DESIGNED FOR LIVING
BUILT FOR LIFE.

Better ways to build

Cairn Homes plc
Annual Report 2020

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 expectations.

Honest & Straight Talking

Maintaining an open and transparent dialogue. Saying what needs to be said and not just what people want to hear. Being open and transparent means that we can find better solutions quicker.

Better ways to build homes

OUR PURPOSE

Building homes and creating places where people love to live.

HOMES
Building more sustainably by innovating and working closely in partnership with all stakeholders who share our vision of providing families with high quality housing.

PLACES
A focus on sustainable placemaking. Taking a long-term view from initial planning and design to ensure that we are creating public spaces that promote people's health, happiness and wellbeing.

PEOPLE
People come first. We put people at the heart of every decision and try to get to the core of what really matters for all stakeholders.

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.

Committed & Engaged

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

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 all of our stakeholders.

2020 Highlights

FINANCIAL HIGHLIGHTS

REVENUE €261.9m		
GROSS PROFIT €42.7m	GROSS MARGIN 16.3%	
OPERATING PROFIT €24.4m	OPERATING MARGIN 9.3%	EPS 1.7 cent
INVENTORIES €968.2m	NET DEBT (€168.3m)	OPERATING CASH OUTFLOW (€40.6m)

OPERATIONAL HIGHLIGHTS

Back on our growth trajectory

Primary focus since March 2020 on operating and maintaining safe working environments for our employees, subcontractors, suppliers, customers and the communities in which we live and work.

Active on 19 sites, including five 2020 new site commencements, supporting over 2,000 full-time jobs at year-end. Construction productivity back at 85 – 90% of pre-pandemic levels at year-end.

Growth agenda supported by 10% increase in our new home commencements in 2020 (compared to broader industry -18%).

Strong sales momentum into 2021, particularly in H2 2020 and the early months of 2021 from starter home and trade-up/down schemes from private, mortgage-backed customers. 925 closed and forward sales as at 3 March 2021, with a net sales value of €307m, underpins our growth for 2021.

Fundamentals of multifamily market remain positive as evidenced by our recent announcement of the forward sale of 150 new homes at Shackleton Park.

Strategic decision taken to invest in sites which will deliver sales and profits into 2021 and beyond. Net investment of €73.3m in construction work in progress in a supply-constrained market during 2020.

Customer-focused product innovation approach intensified through continually advancing and improving design and construction methodologies.

Why invest in Cairn Homes

We have a clear strategy, defined business model and supporting culture which will drive our growth agenda. Cairn has an unrivalled track record in delivering high quality, energy efficient, A-rated new homes across the price spectrum which appeal to a deep buyer pool in all segments of the market.

Track record

First mover advantage on land with 75% of total landbank investment made within 9 months of June 2015 IPO. €911m invested to date in a c. 16,800 unit landbank.

Unparalleled planning expertise with over 8,200 new homes granted planning permission since 2015.

Active on 19 sites at year-end, including five new site commencements in 2020, with up to seven new site commencements planned in 2021.

Over 4,000 customers have chosen a Cairn home, including 2,750 first time buyers who have bought one of our starter homes.

Award winning planning and design for our developments at Marianella, Six Hanover Quay, Oak Park and Parkside.

CAIRN CUSTOMERS SINCE IPO

+4,000

Cairn differentiators

Strong, asset-backed balance sheet, including €968m inventories, and €175m available liquidity.

Broad product range and buyer pool through c. 11,700 housing sites and c. 5,100 apartment sites with 55% of our new homes expected to be priced below €350,000.

With the high quality of the new homes we build, we have developed a market leading brand and reputation with strong customer and stakeholder recognition.

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

Our innovation agenda and knowledge capture has created a scalable and flexible operational platform which turns land into great places where our customers want to live.

LANDBANK UNITS THAT CAN AVAIL OF HELP TO BUY

12,600

Market opportunity

Strategically positioned within the low density housing and high density apartment markets.

8,400 private units in our landbank priced between €250,000 and €350,000. First time buyers ("FTB") are supported by the enhanced Help to Buy scheme (10% of purchase price or €30,000).

Counterparty of choice in the multifamily market and uniquely positioned to bring completed stock to the market in 2021 ready for near-term rental.

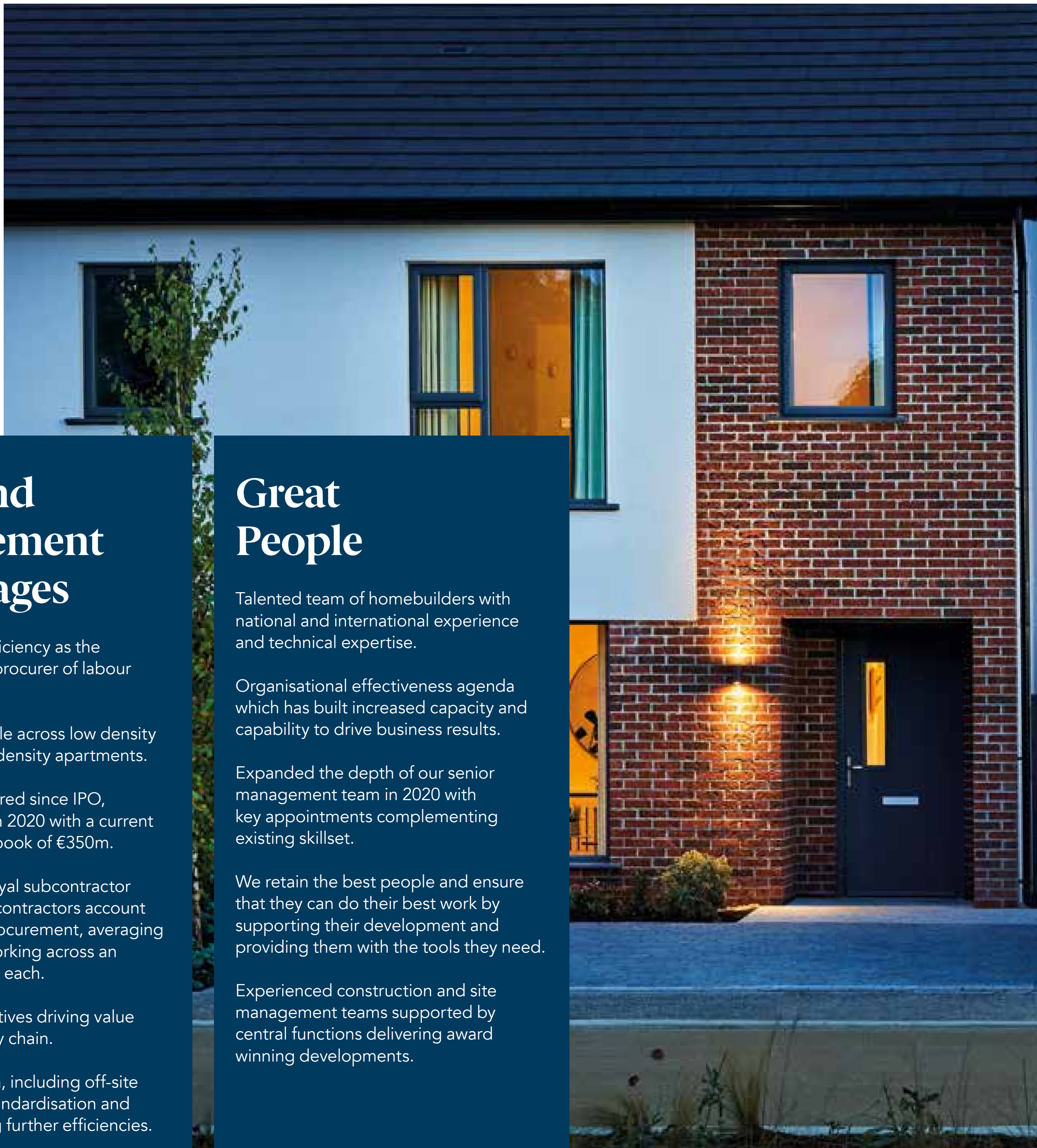
Regional expansion in the next 12 months in a market with continuing supply challenges.

Government policy committed to increase the supply of social and affordable housing through initiatives like the Urban Renewal Development Fund (€177m allocated to Clonburris) and Shared Equity (€150m funding) will be impactful for the c. 575,000 people in Ireland earning between €50,000 and €80,000.

DEMAND EXCEEDS SUPPLY BY

14,000

new homes in 2020



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.

Nearly €1bn procured since IPO, including €249m in 2020 with a current committed order book of €350m.

Committed and loyal subcontractor base – top 20 subcontractors account for 64% of total procurement, averaging €30m each and working across an average of 12 sites each.

Procurement initiatives driving value through our supply chain.

Innovation agenda, including off-site manufacturing, standardisation and technology driving further efficiencies.

PROCURED SINCE 2015

€1bn

Great People

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 2020 with key appointments complementing existing skillset.

We retain the best people and ensure that they can do their best work by supporting their development and providing them with the tools they need.

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

PEOPLE IN FULL-TIME EMPLOYMENT

2,000

across our sites

Better ways to grow our business

Having successfully navigated a challenging year in 2020, the Company is ready and positioned for significant and sustainable growth into 2021 and beyond.

At Cairn, all of our decisions are guided by our driving purpose: building places and homes where people love to live while providing an acceptable and sustainable return to our shareholders. As a business, we recognise that being a housebuilder is more than just about constructing homes, it is about creating thriving communities of which we and our customers are proud. We are focused on continuous improvement in how we achieve our primary purpose and are working closely with local partners to ensure those communities and our business are vibrant, sustainable and healthy.

Board Priorities 2020

2020 was a challenging year for businesses in all sectors, as well as society generally. The declaration of COVID-19 as a pandemic by the World Health Organisation in March 2020 has had consequences both immediately impactful and with uncertain longer-term significance. As a business, our immediate concern was to protect the health, safety and wellbeing of all of our people and customers.

In addition to scheduled Board meetings, several Board briefings were held virtually from early March until July to consider all related issues impacting the business and our people. When the Irish Government instituted a nationwide lockdown on 27 March 2020, the flexibility of our office staff was evident, as we transitioned relatively seamlessly to remote working. Like many of our colleagues and counterparts, Board meetings went virtual as did many of our interactions.

Outside of our office staff, the Board and management team were keenly aware of the critical need for clear and regular communications to all site-based staff, customers, suppliers and other stakeholders. Our Executive Directors immediately opened up channels of communication with all key stakeholders, a central part to protecting our collaborative approach in times of difficulty. Despite our sector being acutely impacted by Government restrictions, the strength of our underlying business and operating model meant we did not rely on any governmental assistance, nor did we have to reduce staff numbers. In fact, we further strengthened our talented team with a number of senior appointments during the past year, positioning ourselves strongly as the Irish economy transitions away from lockdowns, to underpin our growth agenda.

Performance Review

While our financial and operational results were impacted by the period of shutdown caused by COVID-19, the market demand for high quality, A-rated and energy efficient new homes in great locations remains strong. Despite a shutdown of our sites and the general challenging external conditions, we closed 743 new home sales, including 536 closings in the second half, and delivered a resilient €24.4 million operating profit during this unprecedented year. Our business also had 925 closed and forward sales, with a net sales value of €307 million, as at 3 March 2021. Given the challenging market backdrop, I commend our Chief Executive, Michael, his management team and all of my colleagues in Cairn on their hard work and commitment in delivering such a positive performance during 2020. The number of new homes we have completed and our profitability in 2020, allied with our large forward order book, are testament to our business model and the ambition and hard work of the Cairn team.

Shareholder Returns

As the impact of COVID-19 was uncertain and unpredictable, which it remains to an extent today, the Board took certain precautionary steps to protect the Company's liquidity and business sustainability. When the initial scale of the pandemic became apparent, we made the difficult, but prudent decision in late March 2020 to withdraw our intention to propose a final 2019 dividend of 2.75c per share and suspend our share buyback programme, of which approximately €46 million of the €60 million programme had been completed at the time. These difficult decisions were made to ensure that we had sufficient liquidity buffers at our disposal to deal with the unprecedented market conditions.

We remain steadfastly committed to delivering on our broader strategic objectives and in this regard, our business continued to invest in our construction activities upon the reopening of our construction sites on 18 May 2020 until the year-end to ensure that we could deliver urgently needed homes. With our positive outlook for the future, supported by our significant investment in our construction activities during 2020 and the strength of underlying, and importantly mortgage-backed demand for our new homes, the Board will consider the reinstatement of capital distributions later this year with further details to be provided when we announce our 2021 interim results.

In line with the withdrawal of the dividend, the overall operating environment and the wider shareholder experience, no Executive Directors cash bonuses are being paid for 2020 despite a number of the targets being met which would have delivered a pay-out to the Executives for the year in review.

Health and Safety

The Board and senior management are fully committed to the highest standards of health and safety on our sites. The health and safety of all our employees, subcontractors, customers and the communities in which we build are our number one priorities. Given the nature of our business, that commitment is tested every day, no more so than in 2020.

This was evidenced by our response to the pandemic and the significant investment made by the Company during 2020 and into the early months of 2021 to safeguard the health and safety of all of our stakeholders. Our construction sites, which will reopen on 12 April 2021 having been closed due to Government restrictions since 6 January 2021, now operate under new work protocols, procedures and practices in full compliance with all social distancing (including access and circulation management), hygiene and cleaning requirements. Site compounds, including welfare facilities, have been reconfigured to facilitate these new requirements. In excess of €1 million has been spent on these activities and personal protective equipment. Additional resources have also been deployed to all of our sites to undertake compliance supervision. As a significant employer, our construction sites averaged in excess of 2,000 full-time people on a daily basis when our sites reopened in May 2020. With less than 10 positive COVID-19 cases reported, I believe this outcome is testament to the focus which your Board and all of my colleagues in Cairn place on our health and safety practices. The positive engagement of our subcontractors and supply chain should also be applauded in this regard, as it was truly a 'team effort'. From a construction perspective and as a scaled homebuilder with ambitious growth targets, 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, 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. Cairn also undertakes periodic reviews of our Safety Management System to ensure that this is updated for any changing regulations and legislation and supports our continued growth.

I would also like to acknowledge the ongoing engagement with our office-based staff working from home during the pandemic to ensure their health and wellbeing was and continues to be supported. This engagement focuses on resources for individuals, continuous education and learning, virtual social events, delivery of care packages to employees homes and regular communication and messaging.

Sustainability & Reporting

Since our establishment as a homebuilding company with scale ambitions, we have been acutely conscious of the short and long-term impact our developments have on our communities and environment. As such we welcome enthusiastically the increased focus of all stakeholders on ESG and sustainability. Across the globe, the need to act on issues of climate change is growing by the day, while the broader impact of COVID-19 has heightened the awareness

> "While our financial and operational results were impacted in 2020 by the period of shutdown caused by COVID-19, the market demand for high quality, A-rated and energy efficient new homes in great locations remains strong across all buyer profiles."

John Reynolds
Chairman of the Board

of the interdependencies between business, the community and the State. A fundamental aspect of our approach to acting responsibly and sustainably is incorporating these considerations into our everyday decisions and, thereafter, reporting clearly on them to our stakeholders through a defined set of measurable non-financial disclosures. While the Board has always been responsive to these important matters, we recognise the need to consistently enhance our efforts in communicating our approach to stakeholders.

2020 was a year of considerable progress in defining, scoping and designing our sustainability strategy. We placed a formal governance structure around our sustainability journey with the establishment of a Sustainability Steering Group, led by myself and my Board colleague and Senior Independent Director, Giles Davies, with executive and other employee participation.

This governance structure and the work which we have undertaken collectively within Cairn during 2020 has been hugely valuable. This work and focus has provided a foundation for our business to further develop our sustainability strategy in the years ahead. Having completed our materiality assessment, we have a better understanding of all of our stakeholders' material sustainability concerns and ambitions.

In 2021 we will implement and disclose our Sustainability strategy. We will align to a sustainability framework for disclosures and select appropriate key performance indicators and set targets for our future progress. During the past year, we began to integrate the European Public Real Estate guidance into our strategy and reporting. As the European Union continues to focus on how best to codify standards in this space, and as the Taskforce on Climate-related Disclosures become mandatory in the UK, the Board believes acting now will put us in a strong position to react to any regulatory movements. In this space more than any, our collaborative approach to stakeholder engagement will be necessary as we build a sustainable business that has societal benefits at its core.

Shareholder Engagement

As outlined previously, the Board recognises the importance of constructive dialogue with our investors, and we remain open to all feedback. Since the start of 2021, I have met with shareholders representing 70% of our shareholder register. The majority of these consultations focused on remuneration matters, more details of which are included in the Directors' Remuneration Report on pages 87 – 103 as well as strategic perspectives including inclusivity, diversity and the environment. These meetings are a cornerstone of Board development and our commitment to corporate governance. We will continue to develop two-way channels of engagement and communication to further develop our understanding of our shareholders' expectations. This will continue to demonstrate the efforts we make to balance stakeholder interests in all decisions.

Our People

Prior to the outbreak of COVID-19, there had been a substantive shift in the governance framework for Irish and UK companies, which included a keener focus on the importance of culture and how Boards monitor this, as well as the significance of employee feedback and input into Board decision-making. As a Board, we are fortunate to be regularly appraised of developments from all areas of our operations, providing a clear line of sight to the evolution of our culture. We also operate in a fiercely competitive marketplace for talent, dictating that a relentless focus on developing an enduring and positive culture is a business imperative. While certain of our peers do not operate on public markets and therefore have less constraints in terms of the size and timeframe of reward structures, our culture and approach to business continues to allow us to compete for talent competitively and, as importantly, retain as much of this talent as possible.

During 2020, we also appointed David O'Beirne as the Non-Executive Director responsible for workforce engagement, in line with the guidance of the UK Code. Having a non-executive engage directly with employees is a hugely valuable practice for the Board and provides us with an enhanced understanding of issues and concerns which are directly impacting our employees. We will continue to develop reporting practices to ensure we, as a Board, continue to feed the employee voice into our considerations and decision-making in the period ahead.

As I have outlined above, 2020 was an unprecedented year for both our business and society. The pandemic has impacted each of us personally and I am very proud of the strong performance of our business against this challenging backdrop. I would like to thank each and every one of our employees, under the strong leadership of Michael and his management team, and our supply chain and all of our business partners for their commitment and perseverance over the past 12 months. Our business remains in a strong position from which to grow further and all of our plans to deliver on our strategic objectives are inextricably linked to the hard work and dedication of our employees. In the period ahead, we will continue to focus on development with extensive training programmes at all levels within the business, as well as with our subcontractors and suppliers.

Outlook

Our continuing profitability and strong balance sheet will allow us to return to normal activity as quickly as permitted, and we have the people, financial capacity and confidence to deliver our future growth plans, over which we have significant visibility. We look forward to the reopening of our construction sites on 12 April 2021 and we remain very positive for the future growth and outlook for our business.

John Reynolds
Chairman

"2020 was a year of considerable progress in defining, scoping and designing our sustainability strategy."


CAIRN

Better ways to build homes

Mortgage-backed demand, particularly from first time buyers for our competitively priced starter homes, has been exceptional and we expect the multifamily market to continue to remain a significant investment asset class in 2021 and beyond. Government initiatives around shared-equity loans and affordable housing will give some support to the c. 575,000 people in Ireland who earn between €50,000 and €80,000 annually, cannot avail of social housing and have limited access to mortgage finance.

Cairn made a strategic decision in May 2020 to invest in sites which would deliver sales and profits into 2021 and beyond with growth on the agenda. At the same time, Executive Directors waived any cash bonuses which may have been payable in respect of the Company's performance in 2020. The Company has also not availed of any available financial supports from the Government since the start of the pandemic.

A key focus during 2020 was prioritising our People. Aligned to our growth agenda, we made a commitment to retain all of our full-time staff with no changes to fixed remuneration or redundancies. The Company also took the opportunity during 2020 to invest in and strengthen our operating platform and created new and stronger capabilities which will support this next phase of our growth, including:

- Expanding our team, including key senior management appointments, and pivoting our efforts to progress our continuous learning and innovation agenda through continual and impactful initiatives and ongoing employee engagement;
- Maintaining capacity through remote working and established a Business Continuity Group which focuses on the health and safety of our people and ensured a safe, incident-free and progressive return to all operational sites with the business achieving 85 – 90% of pre-pandemic productivity levels at year-end;
- Further strengthening the depth and resilience of our supply chain relationships and partnerships through continuous engagement and offered supportive financial and strategic initiatives, in tandem with leveraging our scale across our supply chain; and
- Significant investment in our IT infrastructure and operational capabilities, with a specific focus on our on-site project management and quality assurance tools, and business effectiveness projects, including standardisation of systems and processes, to create a more unified product delivery platform to underpin our future scale.

As Ireland's leading homebuilder, our "Better Ways to Build" initiative has been established to ensure this competitive advantage continues into the future. This initiative is focused on driving further operational excellence and efficiencies; our innovation agenda; and fostering deeper partnerships across our stakeholder groups.

Cairn's historic 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 few decades, together with the successful scaling of our business has resulted in more than 4,000 customers choosing a new Cairn home to date. Our landbank comprises suburban and commuter belt low-density housing sites (c. 11,700 units at an average historic site cost of c. €32,000 per unit, including c. 8,000 starter home units at an average historic site cost of €21,000 per unit) and city centre, suburban and commuter belt high-density apartment sites (c. 5,100 units at an average historic site cost of c. €63,000 per unit) focused on the following core markets:

- Starter Homes: ideally positioned to capitalise on demand from first time buyers for competitively priced starter homes. First time buyers are our core market with 50% (8,400 units) of our private landbank expected to be priced between €250,000 and €350,000 (incl. VAT). Realisable, mortgage-backed demand from this cohort has been supported by the €14.2 billion increase in Irish household savings in 2020 (+ 12.8% YoY, source: CSO) and the Government's enhanced Help to Buy scheme (increased income tax rebate of up to €30,000 supporting up to 10% of the purchase price). 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 (source: CSO);
- Multifamily: we have secured over €400 million (incl. VAT) in multifamily completed and forward sales to date, and in doing so have demonstrated our agility and operational capability in responding to a broadening buyer pool. Demand from domestic and international institutional investors, who are seeking a long term exposure to the Irish residential sector, for well located, well-designed and quality

built multifamily new homes remains strong and we expect this market to grow significantly during 2021 as the Irish economy reopens. The vast majority of multifamily projects which are under construction and due for completion in the next 12-18 months are forward sold to institutional investors. While there are a significant number of planning granted multifamily schemes in the pipeline, the majority of these need to be forward sold or funded before commencement. The Company will take advantage of our position during 2021 and beyond, of being able to bring schemes to the market which are nearing completion and offering product which is available to rent in the short-term, having significantly increased our WIP investment in the last year.

The Irish Government has also committed to putting affordability at the heart of the housing system and in doing so will prioritise the increased supply of social and affordable homes. It also recognises the important role the private sector will play in the delivery of this much needed social and affordable housing. With Cairn's scale, capability and low cost landbank, we are working on a number of very innovative initiatives in this area. We are confident that we can deliver high quality new homes at great value for money with relevant affordable housing partners and stakeholders.

Our strategy is to capitalise on the underlying potential in the Irish new homes residential property market by building in great locations and creating places and high quality, competitively priced homes where people love to live. Through the resilience which our business demonstrated in 2020 and the capacity and capability which we have developed to underpin our future growth, the Company has continued to successfully execute this strategy through the economic cycle. Our business remains strategically positioned to leverage the opportunities which exist in the Irish housing market into the long-term.

Our Sustainability Agenda

The Company is dedicated to building homes and creating places that contribute positively to communities and society and minimise our impact on the environment. We made significant progress in formalising our Sustainability Agenda. We established a Sustainability Steering Group, headed up by our Chair, John Reynolds, and comprising an environmental, cross-functional group of leaders within the business, with dedicated working groups feeding into the Steering Group.

We set to work fully understanding what matters to our business and our stakeholders through a comprehensive materiality assessment which has enabled us to select

"Our scaled business and operating platform is prepared for growth, supported by our strong balance sheet and significant available liquidity. Our two year target of 2,500 closed sales for 2021 and 2022 will be achieved in a c. 20 month production cycle."

Michael Stanley
Chief Executive Officer

a set of material strategic priorities for sustainability within the business. The materiality assessment was an in-depth exercise involving over 200 surveys and one-to-one consultations with our stakeholders. We also held an employee Innovation Lab, which allowed us to bring ideas for improvement to the fore covering a breadth of areas including water, energy efficiency, workplace awareness drives, and biodiversity. Our stakeholder consultations were in-depth conversations that went beyond what a survey could uncover. These stakeholders included customers, suppliers and shareholders. Critically, these material strategic priorities are aligned to our Purpose "Building homes and creating places where people love to live". Focussing on People, Homes and Places was a key output from our stakeholder engagement in that our sustainability agenda needs to be fully and authentically integrated into all aspects of our business, including our culture and operations.

Our entire business is fully committed to our Sustainability Agenda and this was acknowledged through the award of the London Stock Exchange Green Economy Mark accreditation during 2020, which recognises issuers who generate over 50% of their total revenue from environmentally positive goods, products and services, and our participation in the Climate Disclosure Project 2020 on climate change and the environment.

Our innovation culture within Cairn will underpin our Sustainability Agenda and bring us to the next stage through:

- Operational excellence: use of leading edge technologies to control, monitor and manage our construction and sales activities;
- Prioritising people: development of customised technologies and initiatives to keep our staff, supply chain and customers connected; and
- Product delivery: improving the efficiency of product delivery through the use of innovative modern methods of construction and other initiatives.

Our Customers

Cairn delivered 743 closed sales in 2020 across 15 developments at an average selling price, excluding VAT ("ASP") of €332,000 comprising 636 houses at an ASP of €333,000 and 107 apartments at an ASP of €330,000 (2019: 1,080 closed sales 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). Our 2020 ASP across our starter home schemes was €315,000 (2019: €314,000), starting at very competitive entry level price points from €270,000. Our product mix on our housing schemes continued to broaden during 2020 in response to market demand with duplex units accounting for 25% of all closed sales (2019: 18%), while we also closed a higher proportion of three bedroom houses in the period.

Following a positive start to the 2020 spring selling season, our show homes were closed between 27 March 2020 and 8 June 2020 in line with Irish Government and public health guidelines. Our show homes reopened on 8 June 2020 with viewings on an appointment only basis. The Company's sales agents facilitated viewings on this basis with prospective purchasers until our show homes closed for the holiday season at the end of 2020. Following the implementation of further Government guidelines on 6 January 2021 which closed our sites, our construction sites will reopen on 12 April 2021 with our show homes expected to reopen shortly thereafter. Show home viewings will again be on an appointment only basis. Sales activity was maintained during both construction site lockdowns through our online sales platforms, including virtual reality tours, which have in particular facilitated strong sales rates across a number of virtual releases since the start of 2021.

Our year to date closed sales and current forward sales pipeline was 925 new homes as at 3 March 2021 with a net sales value of €307 million, of which 150 new homes are expected to close in 2022. The 775 new homes which have or are expected to close in 2021 equate to c. 74 – 82% of our guided 2021 sales completions. As expected, we witnessed a very healthy and robust level of underlying demand from private purchasers for both our starter homes and trade-up/down homes throughout the second half of 2020 after we emerged from the first lockdown. Notwithstanding the economic backdrop, the resolution of the Brexit trade deal has also brought an element of certainty back into the new homes market, in particular at higher price points where 'discretionary' trade-up/down decisions had previously been put on hold.

We launched new starter home schemes for sale during the second half of 2020 at Parkside (Malahide Road), Graydon (Newcastle), Shackleton Park (Lucan) and Whitethorn Village (Naas), with all releases fully sold out. Sales prices at each scheme were broadly at or slightly above our pre-COVID-19 levels. Our H2 private starter homes average weekly sales rate was 2.8 sales per active outlet, increasing to 3.9 sales for newly launched schemes. This positive sales momentum continued into the early months of 2021 with four virtual sales launches at Parkside, Graydon, Whitethorn Village and Mariavilla (Maynooth) in January and February 2021 all selling out of new homes released.

The Company continued the phased delivery of contracted multifamily units to various counterparties during 2020. Cairn also announced a new multifamily forward sale of 150 residential units comprising apartments and duplexes at Shackleton Park, Lucan, Co. Dublin to Carysfort Capital and Angelo Gordon for a total cash consideration of €48.6 million on 13 January 2021. These new homes will be delivered on a phased basis during 2022. With a long-term land bank containing c. 16,800 housing, duplex and apartment units and strong ongoing demand from domestic and international institutional investors for new, well-designed apartment and duplex blocks in city centre, suburban and commuter belt locations from established counterparties, the Company continues to see significant demand from the multifamily sector for our well located apartment and housing sites.

Production

The Company's detailed return to work strategy initiative, which was implemented in May 2020 when our residential sites reopened after the first construction sector lockdown, remains in place and will support the reopening of our residential sites on 12 April 2021. Our primary priority since this time has been operating and maintaining safe environments for our employees, subcontractors, suppliers, customers and the communities in which we live and work. This initiative incorporates new safety protocols, procedures and work practices in adherence to social distancing requirements. From an efficiency perspective, this new way of working means that construction programmes have been extended and productivity levels have been impacted, resulting in increased site management and preliminary costs.

We have spent over €1 million on personal protective equipment and on our site work practices and facilities which were successfully reconfigured to operate within these social distancing guidelines. From productivity at c. 60% of pre-COVID-19 levels in late May 2020, due to the efficiency of our operations, the dedication of our site teams and in collaboration with our supply chain, we were achieving 85% – 90% of pre-pandemic productivity levels by year-end. The Government announced the second construction sector lockdown on 6 January 2021, with derogations extended to facilitate the construction of social housing due for practical completion by 30 April 2021 and completing private residential homes contracted to close by 31 January 2021. With the full reopening of our residential sites on 12 April 2021, we expect to return to these productivity levels in the short-term. Cairn averaged in excess of 2,000 people working across our active sites on a daily basis while fully operational since May 2020 and we had less than 10 positive COVID-19 cases. This provides comfort that residential construction is a very low risk sector and also on the effectiveness of our extensive and thorough new work practices.

2020 was a year where we demonstrated our enduring commitment to our subcontractors and supply chain through tangible and impactful initiatives to assist in maintaining their financial and operational integrity and resilience. This was achieved through constant engagement, providing assistance in critical cash flow management (by accelerating payment runs) and maintaining regular communication and committing to future work pipelines and planned site commencements. Additionally, Cairn launched a €5 million support scheme in early April 2020 for self-employed individuals working for our subcontractors and suppliers to forward pay, through its subcontractors and suppliers, €250 per week to each self-employed worker availing of the new scheme to supplement their existing arrangements for a period of up to 12 weeks. This collaborative approach and the value which our business model, growth agenda and long-term sustainable business offers has strengthened these critical relationships with our supply chain partners. All of these initiatives continued through the second lockdown in early 2021.

Cairn's residential sites will reopen on 12 April 2021 and we will continue to support over 2,000 full-time jobs across these developments, including direct employees, subcontractors and other sector professionals. Cairn commenced construction on six sites in 2020, including four new site commencements: starter home housing sites at Graydon (Newcastle) and Whitethorn Village (Naas) and trade-up/down housing sites at Archers Wood (Delgany) and Hawkins Wood (Greystones). Two new phases on existing sites also commenced at Parkside (Malahide Road) and Shackleton Park (Lucan). The Company also completed the construction of our starter home developments at Elsmore (Naas) and Edenbrook (Dublin 24) in addition to Phase 2 Shackleton Park (Lucan) and Phase 1 Mariavilla (Maynooth) during the period. Cairn expects to commence the construction of up to seven new developments by the end of 2021.

Product Innovation

Two of the key pillars of our "Better Ways to Build" initiative are driving further operational excellence and efficiencies and our innovation agenda. There has been a fundamental shift in customer expectations and requirements since the outbreak of the pandemic, many of whom now expect more functionality from their new homes as the family home has evolved into a place to both live and work in close proximity to recreational and other amenity facilities. Cairn believes that this new way of working, a hybrid model of workplace and remote working, will continue into the longer-term. Our focus on customer-focused product innovation has intensified as the experiences of our existing and prospective customers have placed a greater emphasis on the importance of delivering high quality residential accommodation.

Cairn is currently looking at ways to continue to innovate for this new reality. This includes design changes to our internal housing layouts for optionality of dedicated working areas both on ground floor and first floor levels. It includes allowance for future proofing infrastructure for garden office pods. It considers improved amenity space and the addition of dedicated business accommodation in our apartment complexes. We are also engaging with technology companies to look at ways to improve the experience of working at home and enhancing connectivity and broadband resilience. Our belief is that the current crisis will, in the medium term, increase both our customers' expectations and their desire to own a well-designed, multi-functional, and quality built family home.

Cairn also continues to seek more efficient ways to build our new homes through the adoption of further off-site manufactured ("OSM") methodologies, including the recent introduction of garden office pods to complement existing OSM practices including timber-frame construction used in all of our new housing and duplex developments and bathroom pods in our apartment developments, in addition to other efficient and modern methods of construction such as rapid impact compaction, light gauge steel frame structures and pre-cast construction elements. The Company is also investing in our broader procurement strategy, focusing on category and supplier relationship management within our supply chain as key areas to deliver further resilience, improved collaboration and innovation within our dedicated procurement function.

