(431)
Depreciation	(58)	(143)	(201)
At 31 December 2019	**(256)**	**(376)**	**(632)**
Net book value			
At 31 December 2019	**227**	**211**	**438**

	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**

3. Right of Use Assets

	2019 €'000	2018 €'000
Cost		
At 1 January 2019 on initial application of IFRS 16	**1,443**	–
Additions	**–**	–
At 31 December 2019	**1,443**	**–**
Accumulated depreciation		
At 1 January 2019	**–**	–
Depreciation	**(360)**	–
At 31 December 2019	**(360)**	**–**
Net book value		
At 31 December 2019	**1,083**	**–**

Following the adoption of IFRS 16, the Company has recognised a right-of-use asset in respect of the lease of its central support office property. On initial application of IFRS 16, (see note 3(c) of the consolidated financial statements) the asset and related lease liability were determined by discounting the lease payments over the expected remaining term of the lease at a discount rate of 2.6% reflecting the Group's incremental borrowing rate at 1 January 2019.

4. Intangible Assets

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

5. Investments in Subsidiaries

	2019 €'000	2018 €'000
At the beginning of the year	**36,640**	29,151
Additions during the year	**27**	7,489
Impairment during the year	**(2,354)**	–
At the end of the year	**34,313**	36,640

Details of subsidiary undertakings are given in note 26 of the consolidated financial statements.

Additions during 2019 relate to direct transaction costs in respect of the investment in Balgriffin Investment No.2 HoldCo DAC which was acquired for €7.5 million in 2018.

Impairment during 2019 relates to the capital distribution from a subsidiary, Balgriffin Cells P13-P15 DAC, which completed its development activities in 2018 and was since wound up in an orderly manner and dissolved in January 2020. The capital distribution of €2.354 million has been separately accounted for as distribution income. There is a corresponding impairment charge of €2.354 million resulting in a nil impact on profit or loss overall.

6. Amounts due from Subsidiary Undertakings

Amounts due from subsidiary undertakings are repayable on demand.

The amounts owed by subsidiaries have been reviewed and no credit losses are expected based on the financial position of subsidiaries. As a result, no expected credit loss provision has been recognised.

Notes to the Company Financial Statements continued
For the year ended 31 December 2019

7. Trade and Other Receivables

	2019 €'000	2018 €'000
Other receivables	**389**	336
	389	**336**

8. Share Capital and Share Premium
For further information on Share Capital and Share Premium refer to note 17 of the consolidated financial statements. For further information on dividends refer to note 24 of the consolidated financial statements.

9. Share-Based Payments
For further information on Share-Based Payments refer to note 18 of the consolidated financial statements.

10. Lease liabilities

	2019 €'000	2018 €'000
Current liabilities		
Lease liabilities		
Repayable within one year	**334**	–
	334	**–**
Non-current liabilities		
Lease liabilities		
Repayable as follows:		
Between one and two years	**334**	–
Between two and five years	**470**	–
	804	**–**
Total lease liabilities	**1,138**	**–**

Following the adoption of IFRS 16, the Company has recognised a lease liability in respect of the lease of its central support office property. On initial application of IFRS 16 (see note 3(c) of the consolidated financial statements) the lease liability and related right-of-use asset were determined by discounting the lease payments over the expected remaining term of the lease at a discount rate of 2.6% reflecting the Group's incremental borrowing rate at 1 January 2019.

The undiscounted remaining contractual cash flows at 31 December 2019 are as follows:

	Contractual cash flows				
As at 31 December 2019	Total €'000	6 months or less €'000	6-12 months €'000	1-2 year €'000	2-5 years €'000
Lease liability	**(1,201)**	**(172)**	**(172)**	**(343)**	**(514)**

11. Trade and Other Payables

	2019 €'000	2018 €'000
Trade payables	**500**	244
Accruals	**3,038**	2,611
VAT liability	**17,768**	7,989
Payroll taxes	**1,282**	672
	22,588	**11,516**

12. 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 29 of the consolidated financial statements.

13. 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 26 of the consolidated financial statements).

Key management compensation is set out in note 25 of the consolidated financial statements.

14. Events after the Reporting Period

On 16 January 2020, the Company announced an extension of its €25 million share buyback programme to include up to a further €35 million, thereby increasing the size of the overall share buyback programme to €60 million. In the period from 1 January 2020 to 24 March 2020, the Company repurchased 21,321,025 shares at a total cost of €24.5 million, of which 19,939,541 shares had been cancelled as at 24 March 2020. Despite the Group's robust financial position and strong cashflow generation capability, the Board has carefully considered its capital return policy in the face of the COVID-19 crisis and, with the long term interests of the Group in mind, has determined to suspend the share buyback programme, as of 24 March 2020.

The recent outbreak of COVID-19 is clearly concerning and the Company is monitoring developments very closely. The safety and wellbeing of its people has been the Company's overriding priority. The Company has established a COVID-19 response group to assess the range of possible risks, impacts and mitigation strategies and this group will continue to respond to the situation as it evolves. Since the year-end, the Company has seen significant macro-economic uncertainty as a result of the outbreak and inevitably, there will be some negative impact on the business although the extent is not yet clear as the scale and duration remain uncertain. As at the date of approval of the financial statements, the Group is well positioned given its current financial position and strong liquidity position and has mitigation plans in place, which it continues to adapt as the situation evolves.

15. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 25 March 2020.

Additional Information

Company Information

Directors
John Reynolds (Non-Executive Chairman)
Michael Stanley (Chief Executive Officer)
Alan McIntosh (Non-Executive)
Andrew Bernhardt (Non-Executive)
Gary Britton (Non-Executive)
Giles Davies (Non-Executive)
Linda Hickey (Non-Executive)
Jayne McGivern (Non-Executive)
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