The Company invested heavily in our business transformation agenda during 2020, and IT capability in particular, to enhance our operational efficiencies. Our new Zutec on-site quality assurance platform consists of mobile construction software which empowers clear and efficient collaboration and enables greater productivity within project teams across our entire business. Zutec is fully integrated with our new project management tool Asta, which is a consolidated construction management template in use across all of our low and high density sites. Together with our ongoing business effectiveness projects, including standardisation of systems and processes, we are investing in the creation of a more unified product delivery platform to underpin our future scale.

Residential Property Market

The ESRI forecasts annual housing demand at 34,000 new homes until 2040 in its high international scenario which would see our population growing to 5.6 million by 2040 (currently 5 million) (source: Regional Demographics and Structural Housing Demand, December 2020). Positively, 20,676 new homes were built in Ireland in 2020 (-2% YoY), including 7,400 new homes in Q4 2020 (+15.9% YoY). However, commencements for new homes in multi-unit developments and apartments were down 18.3% in 2020 to just 17,271 new homes. Commencements are the leading indicator for future supply and this highlights the challenges facing the sector in scaling up to meet the level of underlying demand.

Rents increased 0.9% in 2020 (source: Daft.ie Q4 2020 Rental Price Report) and the difference in the cost of owning a Cairn starter home in Dublin compared to the cost of renting the same home remains stark – it is 72% more expensive to rent than own (see page 25).

Mortgage Market

Supported by the significant level of underlying pent-up demand from first time buyers and a record €14.2 billion (+12.8%, source: CSO) increase in Irish household savings in 2020, the mortgage market performed strongly in H2 2020 with first time buyer mortgage approvals (by volume) up 15.4% on H2 2019. While first time buyer drawdowns in the same period (by volume) were down 8.7%, the strength of approvals highlights the significantly greater number of first time buyers who can now access the mortgage market.

First time buyer mortgage approvals hit a record high in October 2020 (data goes back to 2011) and with first time buyer approvals (by volume) up 34.1% year on year in Q4 2020, the impressive rebound from the lockdown period continued through to year-end. This strong performance continued in January 2021 with first time buyer mortgage approvals (by volume) up 11.6% on January 2020 levels (source all: BPFI).

Government Initiatives

The new Irish coalition Government announced a record €5.2 billion housing budget for 2021, representing an increase in available funding of over €730 million when compared to Budget 2020. The key areas of spending include social housing, affordability measures, homelessness provisions and rental measures.

The enhanced Help to Buy scheme, originally announced in July 2020, was extended until 31 December 2021. No saved deposit is required for new homes priced at €300,000 or below subject to qualification for the Help to Buy income tax rebate. The Government has committed to the Help to Buy scheme for the lifetime of the administration within its Programme for Government.

A new shared equity loan scheme is expected to become available from mid-2021, with €75 million Government funding to be matched by funding from financial institutions. It is expected that equity stakes of up to 30% will be taken by the Government.

The fast track SHD planning process will not be extended beyond its amended legislative expiry in February 2022. Having secured planning for nearly 4,500 new homes through this fast-track process to date, of which in excess of 3,000 new homes are built or under construction, Cairn has been the leading industry proponent of one of the most impactful measures introduced by the last Government. This certainty around planning timelines and decision making was one of drivers behind Cairn's growth in the 2017-2019 period. Cairn advocates for the many benefits brought to the planning regime by the SHD process, including consistent and timely decision making, which should be considered as part of any future solution. The Company welcomes the Government's early engagement with key industry stakeholders as it seeks to implement a suitable new planning framework to replace the SHD process. With our successful track record in obtaining positive planning decisions through the SHD process, we intend to progress all relevant remaining landbank sites through the fast track route before its expiry in February 2022.

People

Our organisational effectiveness agenda seeks to build increased capacity and capability with quality people with the right combination of expertise and homebuilding experience central to this agenda. As I outlined above, we continued to invest in our people throughout 2020 and increased our headcount from 195 direct employees in 2019 to 212 at the end of 2020.

Every single new hire is important to our business, and I was delighted that we continued to expand the depth and talent of our senior management team during 2020 and the early months of 2021 with a number of strong appointments including Shane Doherty (Chief Financial Officer), Gavin Whelan (Head of Construction and Operations) and Ger Hoare (Head of Corporate Development – B2B).

As I referenced earlier, we prioritised our people through our focused People Agenda. With the challenges presented to all of our people during 2020, our priority is understanding and improving the wellbeing of all of our employees ensuring their health and safety at all times, both on site and whilst working from home. Our People Agenda focused on three key themes:

1. Connection through employee engagement and support initiatives;
2. Consideration through health, well being and safety initiatives; and
3. Commitment through retention of all staff and continued focus on growth as outlined earlier.

I echo my Chairman's sentiments in thanking each of my colleagues for their dedication, contribution and commitment to our business during what was an unprecedented year in 2020, 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

With our strong sales momentum and having invested heavily in our business throughout 2020, Cairn's focus is firmly set on growing our business and our annual sales run-rate in the medium-term. The Company anticipates that construction sites will fully reopen in Ireland on 12 April 2021 and is planning to commence construction on up to seven new sites this year. The Company will also expand regionally and extend our development footprint beyond the Greater Dublin Area with new site commencements in Cork and Galway in the next year.

Our construction sites have been closed since the start of the year and when they fully reopen on 12 April 2021, Cairn's construction activities will be limited to just over 8 months in the current year. This will have an impact on the number of new homes which we will be able to build and sell in 2021. At the start of 2021 and before the current lockdown, the Company anticipated delivering 2,500 closed sales between 2021 and 2022. Cairn remains confident that over this timeframe to the end of 2022, our two year target of 2,500 closed sales is achievable in a c. 20 month production cycle. Assuming sites reopen therefore on 12 April 2021, we expect to deliver c. 950 – 1,050 closed sales this year and despite ongoing pandemic related costs in the current calendar year, a c. 18% gross margin in 2021. Within the balance of the 2,500 closed sales which are expected to be delivered in 2022, we expect that gross margin to be c. 19% next year. Cairn will be active on an average of 20 sites during this period.

The Company estimates it will generate c. €350 – €400 million of free cash between 2021 and 2023. This estimated free cash generation is after significantly increasing WIP spend to support our growth and is before any capital allocation considerations, including reductions of current debt, future dividends or strategic land acquisitions. Balancing investing for strategic growth in our business with the importance of supporting a progressive distribution policy, the Board will consider the reinstatement of capital distributions later this year. Further details will be provided when we announce our 2021 interim results.

Overall, we remain very positive and ambitious for our future growth prospects.

Michael Stanley
Chief Executive Officer

Our approach to placemaking

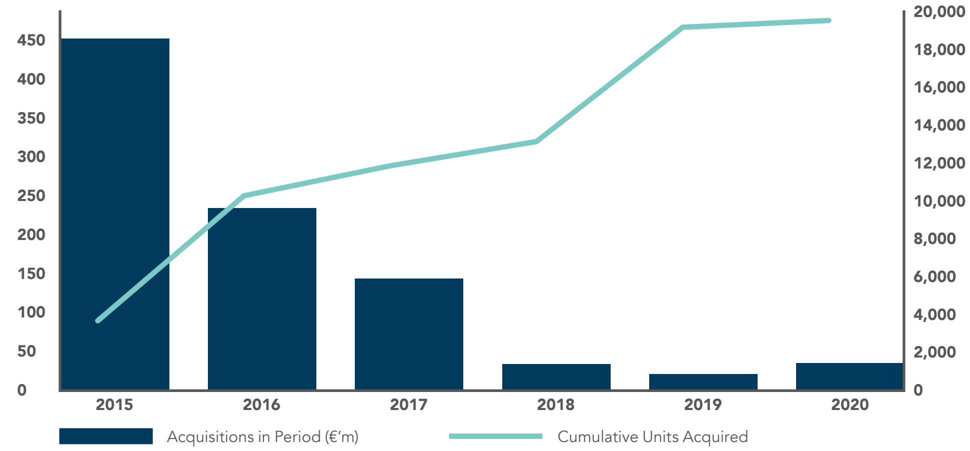
WE HAVE THE LAND TO DELIVER ON OUR STRATEGIC OBJECTIVES

c. 16,800
Units within our landbank across 36 separate sites

19
Active sites at year-end which will deliver 6,750 new homes

€911m
Invested in our landbank since June 2015

LOW HISTORIC COST C. 16,800 UNIT LANDBANK



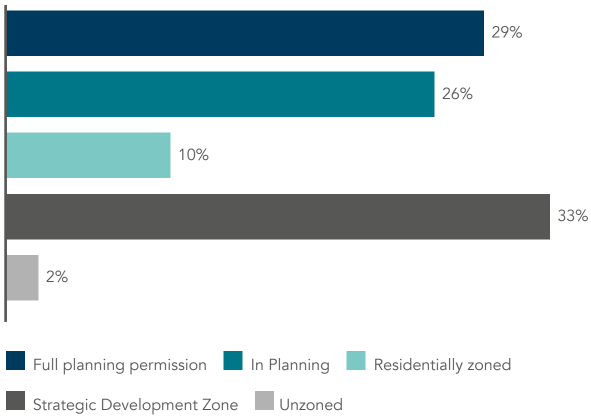
75%
of total capital deployed in 2015 and 2016

77%
of landbank units acquired within one year of IPO

8,200
units granted planning permission since 2015, including 1,616 in 2020

LANDBANK PLANNING STATUS

36
sites with limited planning risk, enhanced by our unrivalled planning track record



SUCCESS THROUGH THE SHD PLANNING PROCESS

24
applications

13
grants

10
site commencements

- As at 3 March 2021, Cairn had received planning permission for 4,340 new homes under the Strategic Housing Development ("SHD") process from 13 successful grants of planning.
- This equates to 7.8% of all new homes granted planning through this fast-track process.
- Cairn also accounts for 14.3% of all new homes commenced under this process.

WE OFFER A DIVERSE RANGE OF HIGH QUALITY PRODUCTS

HOUSES

c. 11,700
houses within our landbank

€32,000
average house site cost

25 sites:

21 housing sites (average c. 570 units)

4 housing and apartment sites (average c. 650 units)

APARTMENTS

c. 5,100
apartments within our landbank

€63,000
average apartment site cost

15 sites:

11 apartment sites (average c. 350 units)

4 housing and apartment sites (average c. 650 units)

Business Model

An end to end business model which creates value for all stakeholders and enables Cairn to effectively deliver and execute our strategy. We have taken the opportunity during 2020 to invest in and strengthen our operating platform which will support our next phase of growth. We demonstrated the agility of our operating model throughout 2020 and into the early months of 2021 as we maintained capacity through remote working.

Inputs

OUR PEOPLE
Our building teams take great pride in delivering our quality, energy efficient, A-rated new homes. The proven Cairn methodology combined with our approach to training builds on the experience of our staff, from apprentices to engineers to site foremen, surveyors and site managers, ensuring that best-in-class standards are maintained. This is ably supported by our central support functions in pre-planning, design, sales and marketing, finance, HR and IT in a fit for purpose organisational platform.

OUR LANDBANK
With c. 16,800 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, across low and high density housing, underpinned by a strong, robust and liquid balance sheet.

OUR SUPPLY CHAIN
Maintaining and creating long-term relationships with subcontractors and suppliers. Maximising innovation and driving value within our supply chain to ensure we procure the best, modern materials leveraging our scale and buying power.

OUR DESIGN
An agile and proactive approach to innovation and standardisation across our construction activities, integrating off-site manufactured methodologies, modern methods of construction and our own construction intellectual property to ensure the new homes we design and build meet changing customer expectations where customers now view the home as a place to both live and work.

OUR CUSTOMERS
We engage with our customers to ensure that the new homes we design and build meet their every need. This is more important than ever as the home has become a place to live and work. 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. We continue to manage our customer experience after they purchase their new home through our dedicated Customer Care Team.

Creating value

PEOPLE

- High calibre, talented team enabled and empowered to innovate and produce market leading homes.
- Support functions and site management teams fully resourced.
- Focus on developing our diverse talent pool and building long-term careers through our continuous learning and innovation agenda.
- Clearly defined operating model which brings together our enabling and delivery functions.
- Ongoing engagement.
- Developing a strong culture as a source of competitive advantage.

LAND

- c. 16,800 units owned, 77% acquired within one year of IPO.
- Agility of 36 core sites.
- Unit mix across the price spectrum. 55% of our private new homes are expected to be priced below €350,000 (incl. VAT).
- Average site size c. 540 units.
- Amortise fixed preliminary costs over longer term construction programmes.
- Acquisitions targeted on land adjoining existing sites and joint ventures (€46.2m site acquisitions in 2019 and 2020 funded by €46.8m site disposals).

PLANNING & DESIGN

- Landbank has no material planning risk.
- Placemaking and design driven by creating thriving, sustainable communities.
- Collaborative process across our entire business.
- 8,200 new homes granted planning permission since IPO, including 1,616 new homes during 2020.
- Over 4,000 incremental units granted planning permission or expected to be gained on existing sites through increased densities.
- Consistently taking customer centric design to our products to ensure the latest innovations.

THE HOMES WE BUILD

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

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. Leveraging technology and innovation to drive further efficiencies and improvements.

Energy efficient new homes with high energy ratings which moved to A2 ratings in 2020 with the adoption of nZEB.

Meeting the needs of our customers today who view the family home as a place to both live and work in close proximity to recreational and other amenity facilities and this is informing our approach to design.

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

1,441
Closed and forward sales in 2020.

€262m
Revenue from 743 closed sales, including 536 closings in H2 2020, and site sales.

€24.4m
A resilient operating profit in a challenging year.

€249m
Investment in our construction activities in 2020, including five new site commencements, with a focus on sites which will deliver volumes and revenues in 2021 and beyond.

€174.5m
Available liquidity (cash and undrawn facilities) at 31 December 2020 to fund our future growth.

19.9%
Ratio of debt (€202.8m) to total assets (€1,018.8m), reflecting the low leverage within the business.

Customers
743 new homes sold in 2020 and we started 2021 with 698 forward sales.

Employees
We attract and retain the best talent. We engage with and motivate our employees. We continued to expand our team during 2020 in line with our growth plans pivoting our efforts during this period to progress our continuous learning and innovation agenda.

Supply chain
Our supply chain is one of our most important assets. We strengthened our supply chain relationships and partners through continuous engagement and supportive financial and strategic initiatives throughout 2020.

Shareholders
The Board will consider the reinstatement of capital distributions later this year and further details will be provided when we announce our 2021 interim results.

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

Better ways to build partnerships

Customers

How and why we engage
Our Customer Team provides support throughout the customer journey. Initial inquiries are answered with clear and concise information, buyers guides and other marketing collateral. We work closely with our appointed sales agents to ensure that the customer is kept up to date and well informed of the process involved from the showhouse viewing and booking through to the closing of contracts, with an informative email being triggered at every milestone along the journey. Our finishing foremen work closely with the customer to ensure that the snagging process and closings are fast and as stress free as possible. Once in their new home, the customer can avail of support from our Customer Care Team, which this year included a health and safety specialist. Ongoing customer surveys allow us to measure satisfaction and refine our offerings.

How this helps us build lasting partnerships
By focusing on excellent service throughout the customer journey, we can build positive sentiment and advocacy.

Employees

How and why we engage
Our employee engagement strategy ensures an ongoing rhythm is in place for collating, analysing and reporting on feedback received through employee surveys, polls and check-ins. We aim to survey our employees every six months so that employees have the opportunity to share their views. The insights we gain from these direct our focus for future initiatives. Examples include the establishment of the Cairn Culture Committee which recognises the social side of work, our central communication hub CairnLive and our employee "Innovation Lab" workshops where we generated creative ideas on how Cairn can improve its impact on society and the environment.

How this helps us build lasting partnerships
By giving our employees the chance to share their views and be involved in driving the solution, we are enabling a transparent and collaborative working environment that supports our employees to do their best work and ensures they are motivated to be part of Cairn's future.

Supply Chain

How and why we engage
Supplier Relationship Managers continuously engage with our supply chain through regular forums which follow a prescribed agenda including monthly project performance data, pipeline of upcoming work, development plans, project spend status and two-way feedback. In 2020 we carried out a survey of the supply chain to determine our Net Promotor Score (NPS), demonstrating our commitment to facilitate effective two-way conversations and encourage continuous improvement of our supply chain relationships.

How this helps us build lasting partnerships
By promoting open and collaborative relationships with our supply chain partners, we can efficiently identify areas for further development and value. This two-way relationship model enables feedback and development for both Cairn and the supply chain, assisting the success of both parties.

"Our stakeholder management strategy enables us to build lasting partnerships with all of our stakeholders."

Shareholders

How and why we engage
Executive Directors and the Head of Investor Relations proactively engage in regular dialogue with shareholders after the announcement of interim and preliminary results through detailed presentations and roadshows, and also through capital markets days, regular attendance at sell-side investor conferences and ad-hoc one to one meetings, including site visits. Regular engagement ensures we update shareholders on all areas of our progress, our growth plans and strategic initiatives. We have recently sought our investors' opinions on material issues in relation to sustainability, as part of our Materiality Assessment in advance of formulating our Sustainability Strategy. Separately, we maintain an ongoing programme of shareholder engagement on our corporate governance framework and policies to understand evolving shareholder expectations.

How this helps us build lasting partnerships
In advocating open and proactive relationships with shareholders, we ensure that all interests are aligned which underpins long-term relationships.

Communities

How and why we engage
Our approach to placemaking factors in the need of communities to grow and develop safely in outdoor public spaces. We design our shared spaces, cycle paths, play areas, green ways, parks and public realm to allow people to interact in a positive and relaxing environment. We have formalised a partnership with the organisers of our successful Street Feast project, through a new initiative called Neighbourhood Network, to bring our neighbours of all ages closer together. We also sponsor multiple local youth sports clubs, local amenities and provide Christmas trees and decorative lights to all of our developments.

How this helps us build lasting partnerships
In facilitating engagement and fostering strong relationships, we are helping to build connection and resilience both within our developments and the wider community.

Policymakers

How and why we engage
We regularly engage with key policy makers at local and national government level through proactive and open communication on matters of common interest in the residential construction industry. As Ireland's leading homebuilder, Cairn is in a unique position to provide valuable and relevant insights into all aspects of the industry, including planning, design and construction, and how this feeds into housing policies. We engage with Government departments, state agencies and local authorities both directly and through membership of lobbying groups.

How this helps us build lasting partnerships
Ensures policy makers are educated and in a position to make informed policy decisions which help to underpin a sustainable homebuilding industry in Ireland.

Uniquely positioned for growth

We are uniquely positioned to leverage the opportunities in the Irish new homes market, which continues to be characterised by significant undersupply and increasing mortgage-backed demand. Our operating model is fit for purpose, our talented team have the skills and capabilities to deliver quality homes at scale, all of which is fully aligned to our growth agenda.

MARKET OPPORTUNITY

Ireland's housing crisis persisted in 2020 with new homes completions at less than 65% of our estimated 34,000 new homes annual demand. Fundamentally, this level of demand is set to continue as our population, the youngest in Europe, reached 5 million during 2020 and is forecast to increase to 5.6 million by 2040 (source: Project Ireland 2040).

While supply remained challenged, household savings reached a record high in 2020, creating more realisable, mortgage-backed demand for new homes.

Following a general election dominated by the housing crisis, the Irish Government is now focused on delivering new homes, particularly social and affordable housing, and new initiatives have been announced which will encourage supply across all housing tenures.

The multifamily sector demonstrated continued strength in 2020 with the Irish market continuing to offer favourable yields, steady, stable rental streams and strong occupancy levels for institutional investors seeking long-term exposure to the Irish residential market.

Against this backdrop, Cairn remains ideally positioned for significant growth over the coming years.

RESILIENT ECONOMY

Ireland's 2020 economic performance was robust with GDP growth of 3.4%, outperforming the EU 27 average of -6.4%. Ireland benefits from a strong and established footprint in the ICT and pharmaceutical sectors, which continued to grow during the pandemic (source all: CSO).

Exchequer returns were equally strong in the period, down 3.6%, with income tax revenues in particular proving remarkably robust (source: CSO).

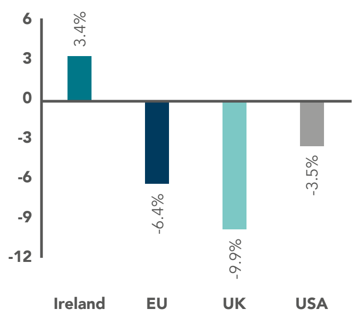
HOUSEHOLD SAVINGS

€14.2bn
in 2020

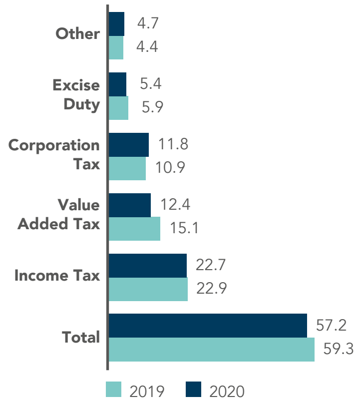
INCOME TAX 2020

-1% yoy

YOY GDP GROWTH 2020



EXCHEQUER TAX RECEIPTS 2020, €BN



A business positioned to serve an under-supplied market, delivering quality, A-rated new homes at scale from the best sites in the best locations.

Demand drivers

The housing market in Ireland has been chronically undersupplied for the past decade with strong demand reinforced by a number of factors.

DEMOGRAPHICS

With the youngest population and the highest birth rate in Europe, demographic factors underpin long-run demand for housing in Ireland.

POPULATION

5m

and forecast to increase to 5.6m by 2040.

HOUSEHOLD FORMATION

2.6

compared to 2.3 EU average.

NET INWARD MIGRATION

29,000

in the year to April 2020.

HIGH BIRTH RATE

12.1

at 12.1 births per 1,000 of population with population growth at 3x EU average.

HOME OWNERS AGED < 39

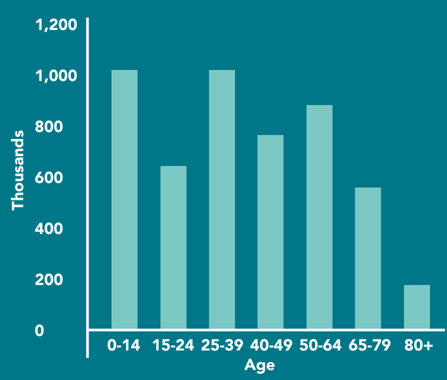
16%

and home ownership in Ireland has fallen to 68%, below the EU average of 69.8%.

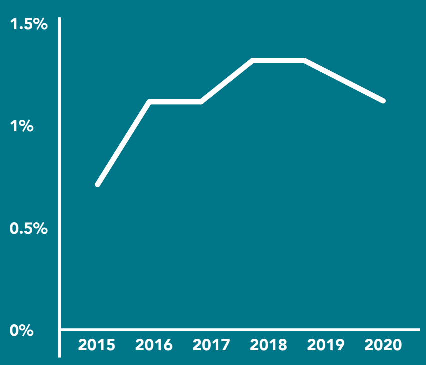
HOMES RENTED BY PEOPLE AGED < 39

58%

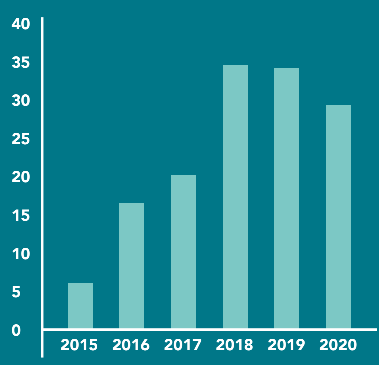
POPULATION AGE PROFILE ('000)



ANNUAL POPULATION INCREASE %



NET INWARD MIGRATION ('000)

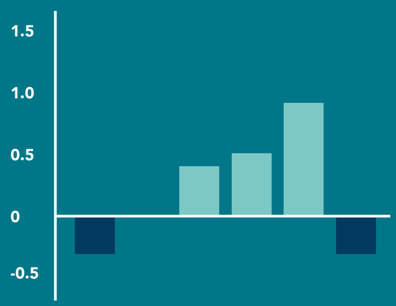


Source all: CSO

AFFORDABILITY

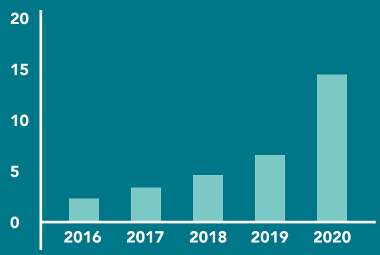
2020 CPI INFLATION RATE

-0.3%



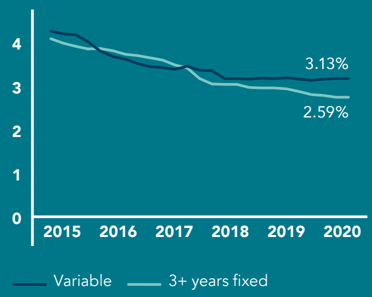
HOUSEHOLD SAVINGS

+€14.2bn



AVERAGE MORTGAGE INTEREST RATES

2.76%



EU average mortgage interest rate on new mortgages is 1.29%.

OWNING VERSUS RENTING

72%

more expensive (€927) to rent than own a Cairn starter home in Dublin.

FDI EMPLOYMENT GROWTH

3.6%

growth in 2020 to over 250,000 people employed.

MORTGAGE APPROVALS

€10.3bn

value in 2020. Q4 approvals +31% year on year.

OWNING VERSUS RENTING

CAIRN 3 BED STARTER HOME PRIVATE SALES IN 2020

€373,000

Average selling price (including VAT) in 2020 across Cairn developments in Dublin:

- Shackleton Park & Gandon Park (Lucan);
- Graydon (Newcastle);
- Edenbrook (Citywest); and
- Parkside (Malahide Road).

FTB MONTHLY MORTGAGE COST

Purchase price	€373,000
Mortgage – 90% LTV	€335,700
Mortgage interest rate	2.30%
Monthly Mortgage Repayment (30 year C&I)	€1,292

MONTHLY RENTAL COST

Lucan	€2,250
Citywest	€2,375
Newcastle	€2,000
Malahide Road	€2,250
Average	€2,219

Sources: CSO, Daft.ie, Banking & Payments Federation of Ireland, IDA, CBI, Company information.

Government support for housing

Ireland's new Government is focused on addressing the housing crisis with an emphasis on new builds and to "put affordability at the heart of the housing system":

- The Government's stated goal is to provide 50,000 additional social homes over the next 5 years;
- A target for the delivery of affordable homes will be set during 2021;
- Record €5.2bn Department of Housing budget for 2021 (+ 16%); and
- Focus on increasing home ownership rates.

Affordable housing is not currently available to a large segment of the Irish population: there are over 575,000 people in Ireland in households with incomes between €50,000 and €80,000 who cannot access social housing. This cohort of our population has limited access to mortgages and are the 'squeezed middle' stuck in the rental trap.

ENHANCED HELP TO BUY

- Income tax rebate to first time buyers of new homes priced up to €500,000.
- Enhanced in 2020 to 10% (previously 5%) of the purchase price of a new home up to €30,000 (previously €20,000).
- Positive initiative accelerating first time buyers ability to purchase new homes.

NEW EQUITY LOAN SCHEME

- Expected to be available from mid-2021.
- Up to 30% equity stakes on new homes only.

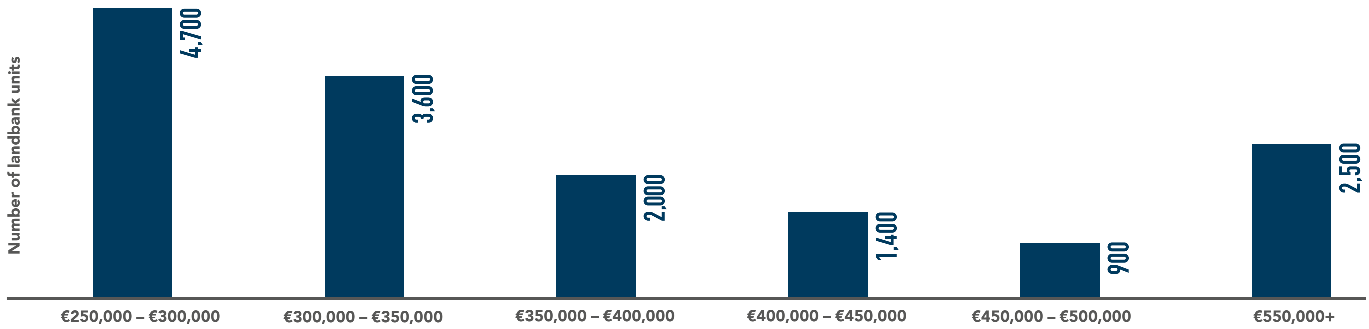
OUR BUYER PROFILES

50%	FTB (from €250,000 – €350,000)
26%	Trade Up/Mover (from €350,000 – €550,000)
14%	Premium (from €550,000)
10%	Social

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

2.8x
H2 2020 average weekly starter home sales rate

PRICE POINTS IN OUR LANDBANK*



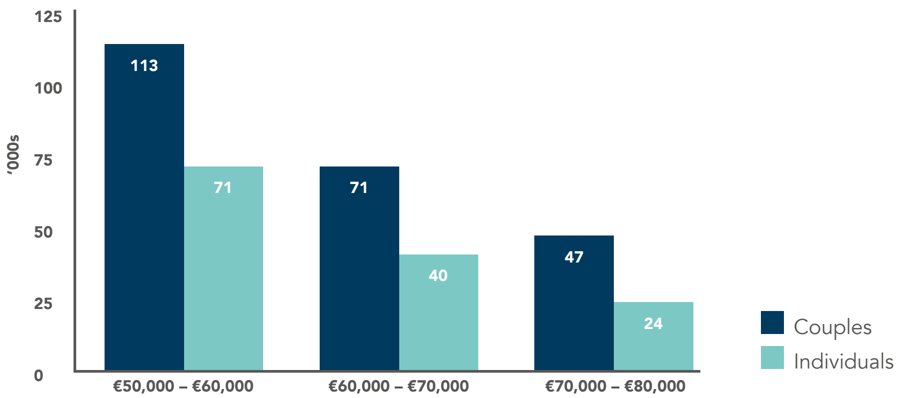
SINGLE OR JOINT INCOME REQUIRED FOR 90% LTV MORTGAGE

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

* Excludes c. 1,700 social units.

Up to 55% of our buyers have most or all of their deposit covered by the Help to Buy Scheme.

THE SQUEEZED MIDDLE



Source: CSO

Over 575,000 people with household income between €50-80k.

Cannot avail of social housing and limited ability to access mortgage finance.

IMPACT OF SHARED EQUITY

Increased purchasing power at low debt servicing ratios.

Household income: **€50,000** **€60,000** **€70,000** **€80,000**

Debt-servicing ratio (DSR) remains very reasonable and affordable for these buyers with an equity loan. Our calculations are based on mortgage repayments as a share of monthly net income (assuming a 30 year, 90% LTV fully amortising mortgage at an interest rate of 2.3%).

The Multifamily Market

With our significant investment in WIP and using our balance sheet to fund multifamily developments, Cairn is uniquely placed to offer product to the market during 2021 which is nearing completion and available to rent in the short-term.

STRONG H2 2020 MULTIFAMILY TRANSACTIONAL ACTIVITY

48%
of all real estate investment (2019: 33%).

€1.2bn
investment in new multifamily developments in 2020.

3.75%
prime residential yields in 2020 with rental inflation +0.9%.

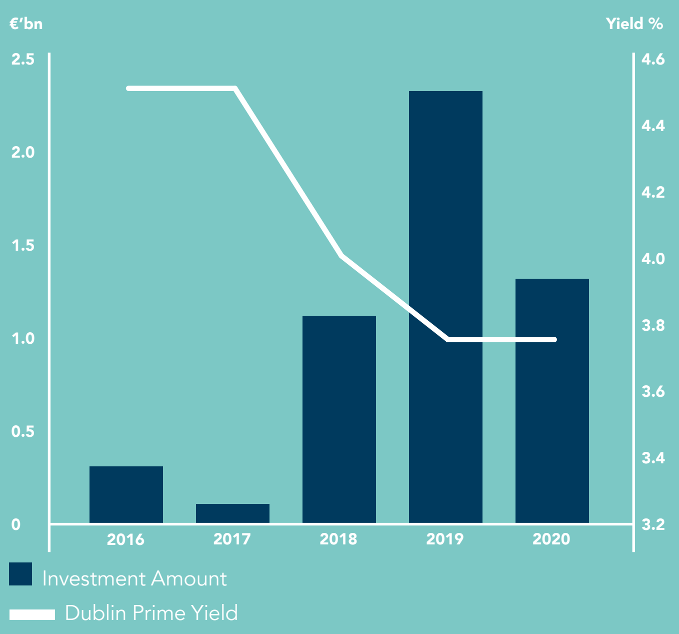
5%
multifamily share of the Irish rental sector.

99%
mid-market multifamily occupancy rates.

5
active apartment sites (1,100 units).

c. 5,100
apartment units in our landbank at an average site cost of €63k.

Sold out
the majority of multifamily schemes under construction are largely sold out.

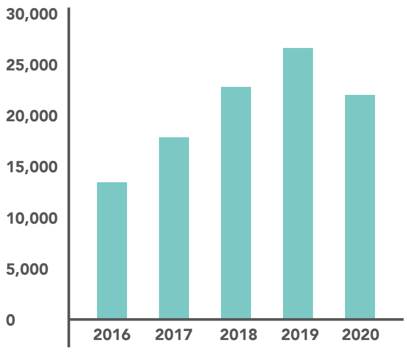


Sources: CBRE, Hooke & McDonald, Residential Tenancies Board, Department of Finance

SUPPLY CHALLENGE FOR 2021

New homes completions declined just 2% in 2020, with Q4 completions (7,400 equating to 35% of 2020 supply) up 15.9% year on year. However, commencements of multi-unit developments, which is the lead indicator for future supply, fell 18.3% (and by 25.2% in the May-December period) as the broader sector focused on completing existing developments (source all: CSO). Supply challenges are likely to continue into 2021. Cairn's commencements grew 10% in 2020.

NEW HOMES COMMENCEMENTS



SECTOR CONSTRAINTS

Increasing supply in the Irish homebuilding industry continues to be constrained by the inability of Irish homebuilders to scale at pace. Sector constraints evident in recent years were exacerbated by the pandemic, notwithstanding the favourable demand backdrop, and are likely to continue into 2021 and possibly beyond:

- A lack of proprietary equity;
- High bank funding costs;
- A scarcity of ready to go traditional housing sites in our main urban areas, resulting in higher land costs for sites being brought to the market;
- Building on smaller sites;
- Small subcontractor bases;
- Not operating at scale; and
- Low margin returns.

The prevalence of multifamily planning applications and grants in recent years will likely negatively impact the supply of traditional housing in urban and commuter belt locations, while broader industry multifamily apartment commencements will continue to require to be de-risked through forward sales in advance of construction commencing.

SUMMARY

With our exceptional landbank, scale and an operating platform which we invested heavily in during 2020, we will continue to bring competitively priced new homes to a market characterised by increased mortgage-backed private demand, more encouraging Government initiatives and strong institutional investor demand.

Demand continues to be supported by strong demographics, the cost of renting remains significantly more expensive than owning and the broader industry continues to face considerable constraints.

Cairn remains uniquely positioned to deliver on our growth agenda by supplying high quality, A-rated energy efficient new homes to the market and building on our reputation for creating sustainable communities for the future.

Cairn's objective is to be the leading Irish homebuilder by building in great locations and creating places and homes where people love to live. By using our low-cost land bank across our 36 housing and apartment sites and our scaled operational efficiencies as the foundation for a long-term homebuilding business, Cairn is maximising the opportunities to capitalise on the pent-up demand which exists in the Irish new homes residential property market. This strategy is supported by our vision to be the most trusted and safest homebuilder in Ireland and is being achieved by operating our business under five strategic pillars.

1 CUSTOMERS

Ensure we deliver an optimal customer experience and gain the trust of all Cairn homeowners.

WHAT WE DID IN 2020

- Delivering an exceptional customer experience is at the heart of what we do. This focus on supporting our customers at all stages in their journey is crucial to Cairn. This year we supported customers through buying homes in a particularly challenging external environment that often meant 'move in' day was difficult to predict. Our sales team worked with customers to ensure that this process was as smooth and stress free as possible, moving nearly 2,000 people into their new home in 2020.
- We implemented a revised sales process in June 2020 with new viewing, snagging, valuation and closing procedures through our sales consultants and customer care team, all overseen by a health and safety adviser. These procedures cover each step of the viewing and closing process, observing social distancing and hygiene protocols. After each visit by a customer, their surveyor or valuer, our new homes are deep cleaned and sanitised by professional cleaners.
- With over 8,000 people now living in a Cairn home, our customers have a substantial voice in our business. We listen to their feedback on our placemaking, home design and product selection to continuously improve on our product offering.
- Many of our customers began working from home for the first time and we took this opportunity to find out from them what worked well and what they would like to see in the future. Our homeowners had easily adapted their homes to the changed environment by creating space for a home office, home schooling or play into select areas within their home. Taking inspiration from them, when our show homes reopened in June 2020 they all contained dedicated study areas and the focus in other rooms was on showing flexibility of use. We also considered a future where this arrangement continues and where additional space could be required. Our show courts in Mariavilla, Maynooth and Gandon Park, Lucan, featured bespoke designed Garden Rooms that were extremely well received. New developments such as Graydon in Newcastle, that we brought to the market in 2020, are future proofed by virtue of having electrical connections brought to the external rear wall.

WHAT WE'LL DO IN 2021

- Introduce a new customer satisfaction framework across three pillars – customer delivery; customer experience; and customer aftercare.
- Roll-out our Network Neighbourhood partnership in selected areas.
- Explore self-service channels to manage customer aftercare through a 24-hour online system.

KEY PERFORMANCE INDICATORS

- Focus on exceptional customer service.
- Quality improvements monitored by continuous feedback.
- Focus on community building initiatives.
- Increased systems reporting capabilities.

Read more on page 56.

Customers & Innovation

Where we have not been able to engage in person with our customers in the traditional manner, we have adapted our sales campaigns to remain close to customers by ensuring that all their needs are met. Through the use of innovative technologies, including virtual reality tours and dedicated online sales appointments, and by increasing our online resources, our product has remained connected with our customers. This has resulted in sales releases being successfully facilitated online.

Strategy in Action

Supporting the new communities which we create

Our customers told us that the new communities we set out to create now exist and our homeowners have strong links to their new neighbourhood.

Encouraged by this feedback, we spent time considering how best to support these new communities resulting in the formation of a collaborative partnership with Network Neighbourhood.

This will see Cairn supporting a unique "Home Together" initiative based on fostering community engagement and providing support to our new neighbourhoods throughout 2021 and beyond.

This important partnership will assist us in continuing to create places and homes where people love to live by fostering community engagement and participation through collaborative and inclusive initiatives, with our customers at the heart of everything.

2 HOMES

Designing and building high quality, well located, energy efficient, A-rated new homes that our customers will love living in now and into the future.

WHAT WE DID IN 2020

- Transitioned our homes to being places to both live and work through a number of design initiatives.
- Delivered 743 new homes to the market.
- Brought three new starter home schemes to the market at Parkside (Malahide Road), Graydon (Newcastle) and Whitethorn Village (Naas).
- Continued to sell our trade-up/down homes at schemes including Mariavilla (Maynooth) and Glenheron (Greystones).
- Focused on our core starter home market and delivering competitively priced housing at price points where first time buyers can access mortgage finance. Average starter home selling price in 2020 was €315,000 (2019: €314,000).
- Continued focus on broadening our product range with duplex units accounting for 25% of total sales (18% in 2019).
- Ended the year with 1,017 closing equivalent completed units (2019: 744) following this significant investment in our construction activities during the year.
- Our investment in our stock of new homes is fully supported by our strong forward order book (925 year to date closed and forward sales as at 3 March 2021).
- Launched an Information and Support Hub for homeowners in May 2020 when our sites reopened containing a series of helpful guides.
- With the adoption of nZEB, we improved the energy efficiency of our homes and sold A2 rated new homes for the first time.
- Unlocked the potential of a number of sites with the delivery of key offsite infrastructure.

WHAT WE'LL DO IN 2021

- Deliver c. 950 – 1,050 closed sales.
- Commence up to 7 new developments and be on an average of 20 sites in 2021 and 2020.
- Expand regionally and extend our development and sales footprint beyond the Greater Dublin Area.
- Bring a number of new schemes to the market across all price points from starter homes to premium apartments.
- Continue to enhance the standard of new homes that we build through our in-house design development processes.
- In addition to delivering our new homes, we will focus on broader amenity delivery within our schemes to enhance living environments.
- 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.
- Leverage our IT capabilities around quality assurance and adding further improvements to the closing process with customers.
- Focus on cost effectiveness and supply chain efficiencies.

KEY PERFORMANCE INDICATORS

- Maintain our best in class quality standard for new homes delivered.
- Ongoing focus on innovation and sustainability of new homes built.
- Deliver greater construction programme and cost efficiencies.

Read more on pages 57 and 58.

743
New homes delivered to the market in 2020

950-1,050
Closed sales expected in 2021

Homes & Innovation

Our approach to customer-focused product innovation is now more important than ever as many people view the family home as a place to both live and work in close proximity to recreational and other amenity facilities and this is informing our approach to design.

We continue to explore more innovative and efficient ways to deliver our new homes and during 2020 we amended our design to provide for structural provisions for attic conversion, allowance for future proofing for garden office rooms and internal layouts to facilitate home offices.

Strategy in Action

Making our A-rated new homes stand out in the market

All of our new homes are designed to be extremely energy efficient, with each new home we build boasting a minimum A3 Building Energy Rating ("BER").

Cairn's design goes beyond the high standards required by building regulations. For Cairn, one of the basic principles of energy efficient new homes is a perfectly airtight envelope of building. We typically achieve certified air tightness results as low as 1.4 $M^3/(h.M^2)$ @50Pa, compared to the industry standard requirement of 5 $M^3/(h.M^2)$ @50Pa.

By controlling air exchange within the fabric of our new homes, we reduce heat loss. This translates to the provision of new homes which have high comfort levels due to reduced air leakage combined with high energy efficiency.

This is one of the reasons why the estimated cost of heating, hot water, lighting and ventilation in our new homes is less than €2 per day.

3 PLACES

Creating places for communities to prosper.

WHAT WE DID IN 2020

Despite the challenges presented by the COVID-19 pandemic, we continued to maintain a high standard of design and attention to detail to ensure all customers across our active developments enjoy high quality living and amenity spaces.

There has been a fundamental shift in customer expectations and requirements since the outbreak of the pandemic, many of whom now expect more functionality from their new homes as the family home has evolved into a place to both live and work in close proximity to recreational and other amenity facilities.

In delivering 743 new homes across 15 developments in 2020, we focused on ensuring vibrant, prosperous places for communities to live.

Some of our highlights in 2020 include:

- Contributed over €25m towards public realm and infrastructure projects;
- Built 9 acres of green spaces and public realm and planted 6,823 trees equating to 6 per new home built and closed; 80% of the trees we plant are native and are of biodiversity benefit. Over 50 years these tree could sequester c. 2.800 tons of CO_2;
- Constructed 18km of public roads;
- Obtained planning permission for 1,616 new homes;
- Funded and constructed a new public play area in Newcastle village, adjacent to Graydon and also delivered a new public greenway. Completed 2 new playgrounds within our developments and refurbished a playground adjacent to Parkside;
- Marianella was commended in the Irish Landscape Institute Awards 2020;
- Collaborated on the completion of a local multiple supermarket as part of our Shackleton Park development in Lucan and separately engaged with a large multiple retailer to secure planning for a new supermarket, café and community space at Graydon in Newcastle;
- Expanded on the biodiversity planting and measures across our communities; including our first bespoke Bug Hotel and Swift Tower;
- Maintained Pollinator Friendly Business Certification from the NBDC;
- Continued to incorporate EV car/vehicular charging points into all new developments and roll out car sharing facilities across all of our apartment developments; and
- Established 6 serviced sites for new schools with a potential capacity for c. 3,000 pupils across primary and secondary level.

WHAT WE'LL DO IN 2021

- Continue to deliver major infrastructure and public realm for the benefit of new and existing communities.
- Roll out our biodiversity strategy.
- Deliver new serviced sites for schools.
- Expand our community initiatives with regular events for each community.
- Deliver more planning applications focused on placemaking and design.

KEY PERFORMANCE INDICATORS

- 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 pages 59 to 63.

Places & Innovation

In response to the sudden societal transition to home working in 2020, we developed a factory built modular garden room solution which is compatible with all of our core house types. We worked closely with our local authorities to ensure our home garden rooms were compliant with planning requirements and where required, successfully secured planning permissions for the garden rooms to future-proof this working solution for our customers.

We have also focused on developing new housing typologies in response to changing housing needs and tenures with an increased focus on affordable, own door units.

All of our housing developments now utilise timber frame housing construction enabling greater consistency of quality control, reducing the carbon footprint of our developments and enabling greater certainty of programme delivery.

We have continued to roll out more sustainable site development works, including ground stabilisation techniques which reduce the export of spoil from sites and reduce the requirement for imported stone. We have also expanded the use of less intrusive segmental wall technologies as a substitute for in-situ concrete retaining walls.

Strategy in Action

Biodiversity for sustainable communities and habitats

From the first planning and design meeting for every site we build on, we carefully analyse the unique landscape features and environmental constraints. This informs the entire design of our new developments.

These site specific projects are bolstered further by our pollinator-friendly strategies. At our Graydon development in Newcastle, we planted 150 metres of Holly hedging along our development boundary. We also rolled out 80 square metres of native wildflower meadow turf at the on-site marketing suite. Prior to commencing construction, we installed two maternity bat roosts in a dark corner of a future public park. A core part of the development strategy for Graydon has been the retention of field boundary hedgerows, some of which follow the alignment of medieval burgage plots. These initiatives support the long-term sustainability of Graydon.

4 PEOPLE

Our people agenda is at the heart of everything we do. Collaboration and innovation continue to be core tenets of the culture we drive in Cairn.

WHAT WE DID IN 2020

Implemented our Organisation Development agenda focused on delivering a platform to facilitate scale in a reliable and sustainable way through the delivery of a more closely aligned structure, a clearly defined set of streamlined processes and deliverables and a"fit for purpose"suite of supporting business applications and technologies. This is the combined Cairn methodology and platform from which we can leverage execution performance and ensure quality at scale. We strengthened our Leadership Team with key hires to increase capability and expertise and also rolled out leadership development program. Our learning and development initiatives focused on a wide breadth of requirements, including driving our continuous learning and innovation priorities. We improved our eNPS (employee net promoter score) with an increased focus on our engagement activities during the COVID period, with a focus on connection, consideration and commitment to all our people, partners and customers. We delivered a new CairnLive platform, a central communication and resource hub to support internal communications and knowledge share.

WHAT WE'LL DO IN 2021

Embed our HR partner model across site and central functions with expansion of this team and increased focus on workforce planning across delivery sites. Refine our performance management approach and align leadership short-term reward with organisational and financial performance and ensure retention of critical talent through our LTIP scheme. Continue to drive the Organisation and Talent Development agenda and increasing capability and capacity across all functions, ensuring our people are supported to do their best work. Rollout our top talent program which focuses on identifying and developing our future leaders, and providing a mentoring program to accelerate career progression. Engagement will remain a key priority for the People Team as COVID-19 and remote working practices continue to be a reality, and our established Cairn Culture Committee will continue to drive social, health and well being and fun initiatives to our staff, which has proved to be a critical component to our increased engagement scores.

KEY PERFORMANCE INDICATORS

Recruitment, attrition and retention targets met with a focus on strategic workforce planning across increased developments. Reward strategies understood and translated into performance management model. Implementation of scaled processes and underpinning tools. Top talent program up and running with succession planning in place for site delivery roles. Continued positive engagement scores across our staff and supply chain.

The COVID-19 backdrop challenged our business and people to work differently, raise the bar and go above and beyond in terms of delivering brilliant new homes to our customers. In 2020 we focused on consistent engagement with our staff, partners and subcontractor base, scoring impressive results across our internal and external engagement surveys. Feedback identified 3 key drivers to our increased engagement levels:

- Connection: regular communications and events kept employees and subcontractors informed and connected;
- Consideration: focus on wellbeing and individual circumstances resulted in employees feeling supported and enabled to work through a challenging period; and
- Commitment: continued employment and reward built a foundation of commitment which can be leveraged long term to drive performance.

Engaging our workforce is key to our levels of employee commitment. Our people feel rewarded for their efforts and are motivated to be part of Cairn's future. Our Cairn Culture Committee works to ensure we recognise the social side of our work life and celebrate our successes together, and the introduction of Cairn Live, our central communication hub further recognises the importance of keeping our people informed, connected and equipped.

2020 has been a year of growth and development for our people and our capabilities within Cairn. A number of new initiatives were introduced, targeted at increasing our overall business effectiveness. We focus on bringing out the best in our people and their teams and in 2020 we introduced our #betterwaystobuild program, which focuses on aligning our people, skills, processes and tools to create a scalable platform that delivers and will continue to deliver consistent performance. We have invested heavily in new technologies and business intelligence which will provide the necessary insights and data to support decision making and agility which is key to the success of our business.

We have continued to focus on developing our people at all levels. We have specifically targeted the development of our senior leadership and people managers, with initiatives such as the Project Manager Development Program. This program focuses on broadening the management skills and leadership capability of our site-based staff to support the running of their business units and delivery of quality homes in line with programme while keeping safety a top priority. Our top talent program focuses on mentoring and shadowing opportunities as a way of exposing future leaders of our organisation to conversations and opportunities that will develop them as successors for senior or more complex roles in the future. We have also grown our team in 2020 with 65 new hires resulting in additional strength across all business functions. Our operating model has continued to evolve with new matrix roles driving further collaboration and knowledge sharing across our platform.

We have a substantial and scaled subcontractor base which allows them to leverage our platform to grow their business. We have developed a relationship management approach which focuses on understanding their priorities and how best we can work with them to remain their 'partner of choice'.

Read more on pages 54 to 56.

> "We enjoyed working on the Citywest project with Cairn. It's a long time since we have used the word 'enjoyed' for a project."

Driving a culture of Innovation

Whilst 2020 presented many challenges, it also provided us with the opportunity to re-think how we work, become even better at what we do and tap into our frontline employee base to bring our best ideas to the table. This year we focused on harnessing this broad appetite for continuous improvement and making it more targeted to support the scaling of our business, which included a top down approach, focused on clarity from our leadership team on our promise to customers, people and the environment, and a bottom up idea generation exercise using input from "Innovation Lab" workshops.

We ran the first Innovation Lab virtually, choosing Sustainability as the priority 'problem statement' to be discussed. A group of twenty cross-functional employees worked through an 'ideate-debate-create' funnel to come up with five creative ideas for how Cairn could improve its impact on society and the environment. These have been integrated into our broader Sustainability strategy as part of the materiality assessment activity.

Read more on pages 50 to 65.

Strategy in Action

Supporting mental health & wellbeing

An important part of our ongoing engagement with our employee and subcontractor base is understanding what information and tools we can provide to ensure the health and wellbeing of our workforce is supported. Whilst there are always pressures and challenges in the workplace, COVID-19 added a new dynamic to the concerns, issues and personal circumstances that our employees and subcontractors were dealing with through the year and we felt it was critical that Cairn put support mechanisms in place to help with this.

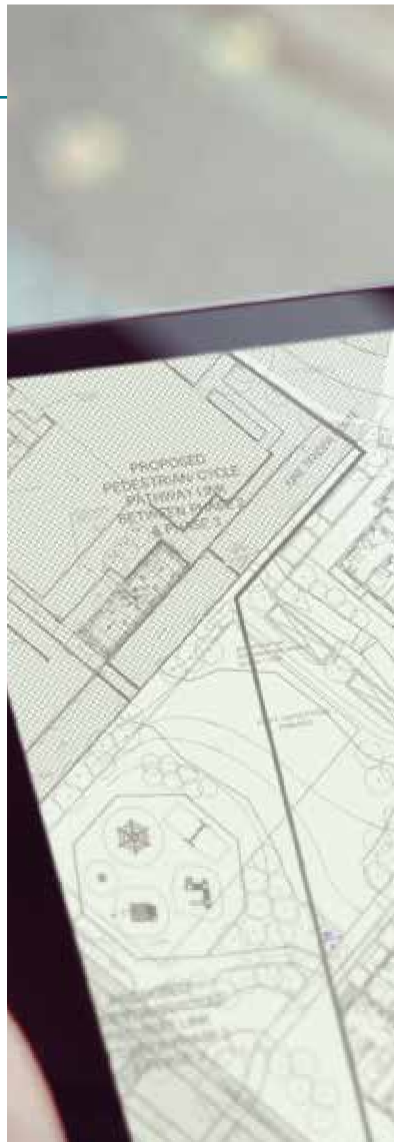
Our approach focused on support and information across four pillars: resources for individuals; education and learning; virtual events and sponsorship; and communication and messaging. We launched a short poll to understand what people would find most useful to start us off and received positive feedback for bringing this conversation to the table at such a critical time. Feedback from the poll enabled us to kick off our winter campaign of activity, including manager dial-ins on how to support wellness at work, establishing the role of a Mental Health First Aider and training nominated site reps and ongoing reminders of the Employee Assistance Program and CIF helpline details.

In addition, to kick off the winter campaign our site team in Shackleton Park, Lucan committed to raising money for Aware, our chosen charity partner, by jumping into a bath of ice water every day for 11 days in October. The team managed to raise almost €14,000 and this amount was matched by Cairn, resulting in a final donation of nearly €28,000 being presented to Aware in early November 2020.

> "As an employee you feel looked after and appreciated, continuously provided with feedback and this has been evident now more than ever during this COVID-19 period."

5 OPERATIONAL EXCELLENCE

Create a commercial and profitable operating platform to turn land into great places to live.



WHAT WE DID IN 2020

- Continued to expand our internal teams in addition to growing our subcontractor base with 70 new subcontractor and supplier relationships created;
- Introduced formal subcontractor performance tracking across projects and completed our first supplier engagement survey;
- Leveraged €249 million procurement and buying power despite COVID-19 and as a hedge against growing build cost inflation;
- Focused on category management within our supply chain in developing a structured procurement approach to order and spend analysis;
- Secured planning consent for 1,616 new homes;
- Commenced delivery of five new schemes (Parkside, Whitethorn Village, Archers Wood, Hawkins Wood and Graydon), continuing partnerships with key suppliers and enabling further standardisation of finished product; and
- Focused on our business intelligence capability, particularly at a per-unit level, providing real time data across all new homes under construction.

WHAT WE'LL DO IN 2021

- Mobilise for and commence up to seven new schemes.
- Continue to focus on project dashboards to further increase operational efficiency.
- Expand the impact of the longer-term procurement activities through focussed category management and supplier relationship management.
- Continue to raise our technical ability by focusing and developing the engineering and technical skillset of our people.
- Enhance development of integrated planning from project conception through to customer experience.
- Continue standardisation of product details with a focus on offsite construction.

KEY PERFORMANCE INDICATORS

- Focus on supply chain performance measurement to uphold best in class standards and provide real improvement in delivery.
- Focus on progress monitoring through near-real time dashboard monitoring and trend analysis.
- Continue to pulse survey our supply chain to ensure improvement in supply chain management.

Read more on pages 58 to 60.

Operational innovation

Early on in the pre-commencement planning stage of our 385 unit Griffith Wood apartment scheme, we adopted an early subcontractor involvement approach to the concrete frame package. By convening a close collaborative design and delivery forum we were able to interrogate the design specification, materials, suppliers and execution plan to ensure that the most efficient collective delivery was possible for this substantial element of the project.

The collaborative approach allowed us to refine the number of concrete mixes, reinforcement details, slab thicknesses, pour volumes, precast components and delivery sequencing.

This refinement at an early stage also removed abortive work and resulted in increased efficiency in the delivery of the package without compromising quality.

By involving these designers, subcontractors and suppliers earlier in the detailed design phase, Cairn were able to identify more efficient ways to build. This partnership approach has led to significant savings of 16% on the cost of the package as a result of collaborative and innovative ways of working.

Strategy in Action

Maximising operational efficiency

We have continued to standardise our product offering in terms of design details, finishes and methods of construction, with speed and maintaining quality the main drivers. By collaborating earlier in the design stage with subcontractors and suppliers, further efficiencies have been achieved and opportunities for innovation in terms of methods of construction have continued.

Considerable focus has been given to our business intelligence capability, including performance dashboards which enable project progress monitoring at a unitised level per task. We can now track each trade in each building across each project and map that progress against the relevant baseline, thus allowing us to identify and address any deviation at project level but also across the entire Cairn portfolio. This provides greater insight into our operational efficiency, indicates where we need to address risk, but also where we can exploit opportunity. Additional dashboards have been created for procurement, sales, planning and finance, facilitating further cross functional collaboration and reporting. These live dashboards provide opportunities to analyse real time data.

Category management has been another key focus as we continue to develop a structured procurement approach to order and spend analysis. Enriching this analysis with relevant market intelligence has led to the identification of opportunities within core categories, enabling more strategic procurement and allowing Cairn to realise significant savings. Category intelligence as part of supplier relationship management is providing insight into the relationship strengths and weaknesses but structured engagement is also providing the platform to ensure that relationships are constructive and progressive, leading to more resilience in the supply chain.

We maintained close relationships with our supply chain during a challenging year, providing regular updates on our pipeline and plans. This was welcomed by our subcontractor and supply chain, allowing them to plan their businesses in the changing environment. We also introduced a €5m support scheme to self employed subcontractors during the COVID-19 period as part of our enduring commitment to our supply chain.

Improving how we manage risk

During the year, we carried out a comprehensive review of our risk management framework led by our Board. Following that review, which has included a comprehensive re-evaluation of all of our existing and emerging risks, we have improved our framework, refined our principal risks and uncertainties and further embedded risk management into all our business processes.

OUR RISK MANAGEMENT FRAMEWORK

Governance	The Board is responsible for identifying the most significant risks to our business and developing our risk appetite, supported by the Audit & Risk Committee who: • monitor and review the overall effectiveness of our risk management framework; • advise the Board on our principal risks and uncertainties; and • advise the Board on the risk aspects associated with our strategy. The senior leadership team, led by the Chief Executive Officer, determines the strategic approach to risk, establishes our structure for risk management, and ensures the most significant risks for the business are identified, understood and effectively managed. Our management teams support this by actively participating in the identification and management of risks in the business areas they are responsible for. This includes agreeing risk management performance targets and ensuring risk improvement controls are identified and implemented. This overall approach is underpinned by a requirement that everyone in the business understand risks, and the processes we have employed to identify and manage risk.
Identification of risks	As part of the changes to our risk management framework, we have further developed our holistic approach to the identification of existing and emerging risks. We engaged with our people at all levels in the business, ensuring comprehensive and insightful risk identification and evaluation. Functional management teams in particular are facilitated by professional risk advisers to ensure the persistent identification of risks that could impact strategic goals and operational activities. When a risk is identified, it is aligned to a principal risk area to validate the risk and help identify emerging principal risks and uncertainties. We also align our risks to macro-risk factors, such as the impact of COVID-19 and Brexit. These are risks we cannot control, but which give rise to a range of specific consequences (for instance, supply chain delays) that we can anticipate in the context of the macro-risk and specifically manage. The senior management team actively engages in this process and meets formally at least twice a year to review risks identified by functional management, augment those risks with risks identified by the senior management team, and ensure new and emerging risks are identified and managed.
Assessing risk	Our approach to the assessment of risk remains consistent. For all risks we firstly consider the likelihood of the risk occurring, and then the impact of the risk should it occur (having regard to controls we have already effectively implemented). This assessment supports decisions on how we apply Cairn's risk appetite to each risk.
Mitigating and managing risk	Our risk management framework requires our risks to be actively managed in line with our risk appetite. All risks are assigned to risk owners, who are responsible for ensuring the risk is appropriately managed. Plans for managing risks are documented and are monitored for implementation and progress by the senior management team. The management of Cairn's principal risks is overseen by the Audit & Risk Committee on behalf of the Board. The management of risk is supported by a comprehensive risk register presenting a consolidated view of our risks and how they are being addressed. The risk register is an important point of record for both the Board and the Audit & Risk Committee's evaluation and oversight of the risks to the business and our response to them.

SPECIFIC RISKS: COVID-19 AND BREXIT

During 2020 both COVID-19 and Brexit represented risks for the Group which were managed and mitigated in accordance with the plans we identified for them.

COVID-19	COVID-19 has had an impact on our construction and sales programme, as well as our overall performance. However, we have actively managed its impact and will continue to do so, albeit in the context of greater certainty on the macro-economic consequences of the pandemic on the Irish housing market. Although COVID-19 continues to create uncertainty for the Group, we have reviewed all of our risks in the context of how COVID-19 impacts those risks or creates specific new risks. This is reflected in our revised Principal Risks and Uncertainties for this year.
Brexit	Following the trade arrangements agreed between the EU and UK at the end of 2020, the potential impact has been reflected in specific risks, particularly in respect of supply chain. However, Brexit is no longer considered a principal risk and uncertainty for our business.

PRINCIPAL RISKS AND UNCERTAINTIES

Following the review in 2020 of how we identify, assess, and manage risk, we have refined our principal risks and uncertainties. These principal risks augment those we have previously identified, and more comprehensively reflect the risks that impact the strategic intent of our business.

Risk is an inherent part of doing business. It is not our objective to eliminate all risk, but to understand the risks to our business and address them in a way that maximises the opportunities our strategy is intended to deliver, whilst managing them to an acceptable level.

The risk appetite for the business has been set by the Board, with advice from the Audit & Risk Committee. Agreed risk appetite levels for each of our principal risks are also detailed below.

Risk trend

Risk increased Risk decreased Risk unchanged

Principal risk: Policy

Local and National policy or regulation in respect of residential property development adversely impacts the Group.

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
Planning applications can be adversely affected by planning objections or policy change (at national or local level), appeals or judicial reviews. In all cases, the outcome can be a delayed start to affected developments, and the potential for an increased cost of development.	The Group works closely with consultants who have strong track records in designing and promoting developments that will maximise planning potential. Separately, the Group actively engages with national and local authorities, local communities and other stakeholders to ensure potential risks to specific planning applications are identified at the earliest possible stage and avoided or mitigated before applications are submitted.	The Strategic Housing Development planning process is expiring in 2022. All new developments from that date revert to traditional planning processes.	Cairn will always adhere to policy and regulation, but as a national housebuilder it will seek to positively address, as well as ensure it is always prepared for, policy and regulatory change.

Principal risk: Brand

Brand reputation is damaged through Cairn's failures or the failures of its supply chain.

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
A failure in the quality of designs, materials, supplies and construction can have an adverse impact on the Cairn brand and the strength of its position in the market.	The Group has implemented systems to ensure developments and individual homes meet our specifications and associated quality standards. These systems are being continually improved and are intended to detect and identify issues through the entire development lifecycle, from design through to completion and delivery. Where issues arise, these systems help ensure they are resolved promptly and effectively.	Ensuring the Group's systems for preventing and managing issues that affect its brand is a continued focus across the entire business.	Cairn has a limited appetite for risks that may adversely affect its brand and the ability to market and sell its homes effectively.

Risk trend
Risk increased Risk decreased Risk unchanged

Principal risk: Economic

Economic conditions, including mortgage availability and affordability, may adversely affect house prices and sales rates.

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
National, supra-national or macro-economic/policy factors adversely impact the demand for (or price of) multifamily schemes. This might reduce the saleability or market value of present or planned schemes and/or limit the scope for future schemes.	The Group actively engages with the multifamily schemes market and its participants. It monitors for prospective challenges to the market in Ireland, as well as other emerging risks so their impacts can be assessed and managed. There is active engagement with policymakers (through representative bodies) on policies affecting investment in multifamily schemes.	Risk unchanged There is limited risk of central policy adversely impacting multifamily schemes and the macro-economic environment remains favourable.	Economic conditions and other macro factors that affect house prices and sales rates are monitored and Cairn will make adjustments to its plans to ensure the adverse impact of changing economic conditions are minimised.
National, supra-national or macro-economic factors, such as adverse mortgage conditions, or falling employment, can create an uncertainty in the demand for residential housing.	The Group persistently monitors, reviews, and analyses all aspects of Irish housing market conditions to ensure its development activities match anticipated market demand. This includes monitoring domestic lending conditions, the mortgage market generally, and other factors likely to impact market demand and supply. The maintenance by the Group of strong liquidity allows it to withstand short to medium term changes in market fundamentals.	Risk unchanged Notwithstanding the impacts of COVID-19 and Brexit, the demand for housing has been maintained. Mortgage availability is consistent and rates are expected to remain low.	
A reduction in land values could adversely impact the Group's balance sheet and its current land cost advantage in respect of planned developments.	The land bank exposure of the Group will be reduced over the medium term to support greater development flexibility and increase liquidity.	Risk decreased The macro-economic environment has not resulted in land price reductions and is not expected to do so in 2021.	

Risk trend
Risk increased / Risk decreased / Risk unchanged

Principal risk: Financial

Cairn substantively fails to meet financial targets or obligations, suffers unexpected financial loss, or misstates its financial position.

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
The Group's credit and long-term funding arrangements do not meet Cairn's needs or trading conditions.	The Group persistently monitors its facilities against actual and projected needs and financial position, as well as against emerging financial factors and risks. Its existing facilities also afford sufficient flexibility to meet likely future needs and Cairn's projected performance.	Risk unchanged. The Group's credit facilities match its requirements and projected performance.	Cairn has no appetite for a failure of this nature and implements controls to ensure financial risk is identified and controlled.
A failure of internal financial controls could lead to potential financial misstatement, impairment, undetected fraud, or financial loss.	A robust financial controls framework has been developed and implemented by the Group, overseen by the Audit & Risk Committee of the Board. This framework is subject to audit, which supports an ongoing programme of review and improvements in financial controls.	Risk unchanged. Through 2020 the Group adopted further internal controls, and improved existing controls.	
The Group's systems and processes for delivering house sales are unable to meet future growth plans.	The Group has developed and implemented a systematic methodology for meeting obligations, commitments, and expectations in respect of the sale of homes and developments.	Risk unchanged. The Group's processes continue to be developed and extended to other operational parts of the business.	
The Group suffers a significant failure in key Information Security or IT systems (including by way of cyber-security breaches) impacting its ability to conduct its business or manage its finances.	The Group has adopted a defined framework for managing information security risks and implementing controls for detecting, preventing and recovering from system failures.	Risk unchanged. Through 2021 there will be further adoption and improvement of information security frameworks and controls.	

Risk trend
Risk increased Risk decreased Risk unchanged

Principal risk: Development

Developments fail to meet the operational or financial targets set for them.

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
Delays in, or inappropriate timing of, development activity and associated release of developments to the market, can adversely affect development costs and the ability to meet development targets, and to maintain appropriate levels of cashflow.	There is a systematic, integrated, group-wide approach to development launch, construction scheduling, delivery, and sales. This approach ensures an alignment of the construction and sales programmes, and high visibility of all underlying performance, including construction costs and sales prices. The impact of COVID-19 on construction and sales programmes is reviewed on at least a weekly basis by the executive and senior management. Operational and other activity is adjusted as required to effectively respond to and manage the impact.	Risk unchanged As the Group grows and commits to higher sales volumes, the effectiveness of its programming management systems will remain a priority for improvement.	There is inherent risk associated with the planning, delivery, and sale of any development. Cairn is willing to accept levels of financial or operational risk that are consistent with the planned outcomes of its developments but will always seek to minimise those risks accordingly.
Availability of materials and supplies, or supply chain disruption, causes development delays or an unexpected increase in development costs.	Whilst Brexit, and the global effects of COVID-19, continue to place pressure on supply chains and the availability of materials and supplies, effective supply chain management, development planning, and close oversight of material requirements reduces the impact of these pressures.	Risk unchanged The Group maintains rigorous systems and controls to ensure material availability and supplies match planned development output	
Development margins are adversely impacted by rising development costs.	A robust procurement process ensures effective procurement practices, including competitive tendering, contractual price controls, and supplier oversight. Costs are also managed through the development lifecycle, supported by rigorous monitoring against approved budgets.	Risk unchanged The Group actively seeks ways to continuously optimise its build costs.	
For the Group to scale effectively, greater standardisation of product and delivery is required to ensure consistent quality and cost of build.	The Group has developed design and development standards that are intended to ensure consistency and deliverability at scale.	Risk unchanged As the Group scales design and development standards will be continually reviewed and improved.	
Utility companies (water, drainage, electricity) are unable to provide sufficient connections, supply, or capacity for proposed developments.	A dedicated relationship manager has been appointed to engage directly with service providers and local authorities and improve the identification and resolution of utility provision risks.	Risk unchanged The availability of services remains subject to utility company resources and priorities, influenced by central government policy.	

Risk trend
Risk increased · Risk decreased · Risk unchanged

Principal risk: Compliance

Cairn fails to meet its legal and regulatory obligations (such as health & safety or data protection).

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
A failure by the Group to meet the requirements of health & safety legislation or best practice, giving rise to death or personal injury in the workplace for which Cairn is responsible.	The Group maintains a health & safety system and framework that exceeds legislative standards and which is intended to ensure safe systems of work throughout all Cairn's activities. The Health & Safety function is led by a senior manager reporting to executive management. This is supplemented by independent, periodic reviews of the health & safety systems and their effectiveness.	Risk decreased Maintaining, delivering and constantly improving the Group's health & safety system is central to its response to health & safety risks.	Cairn has no appetite for failures that give rise to injury or loss or life. Cairn will manage legal and regulatory risks in a manner that is consistent with good practice.
A failure of the business to meet its data protection obligations arising under Irish and EU data protection laws, including specifically the Data Protection Act 2018, and the General Data Protection Regulation ("GDPR").	An accountability framework managed by the Company Secretary supported by a designated Data Protection Officer to support the processing of personal data in accordance with data protection laws.	Risk unchanged The improvement of the accountability framework is ongoing and actively managed.	

Principal risk: People

Cairn fails to recruit, engage, and retain the right employees, in the right positions, to deliver its strategy.

CONTRIBUTORY RISKS	KEY MITIGATIONS	RISK TREND	APPETITE
A lack of succession planning arrangements for key staff, so as to mitigate loss of key corporate knowledge and continuity of operations.	Cairn's succession planning methodology identifies succession gaps and facilitates actions to close any gaps identified. Ensuring that remuneration policy meets 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 respond to succession planning risk as part of its strategic planning.	Cairn's appetite for people risk is limited with a view to ensuring that the overall strategy can be delivered by the wider Cairn team.
The availability of appropriately skilled contracting labour, or a lack of skilled and/or professionally qualified entrants to the construction industry, creates a shortage of the skills required to facilitate Cairn's development plans, scaling goals and succession planning strategies.	Resource planning identifies medium to long-term needs and likely skills gaps, supporting the development and implementation of targeted measures to address those gaps, both in respect of likely availability of contracted workforce and future requirements for construction industry professionals. A systematic approach to identifying, engaging, and promoting the development of talent within Cairn facilitates the progression and retention of that talent to help meet future needs.	Risk unchanged The Group continues to be innovative in the engagement, recruitment, retention and development of skilled construction professionals.	

GOING CONCERN AND VIABILITY STATEMENT

Going Concern

The COVID-19 pandemic has had a material impact on the Group during the year ended 31 December 2020, resulting in a material reduction in revenue, profitability and interruption in development activity. This dynamic has continued into early 2021. The Group entered this challenging time from a position of strength and continues to operate from that position with a long-term strategy that focuses on minimising financial risk and maintaining financial flexibility. The business has strong liquidity, a robust balance sheet and sustainable, lowly leveraged debt facilities.

Notwithstanding its strong liquidity position, the Group has taken a number of steps over the course of the pandemic to protect the business from any downside risks which might arise, including:

- Utilisation of undrawn credit facilities to manage the working capital cycle;
- Suspension of ordinary dividends and the remainder of the €60 million share buyback programme;
- Waiver of cash bonuses by the Executive Directors which may have been payable in respect of the Group's performance in 2020; and
- Prudent cash management by ensuring production activities focused on forward sold inventories, inventories which continue to be attractive to multifamily scheme buyers and new family homes which are at lower average selling prices.

The Group did not avail of any wage subsidy support from the Irish Government during 2020.

The Group held €34.5 million of cash at 31 December 2020 (31 December 2019: €56.8 million) and has substantial committed, undrawn facilities of €140.0 million at 31 December 2020, repayable between 31 December 2022 and 31 July 2026.

At the initial onset of the pandemic in March 2020, the Group announced a controlled and orderly shutdown of its construction sites and sales showhouses. During that seven-week shutdown period, the Group successfully maintained operational momentum, making detailed preparations for a safe return to work, which allowed build programmes to restart efficiently on a phased basis in May 2020. Fifteen residential sites were successfully reopened, including three new 2020 site commencements, under strict compliance with new operating procedures adhering to social distancing requirements. COVID-19 adversely impacted gross and operating margins as the business incurred additional costs associated with lockdowns and adherence to social distancing protocols.

These protective measures impacted site preliminary and management costs, reduced operating efficiency and extended construction programmes. However, the business recovered well throughout the remainder of 2020 in a market that continued to experience strong underlying demand. A further three-month shutdown of operations was enforced in January 2021. All of our residential sites will reopen on 12 April 2021.

Looking ahead, uncertainty remains in relation to the future impact of COVID-19 on the Irish economy and the potential impact on customer confidence. Against this backdrop, the Directors have carried out a robust assessment of the principal risks facing the Group and have considered the impact of these risks on the going concern status of the business. In making this assessment, consideration has been given to the uncertainty inherent in financial forecasting including future market conditions for construction costs and sales prices. Where appropriate, severe but plausible downside-sensitivities have been applied to the key factors affecting the future financial performance of the Group.

Having considered the Group's forecasts, sensitivity analysis and the Group's significant liquidity, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements and there are no material uncertainties in that regard which are required to be disclosed.

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 its 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, as set out on pages 42 to 46, 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 downside-sensitivities to the long-term viability of the Group including 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 continued reduction in sales in 2021, similar to its 2020 outcome, and materially reduced sales in 2022 and 2023, with a deterioration in employment levels and consumer confidence, coupled with a reduced bank risk appetite, leading to a material reduction in credit availability in the mortgage market. In assessing these severe downside scenarios, it was assumed that there was an inability to undertake construction or sales activities for an extended period of time, and a sudden decline in demand compared to the Group's forecast, leading to reduced sales volumes, a reduction in sales prices, increased cost for materials and labour and increased finance costs, followed by a gradual recovery.

In these scenarios, the Directors assumed they would take appropriate actions to ensure that the overall financial risk was minimised through this cycle, including: continuing to suspend 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 conclusions, the Board has considered the ongoing impact of COVID-19. Inevitably, there will continue to be an adverse impact on the business. The Group continues to implement a number of measures to protect the business from the potential downside risk of COVID-19.

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

Chief Financial Officer's Report

"Our strong balance sheet and resilient business model enabled us to generate a meaningful operating profit in an extremely challenging year."

Shane Doherty
Chief Financial Officer

Revenue
In a year where our construction sites were fully closed for seven weeks and sales activity was severely curtailed for ten weeks, we delivered revenues of €261.9 million (2019: €435.3 million), including 743 closed sales and a small number of development site sales. Revenue was 40% lower than last year, while the number of closed sales fell by 31% over 2019. Our average selling price ("ASP") of €332,000, excluding VAT (2019: €372,000), in 2020 reflects the heavy bias towards lower ASP housing in the starter home market.

Gross Profit and Operating Profit
Gross profit of €42.7 million (2019: €85.3 million) was a 50% reduction over 2019 and equated to a gross margin of 16.3% (2019: 19.6%). Additional costs associated with the pandemic, including increased site management and preliminary costs from extended construction programmes, contributed to the reduction in gross margin.

An operating profit of €24.4 million (2019: €68.0 million) included operating expenses of €18.3 million (2019: €17.4 million) and resulted in an operating margin of 9.3% (2019: 15.6%). Our focus on cost and cash management somewhat mitigated the impact of site closures and sales constraints on our business during the year.

Profit after Tax and Earnings per Share
Finance costs for the year were €9.7 million (2019: €9.5 million), reflecting our decision to maximise our liquidity and use our committed revolving credit facilities for a significant portion of the year to safeguard the business against the effects of the pandemic.

Profit after tax of €12.7 million compared with €51.2 million in 2019. Earnings per share was 1.7 cent (2019: 6.5 cent).

"Our earliest debt maturity is 31 December 2022"

Financial Position
Total assets amounted to €1,018.8 million at 31 December 2020 (2019: €970.2 million). Net assets totalled €750.6 million (2019: €763.7 million).

Our well capitalised balance sheet included inventories at year-end of €968.2 million (2019: €897.3 million), comprising land held for development of €690.3 million (2018: €692.8 million), and construction work in progress of €277.8 million (2019: €204.5 million).

The investment in work in progress reflects our strategic focus on continuing to invest in sites which will deliver volumes and revenue into 2021 and beyond when our sites reopened in May 2020.

At 31 December 2020, the Company had net debt of €168.3 million (2019: €91.2 million), comprising drawn debt of €202.8 million (net of unamortised arrangement fees and issue costs) (2019: €148.0 million) and available cash of €34.5 million (2019: €56.8 million).

Our debt facilities continue to provide us with strong flexibility and strategic optionality that complements our strong product pipeline and underlying demand. Our earliest debt maturity date is 31 December 2022. Our net debt to inventories (at cost) was just 17.4% at year end (2019: 10.2%) reflecting a lowly leveraged balance sheet.

Cash Flow
We utilised €40.6 million of cash in operations in 2020 (2019: net cash generated from operations of €99.2 million), largely as a result of our strategic decision to invest in work in progress to fuel our growth ambitions. Positively, our business generated cash of €26.2 million from operations in H2 2020 with significantly stronger closed sales in that period.

We returned €23.8 million to shareholders through our share buyback programme in 2020 and suspended our dividend and share buyback programmes at the outset of the pandemic in March 2020.

Outlook

Our business continues to be impacted by COVID-19 and our construction sites remain closed since 6 January 2021. However, our strong closed and forward sales pipeline of 925 units as at 3 March 2021, the day before we announced our 2020 preliminary results, with a net sales value of €307 million, demonstrates the underlying strength of our business in an undersupplied market and underpins our decision to continue to invest substantially in our construction activities, including five new site commencements, during 2020.

Our strong balance sheet and significant available liquidity are sufficient to protect and mitigate our business from any further possible downside risks arising from the pandemic. The Company has not availed of any financial supports from the Government since the start of the pandemic and Executive Directors waived any cash bonuses which may have been payable in respect of 2020 performance. Our people are central to delivering on our strategic objectives and medium-term growth agenda. I am proud that we delivered on our commitment to retain all of our full-time staff with no changes to fixed remuneration or redundancies during 2020. Our growth aspirations are underpinned by our great team of people and we have continued to grow our workforce over the last 6 months to ensure that we can deliver on this growth.

Conscious of the importance of shareholder returns to our investors, our Board will consider the reinstatement of capital distributions later this year. Further details will be provided when we announce our 2021 interim results.

We continue to enjoy the benefits of a low-cost land bank and procurement and operational efficiencies through our scale.

Together, these measures leave us ideally positioned to leverage the opportunities which exist in the Irish housing market into the long-term.

Shane Doherty
Chief Financial Officer

€175m
Available liquidity (cash and undrawn facilities) at year-end

925
Closed and forward sales units at 3 March 2021

Quality homes Sustainable future

OUR JOURNEY

Over the course of 2020 we began developing the formal Sustainability Agenda for the business. A Sustainability Steering Group chaired by John Reynolds, Chairman of the Board, set about understanding how we contribute to a more sustainable built environment in Ireland and how we can enhance this in a way that aligns with what matters to our stakeholders.

How we manage sustainability at Cairn

Ultimate responsibility for sustainability lies with our Board who receive regular updates from a Sustainability Steering Group comprised of Non-Executive Directors, management and representatives from various functions within the business.

The Steering Group will continue to drive changes in our sustainability agenda going forward, meeting monthly and setting the direction for our thematic Working Groups.

These Working Groups will research and recommend key performance indicators ("KPIs") and goals, specific to their area of focus, and will suggest new ways to improve performance.

Cairn has a long-term, sustainable strategy in the housing market and a commitment to build quality homes and create sustainable communities has always been central to our mission. We build A-rated homes, create award-winning parks and strive to create lasting communities while maintaining high health and safety standards for all employees and subcontractors.

Our aim is to secure this culture for the future, building on the enthusiasm for and commitment to sustainability that already thrives in our organisation.

In 2021, we will finalise our targets for the most material issues, define a set of appropriate non-financial disclosures and KPIs to report annually and implement strategies to continuously improve our performance in those areas.

Discovering What Matters

Key to our journey to date is our Materiality Assessment, which identified the material themes that are most relevant to our stakeholders and underpin our purpose.

Our Research

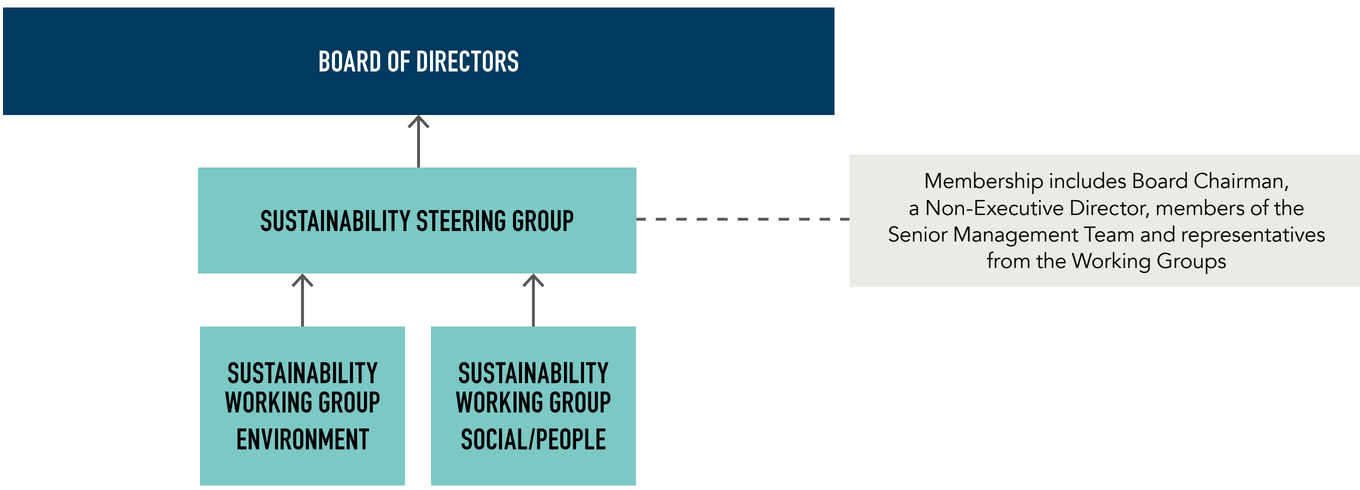
We conducted over 200 surveys and one-to-one consultations with a broad range of stakeholders to assess what really matters. These stakeholders included:

- Employees
- Members of our Board
- Investors
- Suppliers
- Advisors
- Planning stakeholders, including Government employees and consultants
- Customers

We found that stakeholders across the board have an awareness that sustainability issues are interdependent and were looking for a holistic and authentic response from Cairn.

To complement this research, a sustainability-focused online innovation workshop "Innovation Lab" gave interested employees an opportunity to discuss ideas around how Cairn can make a difference. We brought together employees from a broad mix of backgrounds and working across our business. The session was facilitated by members of the Sustainability Steering Group providing a deeper understanding of the sustainability issues that matter to employees at the coalface of our operations and feeding into our materiality assessment.

STEERING GROUP



Our initial data showed that social issues, such as employee welfare and customer service are just as important as environmental issues, such as the energy efficiency of our homes and reducing our carbon footprint. The qualitative element of our research then asked deeper questions probing how stakeholders think about these complex issues and to understand how individuals prioritise such interconnected issues intellectually.

Stakeholder Views

Participants believed that achieving progress would require buy-in from internal and external stakeholders and wanted a holistic approach to make progress on sustainability issues. This means ensuring employee welfare is addressed in the broadest possible terms, to create a sustainable workplace in its own right, but also to provide a solid foundation for the work of addressing the material environmental issues.

Stakeholders were also conscious of the interdependence of environmental themes: participants broadly wanted to see more being done to reduce our carbon footprint and to protect or enhance habitats, but did not have fixed preferences regarding how to go about that.

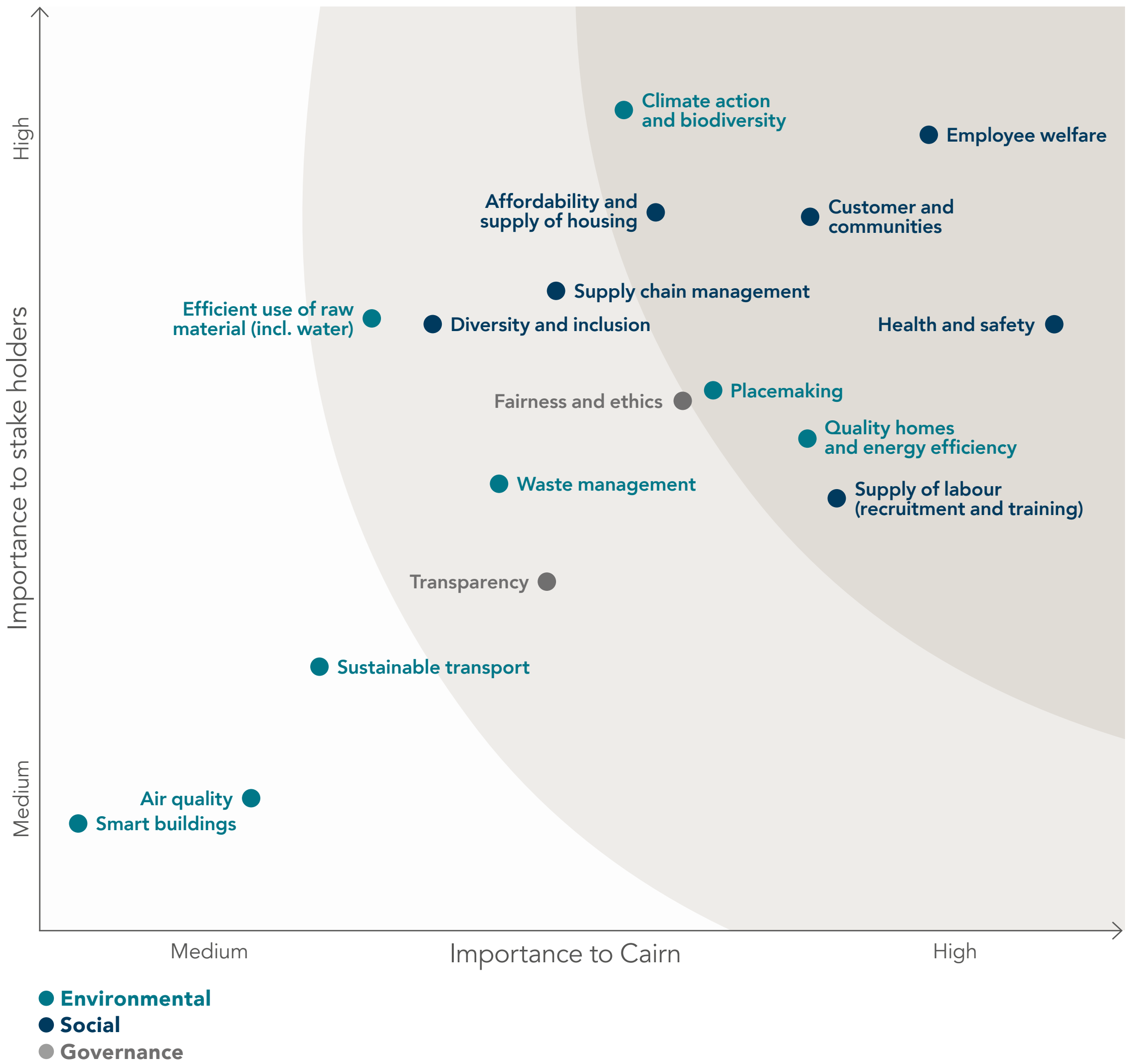
Reducing our carbon footprint matters at a global scale but our stakeholders would like us to focus on the areas where we can make the most difference and to take action locally. Issues like biodiversity action plans, energy efficiency of our homes and waste management on our sites are material and feed into the higher goal of playing our part in the global climate action movement.

Communication and disclosures are needed to keep us accountable as we strive for better performance – this is particularly important for investors.

Our stakeholders also showed an awareness of the commercial realities facing our organisation. Adding to the supply of more sustainable homes in Ireland will require that the business is a commercial success and drives shareholder value.

200+
surveys and one-to-one consultations

MATERIALITY MATRIX



OUR PLANS FOR 2021

This year we will develop a set of validated KPIs and ambitious targets, as well as building out our management and governance structures to assist in achieving these targets.

In the first phase of our journey we undertook research to fully understand our existing commitment to sustainability themes and to draw out the issues that matter most. We discovered that much is already being done and we need to communicate this progress more comprehensively.

Nonetheless, we understand that to fully grasp our impact on people and planet, and to manage our performance, we need to align to a framework for consistent and verifiable recording and reporting of our progress. This means selecting appropriate KPIs and committing to targets for the coming years, in particular Science-Based Targets in line with our Low Carbon Pledge.

Over the course of 2021, we will examine each priority to develop and agree the most suitable KPIs to record and report on. As part of this workstream, we will select an internationally recognised Framework to which we will align our non-financial disclosures from 2021.

We will communicate progress in a consistent and transparent manner through our website and regular reports.

Our Remuneration Committee will investigate suitable sustainability KPIs to include in long-term bonus structures as well as rewards and remuneration more generally from 2022.

Read more in our Directors' Remuneration Report on pages 87 to 107.

Our Aspiration

We are Ireland's leading homebuilder, building homes and creating places where people love to live. We take a responsible approach, building high-quality, sustainable homes and communities and intentionally striving to improve the built environment in Ireland. We aspire to take a prominent role in promoting sustainable building in Ireland, being respectful of both people and planet as we scale our business.

SUSTAINABILITY UNDERPINS OUR PURPOSE

Our purpose is building homes and creating places where people love to live and our sustainability priorities help us to achieve this purpose in a tangible way.

Our work in understanding stakeholder needs allowed us to identify our material issues, and each of these is aligned to the fundamental elements of our purpose: people, homes and places.

PEOPLE

Employee Welfare

We define 'employee' in the broadest possible terms, encompassing our full team of direct employees and our supply chain. Workforce supply and protection is our priority and we will incorporate fundamental issues such as supporting an inclusive and diverse workplace, interrogating our supply chain to ensure modern labour practices are followed and to promote a sustainable supply of labour to support our purpose of building homes where people love to live.

Health and Safety

Although this is a central component of employee welfare in any industry, this priority stands alone as a key material issue in the construction sector. Ensuring the protection of staff on site requires active management of compliance and performance on a day-to-day basis and at Cairn, we are committed to providing a safe working environment. We will go beyond the traditional view of this issue and develop mental health initiatives to expand our support for employees. Without a safe and healthy workforce, we cannot achieve our vision and fulfil our purpose.

Customer & Communities

We are dedicated to developing lasting and sustainable communities. This is essential to our purpose, a material issue for both our business and our stakeholders. This means providing an excellent customer experience while working with partners to initiate community participation and identifying leaders who will strengthen connections between neighbours.

HOMES

Quality Energy-Efficient Homes

Delivering quality homes is paramount and represents the essence of our reputation as a business. We deliver A-rated homes that contribute to a more sustainable built environment in Ireland and offer comfort and long-term savings for our customers.

Affordability and Supply of Homes

Ireland is currently in the midst of a housing crisis with demand outstripping supply every year for the past decade. In this context, our purpose can make a meaningful contribution to the supply of new homes as we scale our business. Our c. 16,800 unit landbank offers a unique opportunity to supply sustainable homes ensuring the mix of homes we market are affordable to our customer base, particularly first time buyers.

Read more related to affordability and supply of homes on pages 25 to 27.

PLACES

Climate Action and Biodiversity

To build homes and create places where people love to live means developing in a way that is mindful of our environment.

Our materiality assessment showed that our stakeholders are deeply concerned about the impact of construction on the environment through our emissions and impact on biodiversity.

We will take action to reduce our carbon footprint though a variety of local initiatives, reflecting our stakeholders desire to see us act where we can have the most impact. This will include waste management, energy efficiency, working with our supply chain and more.

Placemaking

This priority is inextricably linked to climate action and biodiversity, as access to parkland and green areas generates a healthy environment, contributing to our customers enjoyment of their homes.

We plan our new developments carefully to ensure that each is well served by amenities and transport options that allow residents to thrive. We go beyond the basic needs of our communities and add a bespoke arts, heritage or design project to each development.

People

We are committed to ensuring sufficient workforce supply as we scale our business and to the protection of our team members, both direct and indirect, as part of an ethical and fair business.

In 2020, we demonstrated that commitment with no redundancies, retaining all employees on a full-time basis with no changes to fixed remuneration and hiring 65 people. We have not availed of any financial support from the Government during the pandemic.

INVESTING IN OUR PEOPLE

2020 was a year of growth and development for our people and capabilities despite the difficult circumstances we faced. We continued to grow our team and did not avail of any financial supports from the Government in managing our business through the pandemic. Instead, we introduced new initiatives to increase our overall business effectiveness to create a scalable platform that will deliver consistent performance into the future.

We targeted the development of our senior executives and people managers to drive aligned and effective team leadership and engagement. Our new top talent programs focus on mentoring and we use shadowing opportunities as a way of exposing future leaders of our organisation to conversations and opportunities that will equip them as successors for the future. 25% of employees were identified for further growth opportunities in 2020.

We are passionate about investing in the long term sustainability of our industry. Twelve employees are student mentors as part of the Dublin NEIC schools flash mentoring program and meet regularly with students.

Read more about this on pages 36 and 37.

EMPLOYEE WELFARE

Our engagement strategy ensures an ongoing rhythm is in place for analysing, reporting and acting on the feedback we receive. 2020 challenged our business to work differently and raise the bar to deliver brilliant homes to our customers. Nonetheless, feedback from employees and subcontractors was distinctly positive during 2020. We found that three key drivers increased engagement levels:

- Connection: Our regular communications and events kept employees and subcontractors informed and connected;
- Consideration: Our focus on wellbeing and individual circumstances resulted in employees feeling supported and enabled to work through a challenging period; and
- Commitment: Continued employment, without recourse to Government support schemes, built a foundation of commitment which will drive performance in the long-term.

Our Cairn Culture Committee works to ensure we recognise the social side of our work life and celebrate our successes while CairnLive is our new central communication hub that keeps our people connected.

SUBCONTRACTOR SUPPORT FUND

We have a substantial and scaled indirect workforce through our subcontractor base and we continue to focus on supporting and enabling them to leverage our platform to grow their business. Our relationship management approach focuses on understanding their priorities and how best we can work to remain a 'partner of choice'.

We launched a €5 million support scheme in April 2020 for self-employed individuals working for our subcontractors and suppliers to forward pay €250 per week to each self-employed worker availing of the scheme. This was to supplement their existing arrangements for up to 12 weeks. This initiative was introduced to assist those most directly affected by the closure of our residential sites and has been welcomed by our subcontractors. The initiative is testament to our commitment to the sustainability and long-term financial strength of our subcontractors and supply chain.

The challenges presented by the pandemic, and the manner in which the Company has worked with, and assisted, our supply chain during the difficult circumstances of 2020 will promote our partnership approach and strategy to be a long-term sustainable business.

DIVERSITY AND INCLUSION

We aim to provide a fair and inclusive workplace, one in which our people are given the opportunity to reach their potential across all functions of our business.

We intentionally place an emphasis on employee and partner engagement so that we continue to drive a positive culture across our teams in multiple locations. We have seen this impact positively in areas like employee productivity, talent acquisition and retention as well as innovation. This is supported through our strategic focus on collaboration and engagement.

We plan to develop on our current practices to elevate diversity and inclusion in our organisation through 2021.

Current levels of gender diversity are in line with the share of applications received. For 2021 we will assess the ways we might attract a more diverse range of applications.

Women comprise 25% of our total workforce, over 25% of our leadership team and 20% of our Board.

GENDER BREAKDOWN

- No. of male employees
- No. of female employees

AVERAGE BASE SALARY*

- Average male salary
- Average female salary

* excludes Executive Directors

HEALTH AND SAFETY APPROACH AT CAIRN

Health and Safety (H&S) is a our number one priority at Cairn and this was never more clear than during 2020.

Our dedicated on-site H&S teams ensure the safety of our employees and subcontractors is always prioritised and all necessary policies and procedures are in place. They also monitor and control on-site compliance.

Monthly external H&S audits are undertaken on each site, while the Health and Safety Authority ("HSA") monitors compliance through inspections and audits.

We record incidents, accidents and injuries – data is collected in real time and regularly reported both to the Leadership Team, the Audit & Risk Committee and the Board for review.

We also commissioned an external H&S audit to identify areas for improvement in 2021. The auditors highlighted several positive results and opinions regarding our approach to H&S management and their recommendations were used for setting 2021 objectives for the H&S Team.

COVID-19 Protocols

The H&S team were essential in devising and implementing the new protection measures adopted and implemented to ensure the safe reopening of sites and offices in May 2020.

Day-to-day COVID-19 compliance and on-site procedures are actively monitored by site management in collaboration with the H&S team. Our protocols were audited by the HSA and our external auditor, while our own H&S team monitored updates to Government guidance to ensure continued compliance in a rapidly changing environment.

Our investment in H&S for the return to work included:

- Calls between H&S Management and all subcontractors and site teams were arranged to communicate the return to work protocols and to offer support to subcontractors and employees in meeting these new requirements;
- Over €1 million spent on personal protective equipment and on our site work practices and facilities which were successfully reconfigured to operate within these social distancing guidelines;
- 3,000 Snood face coverings were distributed to contractors and Cairn employees. These are worn now as a mandatory requirement on our sites;
- Contactless thermometers and foot-operated hand sanitiser stations were installed on all sites;
- Food preparation provision was set up within sites to minimise the requirement for workers to leave site during working days to protect infection passing between site and local communities;
- New signage and markings on site remind teams of their responsibilities; and
- Site management implemented a strict policy ensuring COVID-19 'close contacts' and work bubbles were removed from the sites for the protection of the broader team.

Our aim was to reduce the onward spread of COVID-19 during the course of our work and we are proud to report that no transmissions of COVID-19 have been recorded on our sites since the start of the pandemic.

CUSTOMER AND COMMUNITIES

We are focussed on delivering quality homes for sustainable communities and offering best-in-class customer service. This year we overcame significant challenges in providing that service to our customers: keeping people safe meant interacting differently with customers and communities while customers' need to work from home placed new demands on our homes. Our customer team rose to these challenges by effectively adapting our style of communication, introducing virtual home tours and using interior design to demonstrate how all of our homes can accommodate work spaces.

Supporting the Customer Journey

Understanding our customers' journey to their new home and their needs following the close of the sale is a continuing focus for us. In 2020, we rolled out our Communications Plan for current and existing homeowners. Milestones in the journey were identified and communication materials were developed to furnish customers with all of the information and guidance they will need as they navigate the sales process. In addition, we developed a collection of informative guides covering a range of topics for people at all stages in the process, from a 'Help to Buy' guide to 'Making the Most of your Balcony'.

We offer a dedicated customer care line where all customers, prospective customers and neighbours can direct queries relating to their new home, Cairn developments and ongoing construction works. This provides our stakeholders with reassurance and a process through which to communicate any comments about our developments or queries about operation and maintenance of their new home.

Customer Service Response to COVID-19

COVID-19 changed the needs of homeowners and those searching for their new home. In response, a number of initiatives were introduced quickly but thoughtfully, demonstrating our commitment to best in class customer service.

In advance of re-commencing construction activity in May 2020, we emailed 3,000 homeowners to offer reassurance that we would operate in line with Government guidelines and to outline the permitted activities of our staff at nearby sites. This was supported by the launch of an Information and Support Hub which featured a series of helpful guides for homeowners and customers. We also set up a 'Cairn Helpline' with the support of our Health & Safety team.

Cairn was also keen to support families during the pandemic and worked with The Book Doctor who curated a series of children's readings lists for different age groups. These were shared via social media.

Adapting the Sales Approach in a Changed Environment

As a first step, we commissioned virtual tours of 20 show homes across different sites to facilitate virtual viewings, with selling agents on hand to respond to queries.

We looked at developments that were due to launch and reimagined how a sales launch might work. In the case of Graydon, Newcastle, Co. Dublin, the marketing suite which had been in place from just prior to lockdown was re-purposed in line with government guidelines. The result was a space that demonstrated our commitment to design and quality, but above all to our customers, creating a safe space from which they could choose their new home.

Cairn's commitment to customer-focussed product innovation saw the introduction of a Garden Office pod. A contemporary design which complements both the house and garden, the Garden Office offers a flexible space that allows separation from the home. All show homes were reviewed in light of changing needs and were redesigned to feature a dedicated working from home space.

Read more about this on pages 30 and 31.

Cairn's commitment to customer-focussed product innovation saw the introduction of a Garden Office pod.

Homes

At Cairn we are proud to build quality, energy-efficient homes using market leading products and delivered by our highly competent, experienced and established team. These efforts underpin a brand that is synonymous with quality construction and excellent design. A Cairn home is the leading home in the Irish market.

WHAT MAKES A CAIRN A-RATED HOME STAND OUT IN THE MARKET

A Cairn home is built from quality, market leading products throughout, with quality workmanship delivered by a team of highly competent, experienced and established subcontractors supervised by our site teams and selected for their significant level of experience to bring a quality brand-leading home to the Irish market.

All Cairn-built homes are designed to be extremely energy efficient, with each home boasting an impressive Building Energy Rating ("BER") at a minimum A3. For our customers, this is an emblem of quality which delivers lower utility bills.

PVC panels, A-rated condensing boilers and high levels of insulation are key features that keep our customers' energy bills low. A high-tech Demand Control Ventilation System and zoned heating controls allow our customers to control heat and fresh air.

From 2020, all of our new homes meet Nearly Zero Energy Building standards ("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 is 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 our customer's choice will stand the test of time.

Cairn builds to better than the highest building regulations. For example, we typically achieve certified air tightness results as low as 1.4 $M^3/(h.M^2)$ @50Pa, where the industry standard requirement is 5 $M^3/(h.M^2)$ @50Pa. This translates into the provision of homes which have high comfort levels due to reduced air leakage combined with high energy efficiency.

Use of high quality products alongside high quality workmanship allow us to produce quality homes that stand out for buyers when comparing what is available across the market.

Read more about this on pages 32 and 33.

All these features deliver an A energy rating with an estimated cost to the homeowners of less than €2 per day for heating, hot water, lighting and ventilation.

Our new homes are specified to the highest standards and boast the following sustainable credentials, contributing to reduced heating requirements, better air quality and lower energy bills:

- UPVC high performance double glazed windows;
- Highly insulated air-tight design;
- Demand Control Ventilation system for automatic control of dwelling ventilation.
- Excellent levels of roof, wall and floor insulation;
- Heat pump with dual zone controls;
- High performance internal pipe insulation to reduce heat loss;
- Energy saving LED light fittings;
- Security and Safety Smoke detectors fitted throughout (mains powered with battery backup); and
- Future proofing for electric car charging point on curtilage spaces.

QUALITY ASSURANCE

At Cairn we take an industry leading approach to quality with a dedicated team undertaking day-to-day control of site works. The team are developing a culture of on-site quality using a collaborative and preventative approach to quality management. A combination of inspections, reviews and education assist the site team in maintaining high standards:

- Tool box talks: reduce preventable errors through education and developing awareness;
- Regular quality inspections: multi-point checks monitor and control quality. These range from design through to construction; and
- Reviews: issues identified as part of the inspections process are discussed with site management and design teams.

The quality, construction and design teams work together to identify preventative measures, including product or process change, education and training and/or ongoing quality assessment.

In 2020, we rolled out Zutec and Asta across the business to ensure standardised and scalable quality control and programme management. Zutec is a document and quality management system providing consistent quality reporting and real time monitoring. Zutec's configurability has allowed for a bespoke construction management system to be tailored to our unique requirements and has allowed us to modernise our methods of construction through on-site inspections. This is a vital resource as we scale our business.

Asta and Zutec provide a hand-in-glove quality and progress management approach. Asta sets out consistent programme milestones allowing us to track progress between sites and identify areas for improvement.

Our approach to quality assurance delivers sustainable homes for our customers while protecting our brand into the future.

ZUTEC

asta
An Elecoplc Company

A combination of inspections, reviews and education assists the site team in maintaining high standards.

Places

As we plan and develop homes and communities, we take environmental matters seriously and this is a vital foundation for ensuring that when we leave site and hand over stewardship to our new homeowners, we are leaving sustainable communities and habitats.

CLIMATE ACTION

At Cairn, we are committed to reducing our carbon footprint.

Low Carbon Pledge

Last year we benchmarked our Scope 1, 2 and certain Scope 3 emissions and signed up to the Low Carbon Pledge which commits us to reducing Scope 1, 2 and certain Scope 3 emissions by 50% by 2030. The Carbon Pledge is an initiative of Business in The Community Ireland.

A cross departmental Climate Action Working Group has been established to oversee the implementation of the Carbon Pledge. The Group is developing a strategy to measure our full Scope 3 emissions with a view to setting more ambitious Science-Based Targets for reducing Greenhouse Gas Emissions in the near future.

The Group meets regularly to discuss carbon reduction options and will put forward innovations to enhance the resilience of the business and make a positive contribution to the global effort to reduce global warming.

BUSINESS IN THE COMMUNITY IRELAND

CDP Disclosure

In 2020, we submitted a Climate Change Disclosure to CDP (formerly the Carbon Disclosure Project). CDP are the leading global not-for-profit that run disclosure systems for investors. CDP works to ensure that effective carbon emission reduction strategies are made integral to the operations of disclosing companies and organisations. We are actively putting in place internal procedures to enhance our capacity for accurate disclosure and enhanced risk analysis.

CDP
DISCLOSURE INSIGHT ACTION

At Archer's Wood, approximately 7,000 HGV journeys to and from our site, carrying 120,000 tonnes of material, would have been needed without this new and innovative technology.

Rapid Impact Compaction

As part of our Better Ways to Build philosophy, we are committed to trying new technologies that are both more efficient and environmentally friendly. In 2020, we became the first homebuilder in Ireland to utilise a new engineering solution that significantly reduces haulage of soil to and from site, thus reducing our carbon footprint. The methodology is known as 'Rapid Impact Compaction' and was piloted at our Archer's Wood development in Delgany, Co. Wicklow.

To improve the soil engineering properties of the ground, a high-frequency controlled hydraulic hammer densifies the soil below. This increases the bearing capacity of the soil, whereby dwellings can be built directly on the existing ground. This process eliminates the need for the excavation and haulage of unsuitable soil material combined with the delivery of additional fill materials required to replace that taken off site.

Read more on pages 34 and 35.

Irish Green Building Council

We joined the Irish Green Building Council, part of the European Regional Network of Green Building Councils, in 2020. The Network consists of more than 30 national Green Building Councils and works in collaboration with more than 3,500 member companies across Europe, which represent the full breadth of stakeholders in the building industry. Our membership allows us to increase our focus on sustainability by offering opportunities for education and training for our staff, as well as providing us with benchmarking and practical assistance in measuring and reducing our Greenhouse Gas Emissions. This will be particularly beneficial as we look to develop Science-Based Targets for our emission reductions as part of our Low Carbon Pledge.

Green Economy Mark

We were awarded London Stock Exchange's Green Economy accreditation in July 2020. The Green Economy Mark recognises London-listed equity issuers that generate over 50% of their total revenue from environmentally positive goods, products and services. According to London Stock Exchange research, on average Green Economy Mark companies outperform the FTSE All-Share Index, making Cairn part of a world-class peer group.

The accreditation is an affirmation of our strong commitment to responsible and sustainable development. Placemaking and delivering successful spaces is at the very core of Cairn's purpose. We are dedicated to providing considered, well-designed and healthy spaces that improve quality of life – that's why over the last year we developed over 18 acres of parks and public realm alongside its houses. This, in addition to projects such as Cairn's participation in the Low Carbon pledge, is why we are proud that Cairn has been recognised by the London Stock Exchange.

General Waste – Partnership with Panda

We are striving for increased efficiency in our use of materials and reducing general waste on site is a key lever in driving progress. The first step was to develop a streamlined approach to monitoring and control of our waste. We entered into a new partnership with Panda Waste in 2020 that will provide full visibility of our direct and indirect (subcontractor) waste generated on site.

We worked with Panda to offer preferential rates for all subcontractors, delivering a cost-effective waste solution for subcontractors and enabling Panda to record the volume and nature of the waste being removed from site in a centralised system.

This new partnership approach means that 78% of all direct and indirect waste is now weighed and tracked; our target is to track and weigh 100% of all waste through this system by 2022.

BIODIVERSITY AT CAIRN

What we do as a homebuilder has a profound and permanent impact on the land we develop. As Ireland's leading homebuilder, this is not something we can ignore. Biodiversity is an area our stakeholders increasingly understand and value and we have been proactive in implementing biodiversity-orientated landscape schemes.

From the first planning and design meeting for every site we build on, we carefully analyse the unique landscape features and environmental constraints. This analysis informs the entire design and for all sites we seek out innovative nature-based solutions. The biodiversity initiatives we choose have three important criteria: to be cost effective, to improve the development aesthetically and to bring ecological benefits that will support urban biodiversity.

The site specific projects are bolstered further by our pollinator-friendly strategies across all Cairn schemes. These include:

- Pollinator-friendly mixes of perennials and flowering shrubs in all front gardens;
- Native tree planting in open spaces and private gardens;
- Mixed bulb drifts of pollinator-friendly plants; and
- A pack of pollinator-friendly bulbs and information provided to each homeowner.

During 2020, we planted 6,823 trees across all of our developments, or 6 trees for every new home built or under construction. 80% of the trees we plant are native and are of biodiversity benefit. Over 50 years, these native trees can sequester c. 2.8 tons of CO_2.

100%

of timber used on Cairn sites must be FSC certified. This is a condition in all tender documentation.

Pollinator Plan

Since 2019 we have supported the objective of the All-Ireland Pollinator Plan and have been accordingly recognised by the Biodiversity Data Centre Ireland as a Pollinator Friendly Business.

At our Graydon development in Newcastle we planted 150 metres of Holly hedging along our development boundary. At our marketing suite, we rolled out 80 square metres of native wildflower meadow turf. Prior to commencing works, we also installed two maternity bat roosts in a dark corner of a future public park. A core part of the development strategy for the site has been the retention of field boundary hedgerows, some of which follow the alignment of medieval burgage plots.

As part of our Shackleton Park development in Lucan, we have completed a stream realignment and rehabilitation project. The stream which previously sat within a deep agricultural channel has been realigned in a generous open channel along a new village street. The new stream incorporates weirs for oxygenating the water, wider sections of channel for reed vegetation and wet meadow mixes of wildflowers along its soft banks. As part of our Whitethorn Village development in Naas, we commissioned a totem that incorporates a bug hotel and bird boxes and acts as a focal point to raise awareness amongst residents of the importance of the Whitethorn tree to our native flora and fauna.

Our Citywest Quarter development is a high-density apartment development located on the Luas Red Line. Within the courtyards between apartment blocks we are incorporating wildflower meadows.

Green Walls

We have successfully implemented Green Wall solutions across our developments as an alternative to more heavily engineered concrete solutions.

Green Walls are formed by using steel cages with a canvas lining that is then backfilled with earth from the site, while a layer of topsoil mixed with native grasses and wildflowers creates the vegetative cover. Green Walls provide a habitat for species of burrowing insects which will support populations of smaller birds.

Our Glenheron development in Greystones incorporates 300 metres of Green Wall, 4 to 6 metres in height. In summer, the wall is festooned with masses of Oxeye Daisy, Vetches and other wildflowers. The steep rake of the Green Wall also allowed us to maximise the usability of green space preserving space for play areas, lawns and young woodland trees.

Following the success of this initiative at Glenheron, we commenced installation of Green Walls at Archer's Wood in 2020.

For future Green Wall projects, we have developed a bespoke seed mix of native creeping plants and grasses which will improve the density of vegetative cover. This unique mix will contribute to more successful regeneration of the Green Walls we install year after year.

Oak Park – 90% Native Trees

As part of our Oak Park development in Naas, we constructed a new 2.9 hectare public park. This was a multi-year project which we completed in 2020.

The concept for the park is a semi-natural landscape that requires limited horticultural maintenance, while sustaining biodiversity. The park incorporates a greenway for pedestrians and cyclists and links into a chain of existing green spaces along the Broadfield stream linking into Naas town centre.

The park has been planted with native woodland planting consisting of exclusively native tree and shrubs species: Oak, Pine, Hazel, Willow, Hawthorn, Sloe, Viburnum, Cherry and Holly. This was an opportunity to create a wildlife corridor between the town centre and rural hinterland. The woodland will support a wide diversity of invertebrates species, birds and mammalian fauna including foraging bats, badgers, field mice, rabbits and foxes.

There are occasional breaks in the woodland to provide views into the park from the housing which have been sown with a wildflower mix, creating woodland clearings and providing food for pollinating insects. In total 3,300 native trees and shrubs have been planted in the park. As it matures, the woodland will be dominated by Oaks and will mimic the Oak woodlands that once covered the plains of Kildare before the arrival of the first farmers thousands of years ago.

The riverbanks of the Broadfield stream have been protected as have low-lying flood prone areas, which have been developed as a wet grassland. A new hedgerow has been planted along the western boundary of the site and grassland areas will be managed as meadows for biodiversity benefit.

Mariavilla Hedgerows

Field boundary hedgerows are the ecological backbone of the Irish countryside. They incorporate a wide variety of plants within a small area; mimicking the edge of a woodland with tall trees, lower shrub layer brambles and grassland; in addition to mosses, lichens and fungi.

A well-established hedgerow can support hundreds of species of insect, dozens of species of bird including endangered species such as the Yellowhammer. Mammals such as rabbits, hedgehogs, badgers and bats live and forage along these natural highways.

Hedgerows are rich sources of food for animals in winter, including the berries of Elder, Holly, Hawthorn and Bramble, the nuts of the Hazel, Oak acorns and even the black berries of Ivy.

The existing landscape of woodland, hedgerow and tree lines formed the basis for our site plan at Mariavilla. The Lyreen River meanders through the site and the woodland on its steep northern bank was retained as a wildlife corridor and refuge. The hedgerows and tree lines were incorporated into linear parks and neighbourhood greens.

A much degraded hedgerow on the boundary with an historic house was replanted with over 1,600 whips and trees to regenerate over 400 metres of field hedgerow; incorporating 10 native species including rambling Honeysuckle, Native Cherry, Hawthorn, Oak, Holly and Pine.

In addition to the planting, bat boxes were incorporated on veteran trees and trunks of felled trees have been left to support fungi and provide nesting for insects.

The last section of hedgerow rehabilitation at Mariavilla was completed in autumn 2020. We will continue to roll out hedgerow rehabilitation across our schemes including Whitethorn, Archer's Wood and Graydon as part of our commitment to biodiversity at Cairn.

6,823

native trees planted in 2020

ENVIRONMENTAL TEAM

A dedicated environmental team is a voice for environmental issues from pre-construction right through to completion. The team sets the standards and develops protocols for environmental compliance on site to ensure consistent standards across the business:

- Prior to construction, an independent Environmental Impact Assessment Review (EIAR) is undertaken for each site and our Environmental Team implements the required mitigation measures;
- The team ensure protection and management of all aspects of local ecosystems on site, including habitat interactions (e.g. relocation of resident species such as badgers, birds, insects, and frogs) and management of invasive species;
- During construction, high risk environmental receptors, including rivers and waterways, as well as special areas of conservation and local endangered species, are monitored closely to mitigate the risk of potential impacts of construction; and
- The team also oversees waste management policy and monitors excavated soil materials leaving site, ensuring compliance with regulations.

We are dedicated to building a robust process that will be a key element in the creation of environmentally sustainable and ecologically friendly developments going forward.

CAIRN ARTS PROGRAMME

As homebuilders and placemakers, we strongly believe in the value that art and design have to increase cultural diversity and civic engagement.

Our conviction is that effective arts-based placemaking projects go well beyond the idea of art for art's sake. The goal of our arts programme is to build strong, healthy, and resilient communities by integrating the arts into broader placemaking efforts. It is about leveraging the power of arts and culture to strengthen communities, by commissioning local artists, sculptors and designers to deliver projects for our developments.

In 2020 we engaged in partnership with Business to Arts in looking to expand upon our arts programme. We also worked with Graphic Print studio to curate a collection of over 60 original prints and etchings to add a richness to the common areas of these homes and help support Irish artists and craftspeople at the same time.

Marianella – Tree Trail
In 2018 we completed the installation of a Tree Trail within a public park at Marianella in Rathgar. Residents and the local community enjoy identifying tree specimens along the trail and it brings to life the layers of history which the stunning treescape in Marianella represents.

Churchfields – Limestone Sculpture
We were delighted to be able to commission sculptor Jackie McKenna, known throughout Ireland for her many public sculpture commissions, to produce a piece for Churchfields.

The Donnybrook Gardens Collection.

Donnybrook Gardens – The Donnybrook Gardens Collection
Adorning the walls of the Donnybrook Gardens lobbies, shared spaces and residents club are a huge collection of prints etchings and lithographs from a series of Irish artists including Pamela Leonard, Stephen Lawlor, Stephen Vaughan and Louise Leonard. Each resident will receive a print from an Irish artist as a gift upon closing their new home.

This collection was carefully curated to reflect the horticultural history and natural features of the site with each one beautifully framed and lit giving a gallery-like feel to the buildings.

Donnybrook Gardens – Heritage Panel
Our Donnybrook Gardens development was previously occupied by the glass houses and display beds of the Horticulture Department of University College Dublin. With the assistance of former Horticulture Department staff, we prepared a map of how the site was laid out and the interesting ensemble of plant collections present. The map is mounted on a steel totem within the new communal gardens and is a small, lasting tribute to the wonderful horticultural legacy of the site.

Whitethorn Totem
This bespoke totem celebrates the Whitethorn tree (Crataegus monagyna, an Sceach Gheal), the dominant native plant in the local hedgerows. The Whitethorn is one of our most valuable trees for biodiversity, providing food and shelter for a wide array of birds and insects. This totem also incorporates bird boxes and a bug hotel. The totem is intended to celebrate the natural and cultural heritage of the locality and create a focal point for the new community.

Green Oak Benches
We first commissioned a green oak bench for our Glenheron development in Greystones. We collaborated with Irish street furniture company OMOS. The bench was also intended as a playful element for children to clamber on. We chose to make the bench from solid green oak beams; the Oak is a tree native to Ireland and the solid beams do not require any artificial preservative or treatment. The thick dimensions of the beams also ensure the bench is robust and durable.

After the success of the first installation, we continued to roll out green oak benches across other housing developments with each design being site specific and adapted to the green space it was being located in.

Parkside – Eyes for You
This piece was produced by esteemed sculptor Eileen MacDonagh, who was approached by Cairn and Dublin City Council in June 2017 to produce a unique piece of artwork to reflect the local heritage within the Parkside neighbourhood in Balgriffin.

We were thrilled to receive a High Commendation for the "Eyes For You" piece at Parkside at the Allianz Business to Arts Awards in September 2020.

Award winning 'Eyes For You' piece at Parkside.

Looking to the Future

We are a young company, having just completed our fifth full year of trading. We made a commitment to stakeholders in 2020 to transition from CSR to an ESG framework to define our sustainability agenda.

Our journey started with an in-depth investigation of how our stakeholders view the material issues. This led us to a set of sustainability priorities for Cairn. We will develop a comprehensive set of non-financial disclosures relating to these priorities for 2021.

We are proud to have developed a strong sustainability focus in our business and we look forward to the next stage of our sustainability journey in 2021: developing ambitious targets and selecting the right metrics to hold our business accountable and to manage our progress as we continue to grow.

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	18 and 19
Policies	Non-Financial Information Statement	N/A
Principal Risks	Risk Report	42 to 46
Key Performance Indicators	Our Strategy and Sustainability Report	30 to 39 and 50 to 63

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 Policy	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 Report on pages 50 to 63 relating to the sustainability agenda at Cairn and the journey we have embarked on.
	Procurement & Subcontractor Use Policy	Our Procurement & Subcontractor Use Policy has been rolled out across the business over the prior three 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 2021 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 purpose 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 Lobbying Policy Confidential Reporting 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 Confidential Reporting 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

JOHN REYNOLDS
Chairman

Age: 62
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
Chief Executive Officer

Age: 55
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.

SHANE DOHERTY
Chief Financial Officer

Age: 46
Nationality: Irish
Appointed to the Board:
13 April 2020

Independent: No

Skills and experience:
Shane Doherty was previously Group CFO at Morgan McKinley Ltd, an international professional staffing and resourcing solutions business, since March 2018. Prior to that, he was Group CFO at green energy developer, Gaelectric Holdings Ltd, European Finance Director at Paddy Power Group plc and Head of PaddyPower.com. Prior to his time at Paddy Power, he worked in various senior finance leadership roles in Eircom Group plc.

Other current appointments:
Not applicable.

ALAN MCINTOSH
Non-Executive Director

N

Age: 53
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 20 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.

Other current appointments:
Not applicable.

GARY BRITTON
Non-Executive Director

A R N

Age: 66
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 and a member of the Institute of Directors in Ireland.

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

COMMITTEES

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

LINDA HICKEY
Non-Executive Director

A R

Age: 59
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 and Greencore Group plc; Chair of the Board of The Irish Blood Transfusion Service and member of Quanta Capital Advisory Board.

GILES DAVIES
Non-Executive Director

A R N

Age: 52
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: 60
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: 63
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 a former Head of the firm's Corporate & 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: 60
Nationality: British
Appointed to the Board: 28 April 2015

Independent: Yes

Skills and experience:
Andrew Bernhardt had a 30-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.

Senior Management Team

MICHAEL STANLEY
Chief Executive Officer

SHANE DOHERTY
Chief Financial Officer

MAURA WINSTON
Chief People Officer

Maura joined Cairn in June 2019. Formerly Director of Innovation and Change at Federal Court of Australia, Maura spent 10 years with Accenture specialising in Organisational Development.

GAVIN WHELAN
Head of Construction and Operations

Gavin joined Cairn in January 2021. Previously Managing Director and founder of Bailey Brothers Construction Management Services. Gavin also held senior roles in Skanska and Laing O'Rourke. Most notably Gavin acted as Construction Delivery Lead on the £1.7bn mixed use Battersea Power Station redevelopment.

SARAH MURRAY
Director of Customer (B2C)

Sarah joined Cairn in April 2019. Formerly Director of Sherry FitzGerald New Homes with specialist experience in the sales and marketing of large-scale residential developments with some of Ireland leading developers.

FERGUS MCMAHON
Commercial Director

Fergus joined Cairn in April 2016. Previously Cairn Group Managing Surveyor responsible for our team of quantity surveyors. Formerly an Associate Director of McInerney Homes Ltd.

GERALD HOARE
Head of Corporate Development (B2B)

Ger joined Cairn in June 2017. Previously Group Pre-Construction Manager and also Student Accommodation portfolio Delivery Lead. Formerly worked with leading Main Contractors in the UK specialising in residential developments.

TARA GRIMLEY
Company Secretary

KEVIN CLEARY
Technical Director

IAN CAHILL
Head of Finance

DECLAN MURRAY
Head of Investor Relations

SINEAD GEOGHEGAN
Head of Strategic Finance and Transaction Services

AIDAN MCLERNON
Head of Planning

JOHN GRACE
Head of Land & Commercial Development

EIMÉAR O'FLANAGAN
Head of HR Operations

YVONNE ENNIS
Sales Operations Manager

DEREK ROCHE
Health & Safety Manager

Contracts Managers, Project Managers and Divisional Quantity Surveyors

KEVIN SWEENEY
Contracts Manager

GERRY BUTCHER
Contracts Manager

DAMIEN O'BRIEN
Contracts Manager

SEOIRSE COMERFORD
Contracts Manager

KEN SWEENEY
Development Manager

SEAN MCENEANEY
Senior Project Manager

BRIAN HEVERIN
Project Manager

SEAN FITZGERALD
Project Manager

DONAL DOCKERY
Project Manager

NOEL MCGANN
Project Manager

STEPHEN BETHEL
Divisional Quantity Surveyor

DONAL STENSON
Divisional Quantity Surveyor

PAUL O'NEILL
Divisional Cost Planner

"We have continued to build on our efforts to further integrate ESG and sustainability into our business during 2020."

John Reynolds
Chairman of the Board

Dear Shareholder,

Strong corporate governance practices are central to long-term business success and effective risk management. The Board of Cairn recognises the need to continually challenge existing practices and to ensure we continue to enhance our corporate governance practice as our business grows and matures. This report summarises the approach we have taken to governance and oversight in 2020 using the principles and provisions of the 2018 UK Corporate Governance Code and the Irish Corporate Governance Annex (together the "Code") as the framework for that approach. I am pleased to confirm that the Company has complied with the provisions of the Code, save for Provision 38 of the UK Corporate Governance Code, which states that the pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the workforce. As detailed in the 2019 Annual Report, the pension contribution rate for the Chief Financial Officer on appointment was set at 15% of base salary, the same rate of pension contribution as applies with effect from 2021 for the Chief Executive Officer who voluntarily agreed to reduce his contractual pension contribution entitlement over a two year period from 25% of base salary in 2019 to 15% in 2021. In addition, a commitment was made that all future Executive Directors will receive a pension contribution rate in line with the workforce.

Governance in 2020

2020 was a challenging year for businesses in all sectors as well as society generally. The World Health Organisation's decision in March 2020 to declare the COVID-19 outbreak a pandemic was a sobering moment for us all. Ensuring the health, safety and wellbeing of our people became our priority. Drawing on our strong resilience and commitment, we doubled our focus on Health & Safety across all sites and offices.

While the focus on culture and purpose from regulators and investors has been a welcome one in recent years, the closure of whole economies, the temporary suspension of supply chains and general societal upheaval has truly tested these concepts and brought their benefits and importance to the fore. In response to significant challenges, the Board evolved its approach to governance. Like many of our colleagues and counterparts, Board meetings went virtual as did many of our interactions with colleagues and shareholders.

Sustainability

In recent years we have seen an increased focus from a number of stakeholders including our shareholders and employees, on ESG and sustainability. While the Board has always been responsive to these matters, we recognise the need for further increases in our efforts to communicate our approach to stakeholders. During the past year, we established a Sustainability Steering Group which I chair and on which I am joined by my fellow Board colleague, Giles Davies as well as members of senior management.

We hope the progress we have made over the past 12 months is reflected in the extended disclosure provided in the Sustainability Report. We have continued to build on our efforts to further integrate ESG and sustainability into our business during 2020.

Stakeholder Engagement

As set out in other of sections of our annual report, over the past number of years we have developed enduring relationships with all of our key stakeholders and the communities where we operate. As a Board, we welcomed the focus on ensuring stakeholder views play a role in Board considerations and decision-making, something which was already part of our approach.

Most specifically in the revisions to best practice corporate governance, the Code placed greater emphasis on companies' efforts to ensure the employee voice is heard at Board level. Channels of engagement between senior management, employees and the Board have been strong at Cairn for a number of years, with workforce views central to strategic development. During 2020, we implemented a more formalised approach to ensuring those views were heard, with David O'Beirne designated as the Non-Executive Director responsible for workforce engagement. In addition to our established efforts around annual reviews and feedback surveys, David held virtual meetings with employees on several occasions during the course of the year. We have also established the reporting channels for David to share clear feedback with the Board, where it is now better integrated into Board decision-making.

Diversity

We take the issue of diversity in the boardroom and throughout the entire company very seriously and are mindful of important developments in this area. We remain focused on maintaining an inclusive and diverse culture. We believe this improves effectiveness, encourages constructive debate, delivers strong performance and enhances the success of the business. The Board has a Diversity and Inclusion Policy that sets our objectives in this area. You can read more about this, and our overall approach to diversity and inclusion in our Nomination Committee report and in the People section of the Sustainability Report.

Succession Planning

In terms of Non-Executive Director appointments, our approach to succession planning is grounded in identifying any gaps in skills and aiming to arrive at the optimal Board composition as the business and our strategy develops. A central part of succession planning and Board effectiveness is a recognition of the importance of diversity; across gender, ethnicity; skills; background; and experience. As a Board, we have been successful in developing an effective and entrepreneurial Board, that has consistently supported and challenged management in terms of strategy development and evolution.

The Board, led by the Nomination Committee, also places a clear focus on executive succession planning. We continue to develop and evaluate the talent pipeline deep into the organisation as the most effective means of mitigating the risk of both planned and unexpected departures, with initiatives designed to encourage middle management development as well as facilitating engagement between middle management and Non-Executive Directors where appropriate. As detailed throughout this document, talent management is a core part of our strategy and a strong motivational force for those who wish to develop their career within the business.

As we have outlined before, as a Board, we recognise the importance of constructive dialogue with our investors, and we remain open to all feedback from shareholders. While the pandemic has impacted our ability to meet in-person, we continue to engage with investors virtually.

Board Evaluation

The Nomination Committee oversaw an internally facilitated review of the effectiveness of the Board this year, further details of which can be found on page 86. During the second half of 2021, we are set to conduct our second externally facilitated evaluation. The outcome and action points from that evaluation will be detailed extensively in next year's Annual Report.

John Reynolds
Chairman

Corporate Governance Report continued

BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

The Board is collectively responsible for promoting the long-term sustainable success of the Group, generating value for shareholders as a whole and contributing to wider society by fulfilling its purpose. In exercising this responsibility, the Board takes into account all relevant stakeholders including customers, employees, suppliers, shareholders, regulators and governments and the effect of the activities of the Group on the environment.

The Board provides effective leadership by setting the strategic priorities of the Group and overseeing management's execution of the strategy in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of prudent and effective controls.

Our Purpose

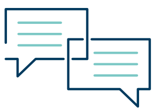
Our purpose is building homes and creating places where people love to live and our sustainability priorities help us to achieve this purpose in a tangible way.

Developing a business based on strong, sustainable foundations, and where our employees have the opportunity to achieve their full potential, provides the platform for our continued success. We recognise that this success is dependent upon strong engagement with, and delivery for, all our stakeholders.

Our Values

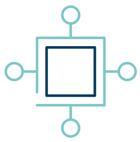
Agile & Innovative

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. Being open and transparent, means that we can get to a better solution quicker.



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 stakeholders.

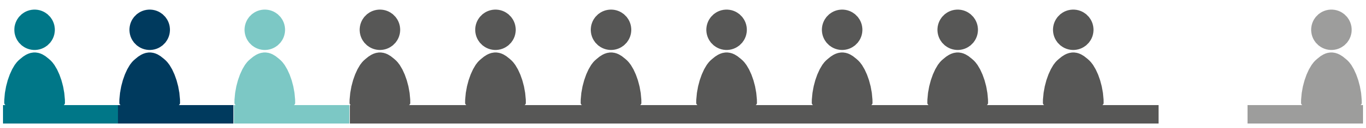
Committed & Engaged

We are all in. We will 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.

The Board and management aim to ensure that these values are lived within the business and integrated into decision making at all levels. Where behaviour is not aligned with these values, the Board and management seek to ensure that appropriate action is taken.

DIVISION OF RESPONSIBILITIES

Roles and Responsibilities



The Board has a formal schedule of matters reserved for its decision which includes the approval of significant acquisitions or disposals, significant capital expenditures, financial statements and budgets, risk management processes and the Principal Risks & Uncertainties, and, the approval of the Terms of Reference for each of the Committees of the Board.

Certain governance responsibilities have been delegated by the Board to Board Committees, to ensure that there is independent oversight of internal control and risk management and to assist the Board with carrying out its responsibilities. Three Committees have been established to include the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee. The Board Committees comprise a majority of independent Non-Executive Directors. Each individual Committee's Chair reports to the Board on matters discussed at Committee meetings and highlights any significant issue that requires Board attention.

The roles of Chairman and Chief Executive Officer are set out in writing, clearly defined and approved by the Board. Day-to-day management responsibility rests with the Senior Management Team, the members of which are listed on pages 68 and 69.

Chairman

JOHN REYNOLDS

Responsible for leadership of the Board and ensuring effectiveness in all aspects of its role.

He is responsible for setting the Board's agenda and ensuring adequate time is available for discussion of all agenda items, including strategic issues. He is responsible for encouraging and facilitating active engagement by and between all Directors, drawing on their skills, knowledge and experience. He was independent when appointed to the role in 2015.

Chief Executive Officer

MICHAEL STANLEY

Specific responsibility for recommending the Group's strategy to the Board and for delivering the strategy once approved.

In undertaking such responsibilities, the Chief Executive Officer takes advice from, and is provided with support by, his senior management team and all Board colleagues.

Together with the Chief Financial Officer, the Chief Executive Officer monitors the Group's operating and financial results and directs the day-to-day business of the Group. The Chief Executive Officer is also responsible for recruitment, leadership and development of the Group's senior management team below Board level.

Senior Independent Director

GILES DAVIES

Giles is the Senior Independent Non-Executive Director. He acts as a sounding board for the Chairman and acts as an intermediary for the other Directors when necessary.

He is also available to address shareholders' concerns that have not been resolved through the normal channels of communication with the Chairman, Chief Executive Officer or Chief Financial Officer. He is responsible for evaluating the performance of the Chairman in consultation with the other Non-Executive Directors.

Non-Executive Directors

The Non-Executive Directors provide an external perspective, sound judgement and objectivity to the Board's deliberations and decision making.

With their diverse range of skills and expertise, they support and constructively challenge the Executive Directors and monitor and scrutinise the Group's performance against agreed goals and objectives. The Non-Executive Directors are also responsible for determining appropriate levels of executive remuneration, appointing and removing Executive Directors, and succession planning through their membership of the Remuneration and Nomination Committees. The Non-Executive Directors together with the Chairman meet regularly without any Executive Directors being present.

Company Secretary

TARA GRIMLEY

Supports and works closely with the Chairman, the Chief Executive Officer and the Chairs of the Board Committees in setting agendas for meetings of the Board and its Committees.

She supports accurate, timely and clear information flows to and from the Board and the Board Committees, and between Directors and senior management. In addition, she supports the Chairman in designing and delivering Directors' induction programmes and the Board and Committee performance evaluations. She also advises the Board on corporate governance matters and Board procedures, and is responsible for administering the Share Dealing Code and the AGM.

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.

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 in 2020

The Board meets regularly and would typically hold seven scheduled meetings during the year, including a strategy day. The Board met eleven times for Board meetings during 2020 and several Board briefings were also held from the beginning of April to monitor the Group's response to the COVID-19 pandemic. Generally each formal Board meeting follows a carefully tailored agenda agreed in advance by the Chairman, Chief Executive Officer, Chief Financial Officer and Company Secretary. A typical meeting will comprise reports on current trading and financial performance from the Chief Executive Officer and Chief Financial Officer, legal and governance updates, safety and investor relations updates and 'deep dives' into areas of particular strategic importance.

Director	No. of Meetings Held/ Attended	Board Tenure
John Reynolds (Chairman)	11/11	6 years
Andrew Bernhardt	11/11	6 years
Gary Britton	11/11	6 years
Giles Davies	11/11	6 years
Shane Doherty*	7/7	1 year
Linda Hickey	11/11	2 years
Jayne McGivern	11/11	2 years
Alan McIntosh	11/11	6 years
David O'Beirne	11/11	2 years
Michael Stanley	11/11	6 years

* Mr Doherty joined the Board on 13 April 2020.

COMPOSITION, SUCCESSION AND EVALUATION

Commitment and External Appointments

As part of the Board evaluation process, detailed in the Nomination Committee Report, the Board has considered the individual Directors' attendance, their contribution, and their external appointments, and is satisfied that each of the Directors is able to allocate sufficient time to the Group to discharge his or her responsibilities effectively. As evidenced by the attendance table above, despite the increase in the number of Board meetings and briefings held during the year, the attendance remained perfect and demonstrates the Directors' ability to devote sufficient time to their roles and the Company, even in times of crisis. Contracts and letters of appointment with Directors are made available at the AGM or upon request.

Executive Directors are permitted to take up non-executive positions on the boards of other listed companies so long as this is not deemed to interfere with the business of the Group. Executive Directors' appointments to such positions are subject to the approval of the Board which considers, amongst other things, the time commitment required. In line with the Code, Non-Executive Directors are also encouraged to seek Board approval prior to taking on any additional external appointments.

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 18 May 2021 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 of the Directors.

Information and Support

All members of the Board are supplied with appropriate, clear and accurate information in a timely manner covering matters which are to be considered at forthcoming Board or Committee meetings. The papers for each meeting are made available via an electronic Board portal along with a wealth of supporting and reference material. Should Directors judge it necessary to seek independent legal advice about the performance of their duties with the Group, they are entitled to do so at the Group's expense. Directors also have access to the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter requiring Board approval.

Independence

As is done annually, the independence of the Non-Executive Directors was reviewed during 2020. In doing so, the Board considered factors such as length of tenure and relationships or circumstances that are likely to affect, or appear to affect, the Directors' judgement, in determining whether they remain independent. Following this year's review, the Board concluded that, excluding Alan McIntosh who is deemed non-independent given his prior role as an Executive and a Founder, all of the other Non-Executive Directors remain independent in character and judgement and are free from any business or other relationships that could materially affect the exercise of their judgement. The Chairman of the Board was deemed independent on appointment.

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 two years ago in April 2019, prior to her joining the Board
- 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 2020 were €10.95 million (2019: €15.5 million), which is not material for a business of Kingspan's size.

Ms Hickey 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 2020 AGM, Ms Hickey was elected to the Board with over 99% shareholder support, reflecting shareholders support for her appointment.

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 remain 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 have, and 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 fees paid to Eversheds during 2020 were €1.49 million (2019: €1.78 million) and account for less than 5% of Eversheds annual revenues
- 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 Board concluded that there was no material relationship, financial or otherwise, which might directly or indirectly influence his judgement. We will continue to closely monitor the level of fees paid to Eversheds in the coming year, and the Board will continue to be guided by the terms of the Company's Conflicts of Interest Policy. At the 2020 AGM, Mr O'Beirne was elected to the Board with over 99% shareholder support, reflecting shareholder support for our diversification of the skillset of the Board.

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

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 cognizant of the benefits of diversity and the recommendations of the Hampton-Alexander review, and recognise the clear benefits of increasing diversity at all levels of the organisation. Cairn made good progress in this area during 2020 and the first quarter of 2021 throughout the Company.

As at 31 December 2020, our female employees made up 25% of our total workforce, whilst over 25% 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 2021 and beyond. Details on diversity within the Company can be found within our Sustainability Report on page 55.

AUDIT, RISK AND INTERNAL CONTROLS

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, and the Company will continue to monitor and improve its risk management framework. Further details are available in the Risk Report on pages 40 to 47.

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
- 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 42 to 46.

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
- 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 retaining high standards of health and safety performance. The Company seeks the full co-operation of all concerned in the carrying through of its commitment.

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 2021 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 11.00 a.m. on 18 May 2021. The 2020 Annual Report and 2021 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.

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.

The Company's website www.cairnhomes.com provides the full text of all announcements including the interim and preliminary results and investor presentations.

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).

REMUNERATION

Details on the Company's compliance with the provisions of the UK Corporate Governance Code in relation to remuneration are set out in the Directors' Remuneration Report.

Audit & Risk Committee Report

"Health & Safety has been the top priority for the business during 2020 and the Committee maintained strong oversight of this during 2020, ensuring back-to-work protocols were adhered to."

Gary Britton
Chair of the Audit & Risk Committee

The below table sets out the Committee membership including their attendance and tenure:

Committee Member	Meeting Attendance	Committee Tenure
Gary Britton (Chair)	6/6	6 years
Andrew Bernhardt	6/6	6 years
Giles Davies	6/6	6 years
Linda Hickey	6/6	2 years
Jayne McGivern	6/6	2 years

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. 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, several members of the Committee are deemed to have recent and relevant financial experience. The biographical details on pages 66 and 67 demonstrate that members of the Committee have a wide range of financial, capital markets, commercial, construction and business experience relevant to the sector in which the Group operates. The Committee met six times with all members attending each of the Committee meetings scheduled during the year.

Meetings are attended by the members of the Committee and others being principally the Chairman, the Company Secretary, the Chief Financial Officer, representatives from the finance function, the Health & Safety Manager, and representatives of the External Auditor as well as the outsourced Internal Audit function who also attend by invitation. Other members of management may be invited to attend to provide insight or expertise in relation to specific matters.

The Committee also met privately with the External Auditor and representatives of the outsourced Internal Audit function without management present at least once during the year.

The Chair of the Committee reports to the Board following each meeting, 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 the scope of audit;
- Reviewing the scope, resourcing, findings and effectiveness of the Internal Audit function;
- Monitoring and reviewing the overall effectiveness of the Group's risk management systems, and overseeing its strategic response to risk, in particular, the principal and emerging risks to its strategic objectives;
- Reviewing the adequacy and effectiveness of the Group's systems and controls for risks associated with health & safety, bribery and fraud, and the use of personal data; and
- Reporting to the Board on how the Committee has discharged its responsibilities.

KEY AREAS OF ACTIVITY DURING 2020

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

Financial Reporting

The Committee reviewed the draft trading updates, draft preliminary results, draft annual report and draft interim results before recommending their approval to the Board. 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 pages 82 and 83. 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 in 2020 included overseeing a comprehensive review of the Group's risk management process, as well as a review of performance against the objectives set in 2019. Further information on the Group's risk management process is outlined in the Risk Report on pages 40 to 47.

Health & Safety and Data Protection

The Committee met with the Group's Health & Safety Manager on three 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 2020 which were set at the beginning of the year. The Chairman of the Committee also frequently engaged with the Health & Safety Manager outside of meetings to monitor ongoing challenges presented by the COVID-19 pandemic. The Committee, in conjunction with senior management, also commissioned an independent review of the Health and Safety programme within Cairn by Turner & Townsend, a specialist firm. The review commenced in November 2020 with findings and recommendations scheduled to be reported back to the Committee during 2021.

The Committee also met with the designated Data Protection Officer for the Group, who along with the Company Secretary, has specific responsibilities for the Group's use of personal data in accordance with Regulation (EU) 2016/679 (the General Data Protection Regulation "GDPR") and Ireland's Data Protection Act 2018. Oversight and approval of the GDPR programme and ongoing monitoring of its objectives were the main areas of focus during 2020.

Going Concern, Viability and Directors' Compliance Statements

The Committee reviewed the draft Going Concern Statement, Viability Statements and Directors' Compliance Statement prior to recommending them to the Board for its review and approval. The Going Concern and Viability Statements are contained in the Risk Report on page 47. The Directors' Compliance Statement is included in the Directors' Report on page 106.

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 four Internal Audit reviews during the year; (1) Review of Procurement; (2) Review of Human Resources; (3) Review of IT Security; and (4) Review of Business Continuity Planning. 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 2020 and the planned programme of work for 2021. 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.

Audit & Risk Committee Report continued

External Auditor

Our External Auditor, KPMG, was appointed in 2015. The Group currently has no plans to tender for audit services, although is cognizant of the EU Audit Regulation requirements on auditor rotation. There was a change in audit engagement partner for the year ended 31 December 2020, following the completion of a five year term by the previous audit engagement partner at the conclusion of the prior year audit.

The Committee reviewed the External Auditor's overall audit plan for the 2020 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 reviews 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.

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 2020 and their related fees are disclosed in Note 9 to the consolidated financial statements. The Committee has undertaken a review of non-audit services provided during 2020 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.

In line with EU audit regulations, the Group's non-audit fees for 2020 were less than 70% of the average of the audit fees over the previous three-year period.

Confidential Reporting and Anti-Bribery & Corruption

The Group's Confidential Reporting and Anti-Bribery & Corruption Policies were reviewed and updated during 2020 and were formally adopted by the Committee and rolled out within the business throughout 2020. The policies are published on the Group's intranet and employees are required to confirm they have read them. The Committee continues 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 2020. 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 109 to 113. 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 2020 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 2020 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 inventories 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 Chief Financial Officer, and representatives from the finance function and health and safety function, the Internal Audit firm and the External Auditor in preparation for each Committee meeting. 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

"The role of the Workforce Engagement Director has been very beneficial to understanding and raising awareness at Board level of the challenges faced by employees working remotely for the majority of 2020."

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 2020. The Committee has focused on Board and Committee composition and the role of the Workforce Engagement Director which has been particularly crucial in what has been a challenging year for many of our employees who have been working remotely for the majority of the year. The Committee's full terms of reference are available on our website at www.cairnhomes.com.

Committee Responsibilities and Key Activities

Details of the key areas of responsibility of the Committee and the time spent on each area during 2020 are set out below:

Board Composition and Diversity

The Committee has sought to balance the composition of the Board and its Committees and to refresh them progressively over time. In discharging its responsibilities, the Committee regularly reviews the structure, size and composition of the Board and its Committees, including skills, knowledge, independence and diversity, to ensure they are aligned with the Group's strategy. Our Non-Executive Directors are drawn from a wide range of industries and backgrounds, including construction sector expertise, capital markets, legal, investment banking, entrepreneurial, environmental and financial industry experience and have a wealth of experience in complex organisations with global reach.

The Committee recognises the importance of the Board's awareness and preparations for the future, and ensuring that the skills, experience and knowledge of individuals reflect the changing demands of the business, all while upholding the culture and values of the Group. During the year, a composition assessment exercise was undertaken by the Committee and a Non-Executive Director succession plan will be developed from this. This provides a structured and systematic approach to refreshing the Board.

Non-Executive Directors and Planning for the Future

To support the succession plan, a skills matrix was also developed to ensure the Board and its Committees have and maintain the necessary skills to deliver the Group's strategic priorities. Further details on our diverse Board and the skillsets of our Non-Executive Directors are detailed on page 86.

Workforce Engagement

The role of the Workforce Engagement Director has been very beneficial to understanding and raising awareness at Board level of the challenges faced by employees working remotely for the majority of 2020. Through our director responsible for workforce engagement, David O'Beirne, the Committee received regular updates on the welfare of employees, employee initiatives including learning and development programmes and the detailed results of the employee engagement survey conducted during the year.

The Workforce Engagement Director attended several virtual meetings with the Chief People Officer and members of the HR function as well as attending Chief Executive Officer hosted townhalls where all employees gather to receive Company updates on strategic developments and people initiatives. The importance of keeping employees connected in what has been an unparalleled, challenging year was pivotal to the rollout of a new intranet 'CairnLive' and several virtual social initiatives conducted during the year.

Unfortunately several of the planned activities of the Workforce Engagement Director, including attendance at several sites to meet members of the workforce in person, were postponed due to government restrictions. We are hopeful that these postponed activities will take place in 2021 and look forward to reporting back on these engagements in our next report.

Appointment of Head of Construction and Operations

Following an extensive review of the organisational structure during late 2019 and 2020, a recruitment process for the role of Head of Construction and Operations kicked off, which was a critical hire for the business and combines both the low and high density delivery platforms under one unified function. Gavin Whelan was appointed in late 2020 and this role reports directly to the Chief Executive Officer. Further details on Gavin's background are available on page 68.

The further strengthening of the Senior Management Team in 2020 is reflective of the Company's ambitions to grow and scale at a rapid pace in the coming years and the Committee is ensuring that the right people are in place to ensure the Company is set up to deliver on its strategic objectives.

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 strongly believes that diversity and providing an inclusive culture is a key driver of business success and the Committee is committed to having a diverse and inclusive management team which provides a range of perspectives, insights and critical challenge needed to support good decision-making, helping with risk management and strategic planning at this current time of crisis.

The Committee meets at least twice per year and, during 2020, met four times. Member attendance at meetings is detailed below.

Committee Member	Meeting Attendance	Committee Tenure
Giles Davies (Chair)	4/4	6 years
Gary Britton	4/4	6 years
Alan McIntosh	4/4	2 years
David O'Beirne	4/4	2 years

The Chairman of the Board, John Reynolds and Chief People Officer, Maura Winston also frequently attended meetings by invitation of the Committee.

A DIVERSE AND EFFECTIVE BOARD

Board Diversity

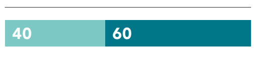
GENDER

Gender
Female
Male

ROLE

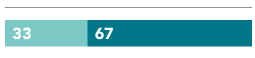
Role
Executive
Non-Executive

TENURE



Tenure
1-3 years
4-6 years

INDEPENDENCE



Independence
Non-independent
Independent

The Chairman was independent on appointment and is not included in the overall assessment of independence.

Nomination Committee Report continued

Non-Executive Director Skills Matrix

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

Board Evaluation

During 2020, the Board and each of its Committees completed internal evaluation questionnaires to assess their performance and effectiveness. Overall, the feedback from the internal evaluation was very positive with the Board recognising management's efforts to drive the business through the ongoing challenges presented by the COVID-19 pandemic, from strong health and safety procedures, clearly defined back-to-work protocols, and the quality and frequency of Board engagement and information flow over the course of 2020. In terms of actions, the Board will place a particular focus on continuing to identify any skills gaps as the business grows. During 2021, a priority will also be the continued integration of ESG factors into strategy development.

Each of the Board Committees were also found to be operating to a high standard. There were certain action points for each Committee, including:
- The Remuneration Committee will continue to focus on director development to ensure each member remains fully apprised of all changes in market practice.
- The Audit & Risk Committee will continue to ensure strong flows of information as a means of effectively overseeing risks.
- The Nomination Committee will develop a structured approach to the external evaluation process due to take place in 2021 to maximise its impact, as it is a process which members of the Board find to be hugely valuable.

Directors' Remuneration Report

"Following approval of the Remuneration Policy at our 2020 AGM, the Committee has focused on its implementation during 2020 and into 2021."

Linda Hickey
Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee (the "Committee") I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2020. This report is divided into five sections: this introductory letter, a summary of remuneration in 2020, our approach to remuneration in 2021, the Remuneration Policy approved by shareholders at the 2020 Annual General Meeting, and a summary of the responsibilities and activities of the Committee during 2020.

Remuneration Philosophy

As a business, Cairn's success has been grounded in hard work and entrepreneurial spirit. It is imperative that the approach to remuneration is aligned to the Company's performance-oriented culture and the drive to succeed. Over the past 12 months we have spent a significant amount of time discussing the most appropriate way of motivating our people and ensuring the incentive arrangements reflect these values and behaviours, and the identity of the business. The Committee believes this will be most effectively done by focusing on variable remuneration with stretching performance targets, while ensuring fixed costs remain modest over the coming years.

2020 Background

As detailed earlier in the strategic report, COVID-19 presented the Board and Cairn's management team with a unique set of challenges during the year, with the timing and nature of the impact of the virus extremely unpredictable in the first half of 2020. While the business has performed well, profitability was materially lower in 2020 than in the prior year, but in line with expectations given the impact of the pandemic, which included the imposition of government restrictions on construction activities and home sales.

We maintained our entire employee base during 2020 and the strength of our financial position allowed us to ramp up activity in a safe manner on our sites as restrictions were relaxed after the first lockdown. We did not furlough or let any staff go; and did not seek or receive any government support. Nonetheless, on the back of market uncertainty, the Board took a number of proactive steps to protect and safeguard the long-term interests of the business. Among these efforts, the Committee determined, with the agreement of the Executive Directors, that there would be no bonus pay outs for 2020 under the annual bonus scheme, irrespective of the ultimate performance outcome, while we also deferred the proposed increase in maximum bonus potential approved by shareholders in our 2020 Remuneration Policy. Lastly, the Board made the difficult, yet prudent decision to withdraw the proposed dividend, to ensure the Company had ample liquidity as it navigated the uncertainty caused by the pandemic.

While at the start of 2021, there was a further lockdown that included the pausing of construction, as the roll-out of vaccines continues, we are confident in the opportunity for Cairn to respond to pent up demand for housing in our primary market, Dublin. This confidence is underpinned by our announcement in early March of a combined year to date 2021 closed sales and contracted forward sale pipeline of 925 new homes. As a business, we are in a more prepared position to address the challenges of COVID-19, and this is demonstrated by our ability to provide guidance on expected financial performance.

Remuneration Policy

Following an extensive shareholder consultation process in 2019 and early 2020, the Committee was pleased to receive over 99% support for the modifications made to our Remuneration Policy at the 2020 Annual General Meeting. The amendments largely focused on updates for changes in best practice arising from the 2018 UK Corporate Governance Code, as well as providing the Committee with greater flexibility to compete in the market for talent. The Remuneration Policy was also proposed to take into account the evolution of our remuneration philosophy, which is aligned to our performance-oriented culture and is grounded in modest fixed pay, with a higher upside in variable pay for the achievement of stretching performance.

The adjustment to incentive opportunity under the bonus plan, from 75% and 105% of salary for the Chief Financial Officer and Chief Executive Officer up to a maximum of 150% for both Executives, was in line with that approach. Our revised Remuneration Policy also included other links to the long-term success of the Company through part deferral of annual bonus into shares and the requirement to maintain a shareholding of 100% of salary for a year after departure, reducing to 50% of salary in the second year after departure. We also acted to align pension contributions for all future Executives to those available to the wider workforce, while reducing the value of the Chief Executive Officer's contractual pension entitlement.

While shareholder feedback for the changes during the consultation, which took place prior to the outbreak of COVID-19, was firmly supportive, shortly ahead of the AGM, in recognition of the unpredictability of the COVID-19 pandemic, the lockdown implemented in Ireland and the challenges facing the business and our stakeholders, the Committee determined that the proposed increase in potential maximum under the bonus should be deferred.

Implementation of the Remuneration Policy – 2020

While management has placed a relentless focus on driving performance against an ever-evolving backdrop, the level of unpredictability last year meant we had to take certain decisions in the interests of the business. It was announced in May 2020, after a consultation with the Committee, that there would be no payouts for Executive Directors under the annual bonus scheme for the 2020 financial year, regardless of performance under its structure.

This decision to defer increases in the potential maximum under the annual bonus scheme, and the early cancellation of any potential 2020 bonus, reflected the challenges facing the business and our stakeholders. In particular, it reflected the wider shareholder experience given the withdrawal of the proposed dividend in March 2020.

As disclosed in last year's annual report, the Committee considered it prudent to delay the setting of the targets for the 2020 Long Term Incentive Plan ('LTIP') awards until there was a clear line of sight developed as to what the most appropriate measures would be and what would constitute strong performance in the period until the end of 2022. Following a comprehensive review of the business and its prospects, which was overseen by the Committee, it was announced in September 2020 that the following metrics and targets will apply to the 2020 LTIP awards over the performance period from 2020 to 2022:

Metric	Weighting	Threshold Target (25% vesting)	Maximum Target (100% vesting)
Cumulative EPS	80%	9.0c	15.0c
Stakeholder Measures: • Customer Satisfaction • Health & Safety	20%	Stakeholder measures will pay out based on customer satisfaction performance. In order for the stakeholder measure to pay out, a Health & Safety underpin must be achieved. That underpin will require a sustained and strong level of Health & Safety performance over the performance period which will be assessed by the Committee	

Implementation of the Remuneration Policy – 2021

As detailed throughout this report, after a difficult first half of 2020, the Board and management are in a strong position to continue to pursue and deliver on our strategy. We are also pleased to have developed a much clearer picture of the operating environment and expected performance in the period ahead. Under the Remuneration Policy approved by shareholders at the 2020 AGM, Executive Directors are eligible to receive bonuses up to 150% of salary, with any increase deferred during 2020 due to the outbreak of COVID-19.

Having deferred the approved increases to bonus potential in advance of the 2020 AGM due to the level of uncertainty in the outlook for the business, the Committee has determined that deferred higher potential bonuses will be implemented for 2021, with bonuses for the Chief Executive Officer and Chief Financial Officer capped at 150% and 115% of base salary, respectively.

In advance of the 2020 AGM, the Committee detailed that the decision to defer increased bonus opportunity would remain in place until the business was fully operational again, and the Committee had greater visibility over future financial performance. We are satisfied that the strong pipeline of closed and forward sales now gives us sufficient confidence to implement the higher opportunity notwithstanding the challenges presented by COVID-19. This decision is fully aligned with our approach of keeping fixed pay restrained in the current uncertain climate, but ensuring remuneration arrangements are competitive versus both listed and unlisted peers and incentivise stretching performance.

As set out below, the Committee has also determined that from 2021 (i.e. one year before the expiration of the Founder Share Scheme in 2022), the Chief Executive Officer will be included within the Company's LTIP. Further details of the annual bonus framework and the LTIP for 2021 are provided on pages 94 and 95. While it was intended that performance would be assessed against the broad set of measures proposed with our revised Remuneration Policy in 2020, the events of 2020 and the aim of designing a simplified incentive structure against the current external environment took precedence. The primary measure, Earnings Per Share ('EPS'), provides an easily understandable and transparent framework for all stakeholders and will motivate participants to deliver on our strategy over the performance period. As set out in other areas of this report, the business has made significant progress in developing its ESG and sustainability strategy, which is incrementally being replicated through the incentive arrangements. It is currently intended that the awards made in 2022 under the LTIP will include a greater focus on ESG, building on the integration of ESG measures developed under the 2020 awards and including a formulaic structure in line with that used for the EPS metric.

Outside of variable remuneration, the first reduction in the Chief Executive Officer's pension took place during 2020 to 20% of salary, with a further reduction implemented in 2021 to bring the contribution level to 15% of salary.

Chief Executive Officer ('CEO') Remuneration

During the latter part of 2020, in preparing to set out the approach for remuneration in 2021, the Committee was acutely aware of the impact of the challenging external operating environment on the overall incentive framework of the business. Specifically, the Committee noted three standout aspects of the CEO's forward-looking remuneration:

- The Founder Share Scheme ("FSS") as constituted at IPO exists outside the remuneration framework. As it stands, there is no applicable long-term equity component to the CEO's package in the current and expected market environment
- There is a lack of alignment between the remuneration package of the CEO and that of our senior executives who currently participate in the LTIP
- The CEO's total remuneration opportunity is considerably below comparable market levels, driven primarily by a salary level below that of Cairn's peers, and the compounding impact that has on other elements of pay.

Having reviewed all facets of remuneration and reflecting the aim of ensuring the variable measures for all employees are the same and remain competitive, the Committee determined that it would propose a change to the CEO's future remuneration. In particular, the Committee and Board wish to ensure that the CEO's remuneration package is appropriately positioned in the market and includes an effective forward-looking equity-based opportunity, the most meaningful way of aligning management interests with those of shareholders. After significant discussion at Committee level on how best to address the issue of the CEO's remuneration lagging behind market levels and being disconnected with other members of the senior management team, the Committee proposed that from 2021, the CEO would be included within the Company LTIP.

The Committee was firm in its conviction that, despite the CEO's salary being below market value for comparable roles in listed and private businesses in Ireland, it was preferable in the current circumstances to put in place a structure that delivers higher remuneration for stretching performance, as opposed to increasing fixed pay that remains constant regardless of performance. The Committee believes that low fixed pay, balanced with a higher upside for achieving stretching performance, is currently the most effective way to align the interests of management and shareholders in these uncertain times, whilst being guided by the identity of the business. For context, in reviewing the CEO's fixed remuneration, the Committee was aware that his salary is in the lower decile for comparable roles in Ireland, and whilst the Committee gave serious consideration to adjusting the CEO's salary, it was determined that the most appropriate change to his remuneration would be in equity-based pay, subject to the achievement of stretching long-term performance criteria. In developing the proposal, the Committee reviewed the impact of salary levels on each of pension, annual bonus and long-term incentives and it was felt that his package should be viewed in terms of potential monetary value as opposed to total award limits. In light of the role of salary across the incentive package, the Committee is comfortable that overall quantum under the CEO's package would remain restrained relative to peers while successfully rebalancing his package to be increasingly performance orientated.

The Committee was also conscious of the timing of any changes in incentive arrangements, with potential vesting levels in 2023 following three years of strong performance preferable to an increase in fixed pay regardless of how the business performs. In addition to the reduction of pension contribution, the proposal gears the CEO's package to at risk pay, focused on the underlying performance measures in line with the senior management team. In considering the inclusion of the CEO within the LTIP, the Committee confirmed with the CEO that he would immediately relinquish all future entitlements under the FSS in advance of the proposed grant taking place in May following the AGM.

While satisfied that the decision was in the best interests of the Company and its shareholders, the Committee was aware that the entry of the CEO into the LTIP a year before the conclusion of the FSS was not aligned to the commitments made at the time the LTIP was approved in 2017. On balance, the Committee considered the timing of including the CEO within the LTIP at a crucial juncture due to the inherently challenging external environment, as appropriate. As a wider consideration, the Committee was clear that the ability to shift the CEO's equity-based motivational and retentive tool from a market-based measure to one that reflected key underlying drivers of performance was desirable and in the best interests of the Company and shareholders.

Shareholder Consultation

Following the finalisation of the initial proposal, together with the Chair of the Board, I wrote to all shareholders with at least 1% of issued share capital, in total representing almost 80% of Cairn's issued share capital, and two leading proxy advisors. The Committee virtually met and received feedback from 13 of our top shareholders, which provided a rounded and insightful picture of shareholder views on the proposal. While the majority of shareholders – including five of our six largest – consulted with were supportive of the approach of including the CEO in the LTIP, and the benefits of all employees being incentivised to delivery strategy in the same manner, certain shareholders voiced reservations about the Committee's initial proposal to include the CEO within the LTIP at the exceptional limit of 200% of salary. In other instances, shareholders were satisfied with the rationale for using the 200% ceiling. There were also a limited number of meetings where the feedback was clear that the expectation was for the CEO not to participate in the LTIP before the conclusion of the FSS.

Following a detailed review of the feedback, the Committee determined it would reduce the initial proposal and set the maximum incentive limit at 150% of base salary. This reflects the totality of feedback and, specifically, the preference from certain larger shareholders for the award to be made at that level. For those shareholders that felt the most appropriate course of action would be to wait until the conclusion of the FSS for the CEO to enter the LTIP, we respect the views voiced and will continue to engage with those shareholders over the period ahead to foster mutual understanding of our decision and their expectations.

Outside of the discussion around the CEO's revised incentive arrangements, certain shareholders also noted the absence of any market-based performance measure (i.e. TSR) under the current LTIP. The absence of a relevant listed peer-set renders the use of Relative TSR unsuitable as an appropriate metric, and the Committee was mindful that an Absolute TSR metric, which it has used in the past, could result in windfall gains in the current environment. The Committee intends to keep the inclusion of a market-based measure in the long-term incentives under review as markets normalise. Such a decision will be impacted by the ability to set meaningful long-term targets and availability of appropriate peer measures. Shareholders were almost unanimous in their positive feedback on our direction of travel in integrating meaningful sustainability-focused measures into both our annual and long-term incentive plans, and look forward to our development of more long-term sustainable metrics in the LTIP in parallel with our strategic focus on this area.

The decisions we have made reflect the circumstances facing the business during the first half of 2021 and our efforts to ensure our incentive arrangements position the Company to deliver for all our stakeholders. As a reflection of our philosophy in action, we are also committing to keep fixed remuneration unchanged until at least the conclusion of the current Remuneration Policy at the end of 2022.

On behalf of the Committee and the Board, I wanted to take this opportunity to thank all shareholders who engaged with us as we attempted to address this relatively unique issue. We hope that the details set out above and our continued efforts to make decisions in the long-term interests of the business and all our stakeholders are reflected in your support at the 2021 AGM.

Linda Hickey
Chair of the Remuneration Committee

IMPLEMENTATION OF THE 2020 REMUNERATION POLICY DURING 2020

Single Total Figure of Remuneration (Audited)

Remuneration Outcomes for Executive Directors for the Year Ended 31 December 2020

The table below sets out the details of the remuneration paid to the Executive Directors for the year ended 31 December 2020, with comparatives for the prior year ended 31 December 2019.

	Salary		Retirement Benefit		Allowances		Recruitment Bonus		Total Fixed		Annual Incentive		Total Variable		Total Remuneration		Ratio of Fixed to Variable	
Executive Director	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Michael Stanley	**425**	425	**85**	106	**10**	10	**–**	–	**520**	541	**–**	425	**–**	425	**520**	966	**100:0**	56:44
Shane Doherty[(1)]	**273**	–	**41**	–	**11**	–	**185**	–	**510**	–	**–**	–	**–**	–	**510**	–	**100:0**	N/A
Tim Kenny[(2)]	**–**	399	**–**	100	**–**	10	**–**	–	**–**	509	**–**	299	**–**	299	**–**	808	**N/A**	63:37

(1) Mr Doherty was appointed to the Board on 13 April 2020.
(2) Mr Kenny stepped down as an Executive Director on 7 January 2020.

The Chief Financial Officer received a bonus as part of his recruitment which was agreed in 2019 and paid during 2020. That bonus replaced, on a like for like basis, a bonus earned at his previous employer. Full details of the Chief Financial Officer's contractual entitlements are detailed on page 93.

Pension

As detailed in last year's Annual Report, the maximum pension contribution for incumbent Executive Directors was reduced from 25% to 15% of salary, bringing it further in line with the broader employee population; this reduction applied to the current Chief Executive Officer equally over the two years from 2019 to 2021 whilst the current Chief Financial Officer joined the Company on a 15% contribution. For all new appointments, pension contributions will be aligned with levels available to the majority of the employee base.

2020 Annual Bonus

The maximum bonus opportunity for 2020 was 105% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. Annual incentives were based on a mix of financial, stakeholder and personal objectives. The financial and non-financial measures employed were a mix of revenue and margin (both 25% of maximum), customer satisfaction with a health and safety underpin, and personal objectives relating to strategy, land bank, risk, brand and talent development.

As announced on 14 May 2020, the Committee and Executive Directors agreed that annual bonuses for 2020 performance would be waived, reflecting the wider operating environment and the challenges facing the business, the Company's stakeholders and society as a result of the outbreak of COVID-19 and the associated government restrictions. In light of the impact of COVID-19 and the decision to waive bonuses in May, less than half of the way through the performance period, we have not disclosed the targets that applied to each of the measures. We will provide targets in full in the year of payment for all future bonuses.

While the Committee is satisfied that the decision to waive bonuses well in advance of the end of the performance period was the correct one, it was nonetheless apparent that both the Chief Executive Officer and Chief Financial Officer had performed strongly against their personal objectives set at the start of the year. That performance, which was central to the protection of the business, would have delivered a significant component of the 30% of the bonus opportunity available for those non-financial measures. In particular, the Chief Executive Officer demonstrated leadership against a challenging backdrop; continued to develop and communicate our strategy; and drove stakeholder engagement both internally and externally. The Chief Financial Officer performed to a similar level after joining, conducting an in-depth review to enhance the finance function and augment financial oversight, drive capital and cost efficiencies, and improve risk management frameworks whilst progressing the Group's IT strategy.

Vesting of Awards in 2020

No share awards vested to any Executive Director or prior Director in 2020.

Awards Granted During the Past Year

On 23 September 2020, the following conditional share awards were granted under the LTIP to Shane Doherty, Chief Financial Officer ('CFO') and sole Executive Director participating at the time of grant:

Name	Number of Shares Granted	Share Price at Date of Grant	Face Value at Date of Grant
Shane Doherty (CFO)	921,053	€0.76	€700,000

Directors’ Remuneration Report continued

Awards Granted During the Past Year continued

As detailed in the 2019 Annual Report, upon joining the Company, the Chief Financial Officer received an LTIP award of €700,000, within the exceptional limit permitted by the Policy. The award was formally granted in September 2020. The first half of the award represented a regular grant for 2020 under the LTIP. The remainder reflected 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 Chief Financial Officer had forfeited. The Committee was aware of the reduced share price at the time of the award to the Chief Financial Officer, which reflected the impact of COVID-19 and government restrictions. While conscious of the impact on the number of the shares, the value of the award to the Chief Financial Officer had been agreed as part of recruitment to replace the fair market value of awards he forfeited to join the Company, which was a central aspect of attracting a candidate of Shane’s calibre. For 2021, he will receive an award at the regular grant limit under the LTIP of 150% of salary which was approved by shareholders at the 2020 AGM.

As detailed in the 2019 Annual Report, in light of the level of uncertainty facing the business due to the outbreak of COVID-19 and associated government restrictions, the Committee determined it was prudent to delay the setting of the 2020 LTIP targets until it had a clearer line of sight over expected performance in the period ahead. The 2020 LTIP targets are:

Metric	Weighting	Threshold Target (25% vesting)	Maximum Target (100% vesting)
Cumulative EPS	80%	9.0c	15.0c
Stakeholder Measures: • Customer Satisfaction • Health and Safety	20%	Stakeholders measures will pay out based on customer satisfaction performance. In order for the stakeholder measure to begin to pay out, a Health & Safety gateway must be achieved. The gateway will require a sustained and strong level of Health & Safety performance over the performance period which will be assessed by the Committee	

The primary measure, cumulative EPS over the three year performance period to 31 December 2022, provides an easily understandable and transparent framework for all stakeholders and will motivate participants to deliver our strategy over the performance period. Vesting between threshold and maximum targets will be calculated on a straight-line basis. The targets for the financial measure were set after a rigorous review of internal forecasts and took into account external expectations of future performance. The stakeholder measures – which are non-financial – will draw a sharp focus on wider areas central to delivering our strategy. The Company will further develop its sustainability targets with a view to integrating these into the LTIP stakeholder measures in future years. The performance period for this award is 2020 to 2022.

In the context of the effect on markets of COVID-19, the Committee will continue to monitor the risk of ‘windfall gains’ and will take this into account when determining the final vesting outcome. The overall shareholder experience over the performance period will also play a role in the Committee’s determination of final vesting levels.

Non-Executive Directors’ Remuneration Details

No changes were proposed or made to Non-Executive Director fees during 2020. The fees paid to Non-Executive Directors in respect of the year ended 31 December 2020 with comparatives for the prior year ended 31 December 2019 are set out below. All remuneration for Non-Executive Directors is fixed with no variable elements.

	Base Fee		Committee Chair Fee		SID Fee		Total	
Non-Executive Director	2020 €’000	2019 €’000	2020 €’000	2019 €’000	2020 €’000	2019 €’000	2020 €’000	2019 €’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(1)	60	43	12	6	–	–	**72**	49
Jayne McGivern(1)	60	50	–	–	–	–	**60**	50
Alan McIntosh	60	60	–	–	–	–	**60**	60
David O’Beirne(1)	60	50	–	–	–	–	**60**	50

(1) Ms Hickey, Ms McGivern and Mr O’Beirne’s fees in 2019 are reflective of their time spent in the role.

Chief Financial Officer Recruitment

As announced in January 2020, Shane Doherty was appointed as Executive Director and Chief Financial Officer during 2020. Mr Doherty commenced employment on 13 April 2020, and was appointed on the following terms:

Salary	€375,000
Recruitment Bonus	€185,000 (in lieu of earned bonus from prior role)
LTIP upon appointment	Grant upon joining of €700,000, comprising a regular award under the 2020 LTIP
LTIP from 2021	Grant of award of up to 150% of base salary
Pension	15% of base salary
Benefits	Health insurance and car allowance

Mr Doherty's salary was set at a restrained level relative to market and below that of his predecessor, in line with the Committee's overall approach to remuneration, based on the responsibilities of his role and the amount needed to secure the appointment. The Committee was not reliant on data but used benchmarking as a reference point.

Upon appointment, Mr Doherty was paid his recruitment bonus, to replace on a fully like for like basis, a fully earned bonus from his previous role. In addition, Mr Doherty received an award of €700,000 upon commencement of his role, which comprised a regular award under the 2020 LTIP and a portion that replaced forfeited awards at his previous employer. The award was formally granted in September 2020. The portion designed to replace forfeited awards was made on a replicable basis to the LTIP it replaced, in terms of level and vesting criteria. The entirety of the award is performance-based (as detailed on page 92) and provides an immediate level of alignment with the interests of shareholders.

In determining the overall package for the incoming Chief Financial Officer, the Committee carefully evaluated each element of the package and the arrangements overall. The Committee was careful to balance the need to secure the services of a Chief Financial Officer of Shane's calibre at a critical juncture for the Company with the Company's remuneration philosophy of prudence towards fixed pay with a bias to variable at-risk remuneration. The Committee is satisfied that the above arrangements have achieved these aims.

Payments for Loss of Office

There were no payments for loss of office paid during 2020.

Payments to Former Directors

There were no payments to former Directors during 2020.

IMPLEMENTATION OF THE 2020 REMUNERATION POLICY IN 2021

This section provides an overview of the how the Committee is proposing to implement the Policy in 2021.

As noted in the Committee Chair's statement, Cairn's approach to remuneration is evolving in line with strategy and our growth as a business, while also taking into account external pressures and factors. While recognising that both short and long-term variable incentives now incorporate stakeholder/ESG measures, the Committee will continue to take steps to further integrate ESG focused measures into the remuneration structure in the years ahead, in a similar way to the integration of ESG factors into the Company's strategy.

Base Salary

An annual salary review was carried out by the Committee in early 2020. The review highlighted that base salaries at Cairn remain low relative to Irish listed and UK sector comparable peers and are below median. Notwithstanding this differential, following the review, the Committee agreed there would be no salary increase for either Executive Director. This decision reflects the Committee's view that, in the current environment, the majority of remuneration should be variable, as well as a recognition of the challenges facing a number of our stakeholders. It should also be noted that the Chief Executive Officer has not had a base salary increase since the Company was founded in 2015, reinforcing the commitment to restrained fixed salaries in preference for variable, performance based pay.

Executive Director	Base Salary
Michael Stanley (Chief Executive Officer)	€425,000
Shane Doherty (Chief Financial Officer)	€375,000

Pension and Benefits

The Chief Executive Officer and Chief Financial Officer will receive a pension contribution worth 15% of salary. For the Chief Executive Officer, this reflects the final phase of reduction from 25% of salary. Any future Executive Director's pension contribution will be set at the level for the wider workforce.

Annual Bonus

Key features of the annual bonus plan for Executive Directors for 2021 are as follows:
- The maximum annual bonus potential is 150% and 115% of base salary for the Chief Executive Officer and Chief Financial Officer respectively, reflecting the new limit under the Policy approved at the 2020 AGM;
- Any portion of bonus earned over 125% of salary will be deferred into shares for two years;
- Annual bonuses awarded in respect of performance in 2021 will be subject to potential withholding (malus) or recovery (clawback).

The annual bonus for 2021 for Executive Directors will be determined based on the following criteria:

Measure	Percentage of Max Opportunity
Earnings Before Interest and Tax ('EBIT')	50%
Personal and Strategic Objectives	30%
Stakeholder Measures	20%

The selection of measures and targets takes into account the Company's strategic priorities, its internal budgeting and, where relevant, market consensus. EBIT reflects a controllable and easily understandable measure at all levels of the business. The personal and strategic measures will include areas of strategic importance that may not be linked to a financial measure but are central to the Company's long-term performance. The stakeholder/ESG measures are focused on positive performance against quantitative customer satisfaction measures subject to a health and safety underpin. Retrospective disclosure of targets will be made in next year's Directors' Remuneration Report.

Long-Term Incentives

The Chief Executive Officer and Chief Financial Officer will be granted LTIP awards following the completion of the AGM. While awards generally take place in April, the Committee has decided to grant awards following the shareholder vote on the Directors' Remuneration Report, so as to ensure shareholder views are reflected prior to confirmation of the grant.

As detailed in the Chair's statement, awards will be of shares worth 150% of salary at the date of grant. Vesting of these awards will be subject to satisfaction of the above mentioned performance conditions measured over the three financial years to 31 December 2023.

Taking into account business plan and market forecasts, the Committee will set challenging EPS targets ahead of the grant in May 2021 and will make these targets available on the Company's website once determined. The Committee considers it prudent to postpone setting targets at this time, given the uncertainty of when the government restrictions will permit the reopening of construction sites, which is currently expected to be 12 April 2021. In addition, the stakeholder measures will be based on a mix of performance against customer satisfaction criteria with a health & safety underpin. The customer satisfaction aspect of the stakeholder measure will be evaluated based on performance against three pillars of the Company's customer strategy; customer delivery, customer experience and customer aftercare. Each of those pillars include robust quantitative evaluations and targets relating to performance which will be detailed in full prior to vesting. In addition, updates on how performance is tracking under those pillars will be provided in the 2021 Annual Report.

While the focus of targets, in terms of time-horizon and level, remain distinctly separate, the Committee is aware that there is a level of overlap between the stakeholder measures employed under the bonus scheme and that of the LTIP. The Company has committed to a greater integration of ESG measures over the near-term, likely to be as part of the next iteration of the Remuneration Policy, and considers the inclusion of a customer focused measure to be the most appropriate means of commencing that process. The Committee is of the view that the inclusion of the measures under both the annual bonus and long-term incentive plans is the most effective means of reflecting the steps taken across the value chain to put the customer at the heart of our product offering including investments and emphasis on quality checking and product improvements.

As an underpin, the Health & Safety measure sets a floor under which no pay outs would be made for non-financial performance. This framework aligns with the relentless focus the Board places on the safety of our people and all those the business interacts with. The achievement of the underpin will only be confirmed following a review by the Audit & Risk Committee based on all key health and safety priorities over the three-year performance period. A holding period for the LTIP awards granted for the financial year 2021 will apply for two years from the vesting date. No further performance conditions attach to the LTIP awards during the holding period.

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

Details of outstanding share awards granted to the Directors' and the Company Secretary under the LTIP are set out below:

Number of Shares Under Award										
At 1 January 2020	Granted During the Year	Exercised During the Year	Lapsed During the Year	At December 2020	Market Price at Date of Award €	Exercise Price €	Market Price at Date of Vesting	Date of Award	Vesting Date	Expiry Date
Shane Doherty (Chief Financial Officer)										
–	921,053	–	–	921,053	0.76	Nil	N/A	22.09.20	22.04.23	21.09.27
				921,053						
Tara Grimley (Company Secretary)										
96,507	–	–	–	96,507	1.09	Nil	N/A	19.12.18	19.04.21	18.12.25
63,348	–	–	–	63,348	1.326	Nil	N/A	15.04.19	15.04.22	14.04.26
–	141,612	–	–	141,612	0.76	Nil	N/A	22.09.20	22.04.23	21.09.27
				301,467						

The Company Secretary was also granted a conditional award during 2020 of 82,031 shares in the Company under the Restricted Share Unit ('RSU') Plan which are due to vest in 2021. There are no performance conditions attached to this award. In addition, the Company Secretary also held options at 31 December 2020 to acquire 30,664 shares through the Company's Save as You Earn ('SAYE') scheme in April 2023. The SAYE scheme is a Revenue approved savings plan where participants are granted a right to acquire discounted shares in the Company following a three year savings period.

Directors' & Secretary's Interests in Ordinary Share Capital

The interests of the Directors' and Company Secretary who held office at 31 December 2020 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.

Director	No. of Ordinary Shares at 31 December 2020	No. of Ordinary Shares at 31 December 2019
John Reynolds (Chairman)	129,174	129,174
Michael Stanley (Chief Executive Officer)	21,557,409	21,057,409
Shane Doherty (Chief Financial Officer)	–	–
Andrew Bernhardt (Non-Executive Director)	–	–
Gary Britton (Non-Executive Director)	130,000	130,000
Giles Davies (Non-Executive Director)	50,000	50,000
Linda Hickey (Non-Executive Director)	75,000	75,000
Jayne McGivern (Non-Executive Director)	–	–
Alan McIntosh (Non-Executive Director)	40,141,464	39,641,464
David O'Beirne (Non-Executive Director)	–	–
Tara Grimley (Company Secretary)	–	–

All of the interests noted above are beneficially owned. Aside from the interests disclosed above and the Founder Shares and Deferred Shares held by the Founder Directors disclosed on page 97, the Directors and the Company Secretary had no interests in the share capital of the Company or any other group undertaking at 31 December 2020.

There were no changes in the above Directors' and Secretary's interests between 31 December 2020 and 24 March 2021. 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).

Change in Remuneration of the Directors Compared to the Average Employee

The table below shows the annual percentage change in remuneration paid to the Executive and Non-Executive Directors in comparison to the average overall percentage change for employees (excluding Executive Directors) across the Group (on a full-time equivalent basis) over the past five years.

Director	2016 v 2015	2017 v 2016	2018 v 2017	2019 v 2018	2020 v 2019	2020 €'000
John Reynolds (Chairman)(1)	79%	25%	20%	0%	0%	150
Michael Stanley (Chief Executive Officer)	29%	-14%	15%	5%	-46%	520
Shane Doherty (Chief Financial Officer)(2)	–	–	–	–	N/A	510
Andrew Bernhardt (Non-Executive Director)(3)	43%	18%	15%	0%	0%	60
Gary Britton (Non-Executive Director)(3)	86%	8%	7%	0%	0%	75
Giles Davies (Non-Executive Director)(3)	43%	18%	15%	0%	0%	82
Linda Hickey (Non-Executive Director)(4)	–	–	–	N/A	47%	72
Jayne McGivern (Non-Executive Director)(4)	–	–	–	N/A	20%	60
Alan McIntosh (Non-Executive Director)(5)	12%	-13%	-55%	-75%	0%	60
David O'Beirne (Non-Executive Director)(4)	–	–	–	N/A	20%	60
Tim Kenny(6)	–	N/A	218%	5%	-100%	–
Group Performance						
Profit Before Tax	92%	312%	530%	56%	-75%	14,786
Average Remuneration on a full-time equivalent basis of employees						
Employees of the Group	17%	-5%	-2%	15%	2%	94

(1) Mr Reynolds was appointed as Chairman on 28 April 2015.
(2) Mr Doherty was appointed as an Executive Director on 13 April 2020.
(3) Mr Bernhardt, Mr Britton, and Mr Davies were appointed as Non-Executive Directors on 28 April 2015.
(4) Ms Hickey, Ms McGivern and Mr O'Beirne were appointed as Non-Executive Directors on 12 April 2019, 1 March 2019 and 1 March 2019 respectively.
(5) Mr McIntosh stepped down as an Executive Director in August 2018 to become a Non-Executive Director.
(6) Mr Kenny was appointed as an Executive Director on 22 August 2017 and resigned effective 7 January 2020.

Relative Importance of Spend on Pay

The table below shows total employee remuneration (excluding LTIP awards) and distributions to shareholders, in respect of 2020 and 2019.

	2020	2019
Total Employee Remuneration	**€21.0m**	€18.9m
Distributions to Shareholders*	**€23.3m**	€42.3m

* Dividends and purchase of own shares in 2019 and 2020.

Directors' Shareholding as Percentage of Salary

The table below sets out the percentage of base salary held in shares in the Company by the Executive Directors, as at 31 December 2020, based on the closing share price of €0.98.

Name	Base Salary	No. of Shares Held	Percentage of Salary Held
Michael Stanley (Chief Executive Officer)	€425,000	21,557,409	4,971%
Shane Doherty (Chief Financial Officer)*	€375,000	–	–

* Mr Doherty joined the Company on 13 April 2020 and has five years from his appointment to meet the share ownership guidelines.

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 2020 Annual General Meeting in respect of the Directors' Remuneration Report and Remuneration Policy.

Directors' Remuneration Report	For	Against	Withheld*
Number of Votes	478,092,581	112,054,987	20,946,517
Percentage	81.01	18.99	–
Remuneration Policy	**For**	**Against**	**Withheld***
Number of Votes	593,745,820	548,848	16,799,417
Percentage	99.91	0.09	–

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

Advisors

The Committee's independent advisor during the year was Mercer Kepler, having been appointed in September 2016 following a competitive tender process. Mercer Kepler attends Committee meetings on an ad hoc basis and provides advice on remuneration for Executive Directors, benchmarking analysis, and updates on market developments and best practice. Mercer Kepler is a founding member of the Remuneration Consultants Group and adheres to its code of conduct. The Committee reviews the performance of its advisors annually and remains satisfied that Mercer Kepler provides independent and objective remuneration advice to the Committee and does not have any connections with Cairn that may impair its independence. The fees paid to Mercer Kepler in respect of work carried out for the Committee in the year under review amounted to €45,753.

In addition to Mercer Kepler, the Committee also sought periodic 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 Kepler and FTI was objective and independent.

Additional Interests of Founder Shareholders who are Founder Directors

In addition to the shareholdings noted on page 95, the Founder Directors have the following additional interests:

	No. of Deferred Shares at 31 December 2020	No. of Founder Shares at 31 December 2020	No. of Deferred Shares at 31 December 2019	No. of Founder Shares at 31 December 2019
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 2020 is 19,182,149 (19,182,149 at 31 December 2019).

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.

Additional Interests of Founder Shareholders who are Founder Directors continued

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.

REMUNERATION POLICY

In its second year of operation, the Remuneration Policy continues to operate as intended and we do not propose to make any changes to it ahead of its normal three-year renewal, due in May 2023. Although we do not currently anticipate that significant changes will be required, it is our intention again to consult widely with shareholders, their representative bodies and the proxy agencies to understand any areas of concern or focus.

<table>
<tr><th>Element of Remuneration</th><th>Approach</th><th>Maximum Opportunity</th></tr>
<tr><td>Salary

To attract and retain high performing talent required to deliver the business strategy, providing core reward for the role.</td><td>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.</td><td>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.</td></tr>
<tr><td>Annual Incentives

To incentivise and reward the delivery of near-term business targets and objectives.</td><td>Annual Incentives payments to Executive Directors and other senior management are based on:
<table><tr><th>Metric</th><th>Weighting</th></tr><tr><td>Financial</td><td>50%</td></tr><tr><td>Personal</td><td>30%</td></tr><tr><td>Stakeholder</td><td>20%</td></tr></table>
The measures, their weighting and the objectives are reviewed on an annual basis.

The Committee can apply appropriate discretion in specific circumstances in respect of determining the incentive payment to be awarded.

A formal clawback policy is in place for the Executive Directors (and other senior management), under which Annual Incentive payments are subject to clawback for a period of three years in the event of a material restatement of financial statements or other specified events.

Any bonus awarded to Executive Directors above 125% of salary is deferred into shares for a period of two years.</td><td>The target and maximum awards, as a percentage of annual salary, for the Executive Directors are as follows:
<table><tr><th></th><th>Target</th><th>Max</th></tr><tr><td>Chief Executive Officer</td><td>75%</td><td>150%</td></tr><tr><td>Other Executive Directors</td><td>75%</td><td>150%</td></tr></table></td></tr>
<tr><td>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.</td><td>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.

Performance Share awards vest based on three-year financial performance and achievement of stakeholder metrics. The Committee will consider the appropriate measures and targets for each 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. Any unvested awards will also be subject to malus provisions.</td><td>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 also applies to the Restricted Share Plan (which, for the avoidance of doubt, excludes Executive Directors).</td></tr>
</table>

Element of Remuneration	Approach	Maximum Opportunity
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. Future Executive Directors will receive the same pension contribution rate as the majority of the workforce.
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.

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.

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 do not participate in the Restricted Share 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.

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 Remuneration Policy, 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.

Service Contracts

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

Executive Director	Contract Effective Date	Notice Period
Michael Stanley (Chief Executive Officer)	9 June 2015	12 months
Shane Doherty (Chief Financial Officer)	13 April 2020	6 months

COMMITTEE RESPONSIBILITIES

The Committee currently consists of five Non-Executive Directors whose collective role includes ensuring that the Group's remuneration arrangements are aligned with the Group's strategic priorities. The Terms of Reference of the Committee include the determination of the remuneration packages for Executive Directors, the Company Secretary and other members of the senior management team. The Chairman and the Executive Directors determine the fees for the Non-Executive Directors. The Terms of Reference for the Committee are reviewed annually and are updated as appropriate and are available on the Group's website, www.cairnhomes.com

The below table sets out the Committee membership including their attendance and tenure:

Committee Member	Meeting Attendance	Committee Tenure
Linda Hickey (Chair)	10/10	2 years
Andrew Bernhardt	10/10	6 years
Gary Britton	10/10	6 years
Giles Davies	10/10	6 years
David O'Beirne	10/10	2 years

The Company Secretary acts as Secretary to the Committee. During the year, the Chief Executive Officer, Chief Financial Officer and the Chief People Officer attended meetings on an ad hoc basis at the invitation of the Committee and provided information and support as requested. However, no individual was present when their own remuneration was being discussed.

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 and Activities during 2020

An overview of the Committee's activities during 2020 are laid out in the table below:

Executive Remuneration	Governance	Shareholder Consultation
• Reviewed annual performance of the Executive Directors. • Determined fixed and variable remuneration for Executive Directors and senior management. • Set 2020 and 2021 LTIP targets following consultation with shareholders. • Ensured LTIP awards were linked to succession planning. • Assessed efficacy and stretch of LTIP targets through all cycles.	• Reviewed and made progress against the remuneration strategy agreed to execute the Remuneration Policy. • Worked with the Committee's consultants during 2020 to ensure rigour of Committee analysis and decisions as well as reviewing remuneration trends and market practice. • Considered and approved the Directors' Remuneration Report and remuneration disclosure requirements. • Reviewed and approved its annual agenda and Terms of Reference.	• Engaged with shareholders to discuss our approach to remuneration for 2020 and 2021, including a proposal to include the Chief Executive Officer in the LTIP from 2021.

Directors' Report

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2020.

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 2020, 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 Chief Financial Officer's Review which contain a review of operations and the financial performance of the Group for 2020, the outlook for 2021 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 2020 and the Consolidated Statement of Financial Position at that date are set out on pages 114 and 115 respectively. The Group's profit for the year ended 31 December 2020 was €12.7 million (2019: €51.2 million).

Dividends

There were no dividends declared or paid in 2020.

Directors

The names of the Directors and a biographical note on each appear on pages 66 and 67. Mr Tim Kenny resigned from the Board on 7 January 2020 and Mr Shane Doherty was appointed to the Board on 13 April 2020.

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 20 May 2020 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 2021 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 Directors' Remuneration Report on pages 87 to 103.

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 2020 and 24 March 2021, the Company had 749,450,129 Ordinary Shares in issue, each with a nominal value of €0.001, all of which are of the same class and carry the same rights and obligations. The Company also had 19,182,149 Founder Shares and 19,980,000 Deferred Shares in issue at the same dates.

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

	% of Total Issued Share Capital	
Share Class	**31 December 2020**	**24 March 2021**
Ordinary Shares	95.04	95.04
Founder Shares	2.43	2.43
Deferred Shares	2.53	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 Directors' Remuneration Report and in note 18 to the consolidated financial statements.

Substantial Shareholdings

As at 31 December 2020 and 24 March 2021, 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 2021 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 24 March 2021	%	Notified Holding 31 December 2020	%
FIL Investment International	70,972,927	9.47	73,251,251	9.77
BMO Global Asset Management	61,032,147	8.14	68,574,687	9.15
Lansdowne Partners International Limited	72,023,160	9.61	67,825,237	9.05
Capital World Investors	57,332,935	7.65	57,730,000	7.70
Fidelity Management & Research	56,759,581	7.57	47,140,413	6.29
Mr Alan & Mrs Deirdre McIntosh(1)	40,141,464	5.36	40,141,464	5.36
T. Rowe Price Associates, Inc.	38,746,572	5.17	31,285,354	4.17
Total Shares in Issuance	**749,450,129**		**749,450,129**	

(1) Alan McIntosh (Non-Executive Director of Cairn), his spouse Deirdre McIntosh and Emerald Everleigh Limited Partnership (the "LP"), are the beneficial owners of the interests described above. 500,000 shares are owned by Alan McIntosh directly, 32,897,957 shares are owned by Deirdre McIntosh directly and 6,743,507 shares are owned by the LP. The LP is ultimately owned by a discretionary trust (constituted under English and Welsh law) and Alan McIntosh and Deirdre McIntosh 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 42 to 46 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 131 to 133, substantial shareholdings above, and the disclosures on Directors' remuneration and interests in the Directors' Remuneration Report on pages 87 to 103 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 06 to 08, the Chief Executive Officer's Statement on pages 10 to 15 and the Chief Financial Officer's Report on pages 48 and 49.
2. The Corporate Governance Report on pages 72 to 79.
3. The Principal Risks and Uncertainties on pages 42 to 46.
4. Details of Earnings Per Share on pages 138 and 139.
5. Details of the Capital Structure of the Company on pages 131 to 133.

Corporate Governance Regulations

As required by company law, the Directors have prepared a Corporate Governance Report which is set out on pages 72 to 79 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.

Non-Financial Information

The Group aims to comply with the requirements of the Non-Financial Reporting Directive (SI 360/2017) and these requirements are addressed throughout the Strategic Report and Corporate Governance Report. The Non-Financial Information Statement on page 64 is deemed to be incorporated in this section of the Directors' Report.

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 47.

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 32 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 80 to 83.

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 2021 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 24 March 2021.

Signed on behalf of the Board

Michael Stanley
Director

Shane Doherty
Director

Consolidated Financial Statements

For the year ended 31 December 2020

Statement of Directors' Responsibilities
in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare consolidated and company financial statements for each financial year. Under that law, the Directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the company financial statements in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that year. In preparing each of the consolidated and company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company, and which enable them to ensure that the financial statements of the Company comply with the provisions of the Companies Acts 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by the Company's subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014 and Article 4 of the IAS Regulation. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

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

Responsibility Statement as required by the Transparency Directive and UK Corporate Governance Code
Each of the Directors, whose names and functions are listed on pages 66 and 67 of this Annual Report, confirm that, to the best of each person's knowledge and belief:
- the consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, and the company financial statements, prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Group and Company at 31 December 2020 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

Michael Stanley
Director

Shane Doherty
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 its consolidated undertakings ("the Group") for the year ended 31 December 2020 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 2020 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 six years ended 31 December 2020. 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.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were the ongoing impact of COVID-19 restrictions on construction and sales activity, and delays in the easing of those restrictions and hence in the rate of recovery in construction and sales activity.

We evaluated the going concern assessment by carrying out the following procedures among others:

- considering the cash and undrawn bank loan facilities available to the Group and the related covenants in the facility agreement which are applicable in the going concern period;
- analysing the base-case scenario cashflow projections prepared by management showing forecast available liquidity and considering the reasonableness of the underlying assumptions; and
- analysing downside scenario cashflow projections prepared by management illustrating the impact of materially reduced sales compared to the base-case scenario and examining the reasonableness of management's conclusion that liquidity would be maintained throughout the going concern period in this scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group's and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

The key audit matters for the Group audit are unchanged relative to the prior year.

Key audit matters: our assessment of risks of material misstatement continued
A key audit matter for the Company audit is included this year in relation to amounts due from subsidiary undertakings due to its relative significance to the Company financial statements.

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

Group: Carrying values of inventories €968.2 million (2019: €897.3 million) and profit recognition
Refer to pages 82 and 83 (Audit and Risk Committee Report), page 123 (accounting policy for inventories) and Note 14 to the consolidated financial statements (financial disclosures – inventories).

The key audit matter
Inventories consist of the costs of land, materials, design and related production and site development costs to date, less amounts recognised as cost of sales on properties which have been sold. The carrying value of development land and work in progress depends on key assumptions relating to forecast selling prices for houses or apartments, site planning (including planning consent), build costs and other direct cost recoveries, all of which contain an element of 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 significant 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 significant 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.

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 data inputs and significant assumptions in the following ways, among others:
   - inspecting forecast residential unit sales prices for consistency with sales prices achieved for similar properties or estimates supplied by external property consultants;
   - agreeing a sample of forecast costs to supplier agreements or other relevant documentation from third parties and, for sites not yet in development, considering the consistency of estimates for the major cost categories with the estimates for sites in development;
   - evaluating the assumptions in relation to forecast numbers of units to be constructed based on appropriate documentary support;
   - enquiring of management as to whether there were any site-specific factors which may indicate that an individual site could be impaired; and
   - considering wider market evidence relating to the demand for housing in Ireland.

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.

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

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.

We found that, for sites not yet in development, the assumptions for numbers and mix of units to be built were supported by appropriate documentation, and the estimates of sales prices and costs used in the assessment of the net realisable value of these sites were reasonable compared to similar sites in development.

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 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.

Group: Revenue recognition €261.9 million (2019: €435.3 million)
Refer to page 122 (accounting policy for revenue) and Note 6 to the consolidated financial statements (financial disclosures – revenue).

The key audit matter
Although revenues were lower in 2020 due to the impact of COVID-19, 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 has other types of contractual arrangements with certain customers for the sale of multiple units, which require 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 in relation to revenue recognition. We tested the design and implementation of relevant controls over the existence of revenue for individual and multiple unit sales, and the completeness and accuracy of multiple unit sales.

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 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.

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, whereby the revenue in the year was recognised at a point in time on legal completion of those particular sales, was consistent with the requirements of the relevant accounting standard.

Company: Amounts due from subsidiary undertakings €635.3 million
Refer to Note 6 to the Company financial statements (financial disclosures – Amounts due from Subsidiary Undertakings).

The key audit matter
The Company financial statements include material amounts due from subsidiary undertakings. Due to the financial position of the Group, this was not considered to give rise to a significant risk of material misstatement. However, due to the materiality of the amounts due from subsidiary undertakings in the context of the Company financial statements, this was considered to be the area that had the greatest focus of our overall audit of the Company financial statements.

How the matter was addressed in our audit
Our audit procedures included among others:

a) We agreed the amounts due from each subsidiary to the counterparty balance as included in the matrix of intercompany balances which eliminate on consolidation.
b) We reviewed the financial position of each subsidiary undertaking.
c) We considered the results of management's assessment of the recoverability of intercompany balances and the rationale for their conclusion that no expected credit loss provision was required.

We found management's assessment of the carrying value of the amounts due from subsidiary undertakings to be appropriate.

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 €2.4 million (2019: €2.8 million). This has been calculated for 2020 with reference to a benchmark of revenue. Materiality represents approximately 0.9% 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.

In the prior year, we considered approximately 5% of profit before tax to be the most appropriate measure for materiality as that was typically used for listed groups which had reached a mature stage. However, because the impact of COVID-19 significantly reduced the level of profit in 2020, on what is considered to be a temporary basis, in our view profit before tax was not the most appropriate benchmark on which to base materiality in the current year as it would have led to a low level of materiality that was not commensurate with the scale of the Group. In our view, it was therefore appropriate to use revenue as the benchmark for determining materiality in 2020, which was also the benchmark used for the 2018 audit. In assessing materiality in absolute terms for 2020 we also had regard to the level of total assets and net 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 €0.12 million (2019: €0.14 million), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Our application of materiality and an overview of the scope of our audit continued
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 €1.6 million (2019: €1.8 million), determined with reference to a benchmark of total assets, of which it represents 0.24% (2019: 0.26%).

We used materiality to assist us to determine what risks were significant risks and to determine the audit procedures to be performed including those discussed above.

Other information
The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' Report, 2020 Highlights, Investment Case, Chairman's Statement, Chief Executive Officer's Statement, At a Glance section, Business Model, Stakeholder Engagement, Market Overview, Our Strategy section, Risk Report, Chief Financial Officer's Report, Sustainability Report, Board of Directors section, Senior Management Team section, Site Management Team section, Corporate Governance Report, Audit and Risk Committee Report, Nomination Committee Report, Directors' Remuneration Report and Company 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 undertaken during the course of the audit, 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 47 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;
- 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 the UK Listing Authority for our review;
- if the directors' statement relating to Going Concern required under the Listing Rules of Euronext Dublin and the UK Listing Authority set out on page 47 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Report on pages 72 to 79 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 2006 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 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 Company has not provided the information required by Section 1110N in relation to its remuneration report for the financial year ended 31 December 2019; and
- 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 47 in relation to going concern and longer-term viability;
- the part of the Corporate Governance Report on pages 72 to 79 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 Directors' Remuneration Report to shareholders by the Remuneration Committee of the Board of Directors.

Respective responsibilities and restrictions on use

Directors' responsibilities
As explained more fully in their statement set out on page 108, 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 http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for

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.

R. McCarthy

Ryan McCarthy
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
24 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Continuing operations			
Revenue	6	**261,883**	435,331
Cost of sales		**(219,180)**	(350,030)
Gross profit		**42,703**	85,301
Other income		**–**	119
Administrative expenses	7	**(18,257)**	(17,371)
Operating profit		**24,446**	68,049
Finance costs	8	**(9,660)**	(9,461)
Profit before taxation		**14,786**	58,588
Tax charge	10	**(2,077)**	(7,372)
Profit for the year		**12,709**	51,216
Other comprehensive income		**–**	–
Total comprehensive income for the year		**12,709**	51,216
Profit attributable to:			
Owners of the Company		**12,709**	51,224
Non-controlling interests		**–**	(8)
Profit for the year		**12,709**	51,216
Basic earnings per share	27	**1.7 cent**	6.5 cent
Diluted earnings per share	27	**1.7 cent**	6.5 cent

Consolidated Statement of Financial Position
At 31 December 2020

	Note	2020 €'000	2019 €'000
Assets			
Non-current assets			
Property, plant and equipment	11	**1,447**	1,976
Right of use assets	12	**722**	1,083
Intangible assets	13	**552**	673
		2,721	3,732
Current assets			
Inventories	14	**968,184**	897,259
Trade and other receivables	15	**11,388**	11,701
Current taxation		**2,028**	655
Cash and cash equivalents	16	**34,526**	56,810
		1,016,126	966,245
Total assets		**1,018,847**	970,157
Equity			
Share capital	17	**788**	810
Share premium	17	**199,616**	199,616
Other undenominated capital	17	**40**	18
Share-based payment reserve	18	**7,572**	8,002
Retained earnings		**542,556**	552,796
Equity attributable to owners of the Company		**750,572**	761,242
Non-controlling interests	28	**–**	2,496
Total equity		**750,572**	763,738
Liabilities			
Non-current liabilities			
Loans and borrowings	19	**202,793**	148,041
Lease liabilities	20	**490**	804
Deferred taxation	22	**4,562**	5,084
		207,845	153,929
Current liabilities			
Lease liabilities	20	**334**	334
Trade and other payables	23	**60,096**	52,156
		60,430	52,490
Total liabilities		**268,275**	206,419
Total equity and liabilities		**1,018,847**	970,157

On behalf of the Board

Michael Stanley
Director

Shane Doherty
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company									
	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	Non-controlling interests €'000	Total equity €'000
As at 1 January 2020	**771**	**20**	**19**	**199,616**	**18**	**8,002**	**552,796**	**761,242**	**2,496**	**763,738**
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	**12,709**	**12,709**	–	**12,709**
	–	**–**	**–**	**–**	**–**	**–**	**12,709**	**12,709**	–	**12,709**
Transactions with owners of the Company										
Purchase of own shares (Note 17)	(22)	–	–	–	22	–	(23,346)	**(23,346)**	–	**(23,346)**
Equity-settled share-based payments (Note 18)	–	–	–	–	–	(33)	–	**(33)**	–	**(33)**
Transfer from share-based payment reserve to retained earnings re vesting or lapsing of share awards	–	–	–	–	–	(397)	397	**–**	–	**–**
Acquisition of shares in subsidiary from non-controlling shareholder (Note 28)	–	–	–	–	–	–	–	**–**	(2,496)	**(2,496)**
	(22)	**–**	**–**	**–**	**22**	**(430)**	**(22,949)**	**(23,379)**	**(2,496)**	**(25,875)**
As at 31 December 2020	**749**	**20**	**19**	**199,616**	**40**	**7,572**	**542,556**	**750,572**	**–**	**750,572**

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 undenominated 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 Cash Flows

For the year ended 31 December 2020

	2020 €'000	2019 €'000
Cash flows from operating activities		
Profit for the year	**12,709**	51,216
Adjustments for:		
Share-based payments (credit)/expense	**(277)**	220
Finance costs	**9,660**	9,461
Depreciation of property, plant and equipment	**203**	201
Depreciation of right of use assets	**361**	360
Amortisation of intangible assets	**135**	182
Taxation	**2,077**	7,372
	24,868	**69,012**
(Increase)/decrease in inventories	**(70,176)**	36,587
Decrease/(increase) in trade and other receivables	**313**	(3,668)
Increase in trade and other payables	**8,410**	11,993
Tax paid	**(3,973)**	(14,736)
Net cash (used in)/from operating activities	**(40,558)**	**99,188**
Cash flows from investing activities		
Purchases of property, plant and equipment	**(182)**	(1,309)
Purchases of intangible assets	**(14)**	–
Net cash used in investing activities	**(196)**	**(1,309)**
Cash flows from financing activities		
Purchase of own shares	**(23,751)**	(22,241)
Proceeds from borrowings	**194,000**	–
Repayment of loans	**(140,000)**	(50,000)
Acquisition of shares in subsidiary from non-controlling shareholder	**(2,496)**	–
Dividends paid	**–**	(19,693)
Dividends and capital distribution paid by subsidiary to non-controlling shareholder	**–**	(1,914)
Repayment of lease liabilities	**(314)**	(305)
Interest and other finance costs paid	**(8,969)**	(9,148)
Net cash from/(used in) financing activities	**18,470**	**(103,301)**
Net decrease in cash and cash equivalents in the year	**(22,284)**	**(5,422)**
Cash and cash equivalents at beginning of the year	**56,810**	62,232
Cash and cash equivalents at end of the year	**34,526**	**56,810**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 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 2020. They did not have a material effect on the consolidated results of the Group:
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*;
- Amendments to IFRS 3, *Definition of a Business*;
- Amendments to IAS 1 and IAS 8, *Definition of Material*;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 16, *COVID-19 Related Rent Concessions* – Effective 1 June 2020

The following standards and interpretations are not yet endorsed by the EU. The potential impact of these standards on the Group is under review:
- Amendments to IFRS 3 *Business Combinations*;
- Amendments to IAS 16 *Property, Plant and Equipment;*
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets;*
- Amendments to IAS 1 Disclosure of Accounting Policies;
- Amendments to IAS 8 Definition of Accounting Estimates;
- Amendments to IAS 1 *Classification of Liabilities as Current and Non-Current;*
- Annual improvements to IFRS standards 2018-2020; and
- Amendments to IFRS 17, *Insurance Contracts*.

The following amendments to standards have been endorsed by the EU, and are effective from 1 January 2021. The Group has not adopted these amendments early. The potential impact of these amendments on the Group is under review:
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform* – Phase 2

(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
The COVID-19 pandemic has had a material impact on the Group during the year ended 31 December 2020, resulting in a material reduction in revenue, profitability, and interruption in development activity. This dynamic has continued into early 2021. The Group entered this challenging time from a position of strength and continues to operate from that position with a long-term strategy that focuses on minimising financial risk and maintaining financial flexibility. The business has strong liquidity, a robust balance sheet and sustainable, lowly leveraged debt facilities.

Notwithstanding its strong liquidity position, the Group has taken a number of steps over the course of the pandemic to protect the business from any downside risks which might arise, including:
- Utilisation of undrawn credit facilities to manage the working capital cycle as needed during 2020;
- Suspension of ordinary dividends and the remainder of the €60 million share buyback programme;
- Waiver of cash bonuses by the Executive Directors which may have been payable in respect of the Group's performance in 2020;
- Investing in construction activities focused on forward sold new homes, schemes which continue to be attractive to multifamily institutional buyers and new family homes at lower average selling prices; and
- Negotiated additional headroom on the Group's interest cover covenant over the course of the year.

The Group has not availed of any wage subsidy support from the Irish Government since the start of the pandemic.

The Group held €34.5 million of cash at 31 December 2020 (31 December 2019: €56.8 million) and has substantial committed, undrawn facilities of €140.0 million at 31 December 2020, repayable between 31 December 2022 and 31 July 2026.

At the initial onset of the pandemic in March 2020, the Group announced a controlled and orderly shutdown of its construction sites and sales showhouses. During that seven-week shutdown period, the Group successfully maintained operational momentum, making detailed preparations for a safe return to work, which allowed build programmes to restart efficiently on a phased basis in May 2020.

Fifteen residential sites were successfully reopened, including three new 2020 site commencements, under strict compliance with new operating procedures adhering to social distancing requirements. COVID-19 adversely impacted gross and operating margins as the business incurred additional costs associated with lockdowns and adherence to social distancing protocols. These protective measures impacted site preliminary and management costs, reduced operating efficiency and extended construction programmes. However, the business recovered well throughout the remainder of 2020 in a market that continued to experience strong underlying demand. The government announced a second construction lockdown on 6 January 2021. All of the Group's construction sites are expected to fully reopen on 12 April 2021.

1. Basis of Preparation continued

(e) Going concern basis of accounting continued

Looking ahead, uncertainty remains in relation to the future impact of COVID-19 on the Irish economy and the potential impact on customer confidence notwithstanding robust exchequer returns in 2020 and the existing mortgage-backed demand for new homes as evidenced in the Group's forward order book. Against this backdrop, the Directors have carried out a robust assessment of the principal risks facing the Group and have considered the impact of these risks on the going concern status of the business. In making this assessment, consideration has been given to the uncertainty inherent in financial forecasting including future market conditions for construction costs and sales prices. Where appropriate, severe but plausible downside-sensitivities have been applied to the key factors affecting the future financial performance of the Group.

Having considered the Group's forecasts, sensitivity analysis and the Group's significant liquidity, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements and there are no material uncertainties in that regard which are required to be disclosed.

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 developments in each reporting period and the net realisable value of inventories.

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. Note 14 includes disclosures on the impact of COVID-19 on judgements and estimates in relation to profit margins and carrying values of inventories.

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 2020.

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.

3. Significant Accounting Policies continued

(a) Basis of consolidation continued

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. Changes in the ownership interest in a subsidiary that do not result in loss of control are recognised in equity.

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; and
- Computers & equipment 3-7 years

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

(c) Leases

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.

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 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. 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 at the date of initial application of IFRS 16.

(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 or capitalised as part of inventory costs 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 and the final payment 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. Where a multiple unit contract involves a number of phases being delivered over phased delivery dates, the Group recognises revenue on legal completion of each phase when control passes to the customer, with each phase having its own pre-agreed pricing for a defined number of units and a pre-determined handover date. 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)) or other short-term rentals.

3. Significant Accounting Policies continued

(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, direct wages and salaries 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 inventories 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 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 inventories 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, restricted share unit awards and share options) and founders (Founder Shares).

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity over the vesting period of the awards. The amounts recognised as an expense are adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions, where applicable at the vesting date.

The amount recognised as an expense is not adjusted for market conditions not being met. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Taxation

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

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

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

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

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

3. Significant Accounting Policies continued

(h) Taxation continued

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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.

(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").

3. Significant Accounting Policies continued

(p) Financial instruments continued

(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
Amounts owed to related parties	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.

(v) Derecognition and modification of financial liabilities

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

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

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

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. 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

	2020 €'000	2019 €'000
Residential property sales	**246,881**	401,808
Residential site sales	**14,651**	32,152
Revenue from contracts with customers	**261,532**	433,960
Other revenue		
Income from property rental	**351**	1,371
	261,883	435,331

	2020 €'000	2019 €'000
Residential property sales		
Houses	**211,522**	292,331
Apartments	**35,359**	109,477
	246,881	401,808

7. Administrative Expenses

	2020 €'000	2019 €'000
Employee benefits expense (Note 9)	**10,170**	10,820
Other expenses	**8,087**	6,551
	18,257	17,371

8. Finance Costs

	2020 Total €'000	2019 Total €'000
Interest expense on financial liabilities measured at amortised cost	**9,061**	8,049
Other finance costs	**569**	1,374
Interest on lease liabilities	**30**	38
	9,660	9,461

Interest expense 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.

9. Statutory and Other Information

(i) Employees

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

	2020	2019
Number of employees	**209**	182

The aggregate payroll costs of these employees were:

	2020 €'000	2019 €'000
Wages and salaries	**20,158**	17,546
Social welfare costs	**2,115**	1,917
Pension costs – defined contribution schemes	**853**	1,275
Share-based payments (credit)/charge	**(33)**	220
Other	**–**	113
	23,093	21,071
Amounts capitalised into inventories	**(12,923)**	(10,251)
Employee benefits expense	**10,170**	10,820

(ii) Other information

	2020 €'000	2019 €'000
Net foreign currency gains recognised in profit or loss	**(3)**	(2)

	2020 €'000	2019 €'000
Auditor's remuneration		
Audit of Group, Company and subsidiary financial statements	**295**	295
Other assurance services	**20**	20
Tax advisory services	**30**	29
Other non-audit services	**48**	68
	393	412

Auditor's remuneration for the audit of the Company financial statements was €15,000 (2019: €15,000).

	2020 €'000	2019 €'000
Directors' remuneration		
Salaries, fees and other emoluments	**1,523**	2,244
Pension contributions – defined contribution schemes	**126**	106
	1,649	2,350

10. Taxation

	2020 €'000	2019 €'000
Current tax charge for the year		
Corporation tax – current year	**2,281**	8,224
Adjustment in respect of prior year	**318**	(80)
	2,599	8,144
Deferred tax credit for the year (Note 22)	**(522)**	(772)
Total tax charge	**2,077**	**7,372**

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

	2020 €'000	2019 €'000
Profit before tax	**14,786**	**58,588**
Tax charge at standard Irish income tax rate of 12.5%	**1,848**	7,324
Effects of:		
(Expenses deductible)/income taxed at the higher rate of corporation tax	**(39)**	32
Income not subject to tax	**(79)**	–
Expenses not deductible for tax purposes	**29**	96
Adjustment in respect of prior year	**318**	(80)
Total tax charge	**2,077**	**7,372**

11. Property, Plant and Equipment

	Leasehold improvements €'000	Motor vehicles €'000	Computers & equipment €'000	2020 Total €'000
Cost				
At 1 January 2020	483	77	2,974	**3,534**
Additions	–	–	182	**182**
At 31 December 2020	**483**	**77**	**3,156**	**3,716**
Accumulated depreciation				
At 1 January 2020	(256)	(11)	(1,291)	**(1,558)**
Depreciation	(69)	(19)	(623)	**(711)**
At 31 December 2020	**(325)**	**(30)**	**(1,914)**	**(2,269)**
Net book value				
At 31 December 2020	**158**	**47**	**1,242**	**1,447**

Depreciation of €0.51 million (2019: €0.49 million) in relation to construction related assets was included in construction work in progress in inventories. All property, plant and equipment is pledged as security against the Group's borrowings (Note 19).

11. Property, Plant and Equipment continued

	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**

12. Right of Use Assets

	2020 €'000
Cost	
At 1 January 2020	**1,443**
Additions	**–**
At 31 December 2020	**1,443**
Accumulated depreciation	
At 1 January 2020	**(360)**
Depreciation	**(361)**
At 31 December 2020	**(721)**
Net book value	
At 31 December 2020	**722**

	2019 €'000
Cost	
At 1 January 2019	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 (Note 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

	2020 €'000
Software	
Cost	
At 1 January 2020	**1,103**
Additions	**14**
At 31 December 2020	**1,117**
Accumulated amortisation	
At 1 January 2020	**(430)**
Amortisation	**(135)**
At 31 December 2020	**(565)**
Net book value	
At 31 December 2020	**552**

	2019 €'000
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**

14. Inventories

	2020 €'000	2019 €'000
Land held for development	**690,347**	692,756
Construction work in progress	**277,837**	204,503
	968,184	897,259

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, the timing of planning permissions and the impact of COVID-19 on programming schedules.

The cost of inventories includes direct labour costs and other direct wages and salaries as well as the cost of land, raw materials, and other direct costs. In the seven-week shutdown period during which sites were closed in 2020 due to the pandemic, the Group did not capitalise any direct labour costs in inventories as direct labour costs were effectively €nil due to the Group's business model which utilises subcontractors. Other direct wages and salaries for employees in construction related roles incurred during this period were included in the cost of inventories, as the Group's operational activities did continue in the areas of site planning, scheduling and design activities. There were no non-productive costs for these employees included directly within cost of sales during the year.

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. The directors review forecasting and profit margins on a regular basis and have incorporated any additional forecasted costs arising from the extension of development timetables and changes to work practices arising from the ongoing COVID-19 pandemic. Nearer term costs are largely fixed as they are in most cases fully procured, and others are variable and particular focus has been given to these items to ensure they are accurately reflected in forecasts and profit margins.

14. Inventories continued

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 period. The Directors considered the evidence from impairment reviews and profit forecasting models across the various active and not yet in development sites. These sites costs and profit margins have been reviewed at year end and judgments and estimates carefully considered to ensure they have incorporated any anticipated impact of the ongoing COVID-19 pandemic. Based on the review performed there were no indications that any sites were impaired. As a result of the detailed review undertaken the directors are satisfied with the carrying values of inventories (development land and 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.

The total amount charged to cost of sales from inventories during the year was €218.4 million (2019: €348.2 million).

On 31 December 2020, the market capitalisation of the Group was lower than the net assets of the Group (market capitalisation is the quoted share price multiplied by the number of ordinary shares in issue). There are a large number of factors driven by market conditions that can influence the market capitalisation of a company which include, but are not limited to, uncertainties such the COVID-19 pandemic or other factors such as shares being traded less frequently.

Under IFRS, instances where market capitalisation is below net assets are considered to be a potential indicator that assets may be impaired. The Group's principal assets are represented by inventories. Such assets are stated at the lower of cost and net realisable value and were therefore, in any event, assessed for impairment (i.e. any evidence that the net realisable value was less than the carrying amount) as at 31 December 2020.

All active sites on which construction has commenced are profitable and due to the forecasting process by which cost of sales is determined as referred to above, the Directors therefore concluded that the net realisable value of active sites was greater than their carrying amount at 31 December 2020 and hence those sites were not impaired.

All sites on which construction has not yet commenced were also assessed for impairment at 31 December 2020. This assessment was based on the current development plan for the site, reflecting the number and mix of units expected to be built. For each of these sites, the forecast revenue based on current market prices was greater than the sum of the site cost and the estimated construction costs. The Directors therefore concluded that the net realisable value of sites on which construction has not yet commenced was greater than their carrying amount at 31 December 2020 and hence those sites were not impaired.

There were no reasonably foreseeable changes in assumptions that would have resulted in an impairment of inventories at 31 December 2020.

From 4 January 2021 to 21 January 2021 and since 9 March 2021 up to the date of the approval of these financial statements, the market capitalisation of the Group has exceeded its net assets at 31 December 2020.

15. Trade and Other Receivables

	2020 €'000	2019 €'000
Construction bonds	**8,332**	5,884
Other receivables	**3,056**	5,817
	11,388	**11,701**

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

16. Cash and Cash Equivalents

	2020 €'000	2019 €'000
Cash and cash equivalents	**34,526**	**56,810**

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	2020 €'000	Number	2019 €'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**

17. Share Capital and Share Premium continued

Issued and fully paid	Number	Share capital €'000	Share premium €'000	Total €'000
As at 31 December 2020				
Ordinary Shares of €0.001 each	749,450,129	749	199,597	200,346
Founder Shares of €0.001 each	19,182,149	19	19	38
Deferred Shares of €0.001 each	19,980,000	20	–	20
Total issued and fully paid	–	**788**	**199,616**	**200,404**

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
Total issued and fully paid		**810**	**199,616**	**200,426**

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 Nil at 31 December 2020 (2019: 13,555,311).

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 (Nil issued) are not entitled to receive dividends and do not have voting rights at meetings of the Company.

Share Issues
On 12 October 2020, the Company issued 116,066 Ordinary Shares in respect of restricted share units to selected employees. No shares were issued during the year ended 31 December 2019.

17. Share Capital and Share Premium 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 programme

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. This programme was suspended on 24 March 2020, as a consequence of the emergence of the COVID-19 pandemic (Note 1 (e)), when the total number of shares repurchased under the buyback programme was 39,449,108 at a total cost of €46.0 million. The total number of shares repurchased under the buyback programme in the period from 1 January 2020 to 24 March 2020 was 21,321,025 at a total cost of €23.3 million.

Other Undenominated Capital	2020 €'000	2019 €'000
At 1 January	**18**	–
Nominal value of own shares purchased	**22**	18
At 31 December	**40**	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

There were no conversions of Founder Shares to Ordinary Shares during the year ended 31 December 2020 or 31 December 2019.

Long-Term Incentive Plan

The Group operates an equity settled Long-Term Incentive Plan ("LTIP"), which was approved at the May 2017 Annual General Meeting, under which conditional awards of 7,659,629 shares made to employees remain outstanding as at 31 December 2020 (2019: 3,889,750). The shares will vest on satisfaction of service and performance conditions attaching to the LTIP, to include earnings per share performance, total shareholder return (for 2018 and 2019 awards) and other stakeholder metrics (for 2020 awards) over a 3 year period.

The 2020 LTIP awards are subject to both financial and non-financial metrics. 80% of the award will vest subject to the achievement of cumulative EPS targets over the three year performance period from 2020 to 2022. 20% of the award will vest subject to the achievement of stakeholder metrics which includes customer satisfaction performance with a health and safety underpin.

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.

18. Share-Based Payments continued

Long-Term Incentive Plan continued

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;
- 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 a credit related to the LTIP during the year ended 31 December 2020 of €0.561 million (2019: charge of €0.220 million) of which €0.598 million (2019: €0.070 million) was credited to profit or loss and a charge of €0.037 million (2019: €0.150 million) was included in construction work in progress within inventories. The net credit recognised during the year ended 31 December 2020 arose due to the charge in respect of the 2020 LTIP awards net of a credit in relation to the non-vesting of the 2018 LTIP EPS-based awards and the expected non-vesting of the 2019 LTIP EPS-based awards.

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

	2020 '000	2019 '000
Outstanding at beginning of year	**3,889,750**	3,121,413
Forfeited during the year	**(515,943)**	(247,359)
Lapsed during the year	**(1,347,512)**	(1,350,777)
Granted during the year	**5,633,334**	2,366,473
Outstanding at end of year	**7,659,629**	3,889,750

Restricted share unit plan

The Group operates a restricted share unit plan, which was approved at the Annual General Meeting on 20 May 2020, under which conditional awards of 482,095 shares made to employees remain outstanding as at 31 December 2020 (2019: nil). The shares will vest on satisfaction of service over a 1 year period. The Group recognised a charge related to these restricted share units during the year ended 31 December 2020 of €0.348 million (2019: €nil) of which €0.266 million (2019: €nil) was charged to profit or loss and €0.082 million (2019: €nil) was included in construction work in progress within inventories.

Save as you earn scheme

The Group operates a Revenue approved savings related share option scheme ("save as you earn scheme"), which was approved at the May 2019 Annual General Meeting, under which the Group recognised a charge during the year ended 31 December 2020 of €0.180 million (2019: €nil) of which €0.055 million (2019: €nil) was charged to profit or loss and €0.125 million (2019: €nil) was included in construction work in progress within inventories.

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 2020. 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 2020 was €nil (2019: €nil).

19. Loans and Borrowings

	2020 €'000	2019 €'000
Non-current liabilities		
Bank and other loans		
Repayable as follows:		
Between one and two years	**130,399**	–
Between two and five years	**29,956**	90,704
Greater than five years	**42,438**	57,337
Total borrowings	**202,793**	148,041

19. Loans and Borrowings continued

The Group has a €77.5 million term loan and €200 million revolving credit facility with Allied Irish Banks plc, Ulster Bank Ireland DAC and Barclays Bank Ireland plc, repayable by 31 December 2022. €6 million of the revolving credit facility is represented by a construction bond facility, (these are bonds that have been put in place with local authorities until sites are fully completed and terms of planning conditions have been met). Additionally, the Group has €72.5 million 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 all the assets of the Group. The carrying value of inventories as at 31 December 2020 pledged as security is €968.2 million.

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 €140 million at 31 December 2020 (€194 million as at 31 December 2019).

The amounts shown above as repayable between one and two years are repayable on 31 December 2022.

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

20. Lease Liabilities

	2020 €'000	2019 €'000
Current liabilities		
Lease liabilities		
Repayable within one year	**334**	334
	334	334
Non-current liabilities		
Lease liabilities		
Repayable as follows:		
Between one and two years	**490**	334
Between two and five years	**–**	470
	490	804
Total lease liabilities	**824**	1,138

Following the adoption of IFRS 16 in 2019, 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 (Note 12) 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 2020 were as follows:

	Contractual cash flows				
As at 31 December 2020	**Total €'000**	**6 months or less €'000**	**6-12 months €'000**	**1-2 year €'000**	**2-5 years €'000**
Lease liability	**(858)**	(172)	(172)	(514)	–

The undiscounted remaining contractual cash flows at 31 December 2019 were 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 2020	**148,041**	**768**	**1,138**	**149,947**
Cash flows from financing activities				
Proceeds from borrowings	194,000			**194,000**
Repayment of loans	(140,000)	–	–	**(140,000)**
Interest and other finance costs paid	–	(8,969)	–	**(8,969)**
Repayment of lease liabilities	–	–	(314)	**(314)**
Total changes from financing cash flows	**54,000**	**(8,969)**	**(314)**	**44,717**
Other changes				
Amortisation of borrowing costs	752	–	–	**752**
Interest and other finance costs for the year	–	8,908	–	**8,908**
Total other changes	**752**	**8,908**	**–**	**9,660**
Balance at 31 December 2020	**202,793**	**707**	**824**	**204,324**

	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**

22. Deferred Taxation

Movement in net deferred tax liability:	2020 €'000	2019 €'000
Opening balance	**5,084**	5,084
Credit to profit or loss	**(522)**	(772)
As at year end	**4,562**	5,084

22. Deferred Taxation continued

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

2020	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	744	(5,828)	(5,084)
Recognised in profit or loss	–	522	522
Closing balance	744	(5,306)	(4,562)

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)

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

23. Trade and Other Payables

	2020 €'000	2019 €'000
Trade payables	15,285	13,102
Amounts owed to related parties (Note 25)	7,000	–
Accruals	22,166	19,094
VAT liability	14,522	17,768
Other creditors	1,123	2,192
	60,096	52,156

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

No dividends were paid by the Company during the year ended 31 December 2020 (2019: €19.7 million).

25. Related Party Transactions

For the year ended 31 December 2020, the following related party transactions have taken place requiring disclosure.

On 27 October 2020, the Group acquired a 1.35 acre site in Stillorgan known as "the Esmonde Motors site" which adjoins its existing Blakes development site for a total consideration of €14 million, €7 million of which was paid on completion in October 2020 with the remaining €7 million payable in July 2021 (Note 23). The seller of the Esmonde Motors site was The Emerald Fund ICAV (acting on behalf of the Emerald Opportunity Investment Fund) ("Emerald"). Alan McIntosh, co-founder and non-executive Director of Cairn, and his spouse are the beneficiaries of a discretionary trust that is the ultimate owner of Emerald and as such Alan McIntosh is considered a related party.

A Circular was posted to shareholders on 11 September 2020 detailing the particulars of the transaction including details of the independent, Red Book valuation from Hooke & McDonald, the property valuation advisors engaged by the Company, as well as advice provided to the Company by Goodbody Stockbrokers UC and A&L Goodbody solicitors. Shareholders voted in favour of the transaction at an Extraordinary General Meeting of the Company held on 12 October 2020.

Key management personnel compensation (which comprise the Board of Directors of the Company) was as follows:

	2020 €'000	2019 €'000
Short-term employee benefits	1,523	2,244
Post-employment benefits (pension contributions – defined contribution schemes)	126	106
Share-based payment expense – LTIP	187	–
Total key management personnel compensation	1,836	2,350

26. Group Entities

The Company's subsidiaries as at 31 December 2020 are set out below. All of the Company's subsidiaries are resident in Ireland, with their registered address at 7 Grand Canal, Grand Canal Street Lower, Dublin 2. All Group companies operate in Ireland only.

		Company's holding	
Group company	**Principal activity**	**Direct**	**Indirect**
Cairn Homes Holdings Limited	Holding company	100%	–
Cairn Homes Properties Limited	Holding of property	–	100%
Cairn Homes Construction Limited	Construction company	–	100%
Cairn Homes Butterly Limited	No activity in period	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 Investment No.2 HoldCo Designated Activity Company	Holding company	100%	–
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	–	100%

27. Earnings Per Share

The basic earnings per share for the year ended 31 December 2020 is based on the earnings attributable to ordinary shareholders of €12.7 million and the weighted average number of ordinary shares outstanding for the period.

	2020 €'000	**2019 €'000**
Profit for the year attributable to the owners of the Company	**12,709**	51,224
Numerator for basic and diluted earnings per share	**12,709**	51,224
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares for the year (basic)	**752,029,760**	785,864,442
Dilutive effect of restricted share unit awards and options	**482,095**	89,471
Denominator for diluted earnings per share	**752,511,855**	785,953,913
Earnings per share (cent)		
– Basic	**1.7**	6.5
– Diluted	**1.7**	6.5

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 2020 to 31 December 2020, however the actual test period for determining the Founder Share conversion in 2021 is 1 March 2021 to 30 June 2021. 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).

27. Earnings Per Share continued
There is no dilution in respect of the LTIP as the performance conditions are not met as at 31 December 2020. The diluted earnings per share calculation in the prior year also reflects the dilutive impact of share options (Note 18) which are not dilutive in the year ended 31 December 2020.

28. Non-Controlling Interests
The non-controlling interest at 31 December 2019 of €2.5 million related to the 25% share of the net assets of a subsidiary entity, Balgriffin Investment No. 2 HoldCo DAC (Note 26), which was held by National Asset Management Agency ("NAMA"). Cairn Homes plc held the remaining 75% of the equity share capital in this subsidiary which is involved in the development of residential property. On 3 July 2020, Cairn Homes plc acquired NAMA's 25% share for €2.5 million which increased its holding to 100% of the equity share capital of Balgriffin Investment No. 2 HoldCo DAC from that date.

			Ownership interest held by non-controlling interest %	
Name	**Principal activities**	**Country of incorporation**	**2020**	**2019**
Balgriffin Investment No. 2 HoldCo DAC	Holding company for property development company	Ireland	**0%**	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:

	2020 €'000	**2019 €'000**
Construction bonds and other receivables	**11,388**	11,701
Cash and cash equivalents	**34,526**	56,810
	45,914	68,511

Construction bonds and other receivables of €11.4 million at 31 December 2020 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.

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 2020 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 i.e. available funds. In addition, the Group's liquidity risk management policy involves monitoring short-term and long-term cash flow forecasts. During the year in response to COVID-19 the Company decided to draw down its full Revolving Credit Facility of €194 million, €140 million of which was repaid during the year. The Group also negotiated additional headroom on its interest cover covenant over the course of the year.

	2020 €'000	2019 €'000
Financial liabilities due in less than one year		
Trade payables and accruals	**37,451**	32,196
Amounts owed to related parties	**7,000**	–
Lease liabilities	**334**	334
Borrowings	**–**	–
	44,785	32,530
Financial liabilities due after more than one year		
Lease liabilities	**490**	804
Borrowings	**202,793**	148,041
	203,283	148,845
Available funds:		
Cash and cash equivalents	**34,526**	56,810
Revolving credit facilities undrawn	**140,000**	194,000
	174,526	250,810

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 2021-2023, reflecting trends experienced up to the date of preparation of the financial forecasts; and
- future revenues for 2021-2023 based on management's assessment of trends across principal development sites.

Notwithstanding the ongoing impact of COVID-19 (Note 1 (e)), 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.

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 2020	**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	37,451	(37,451)	(37,451)	–	–	–	–
Amounts owed to related parties	7,000	(7,000)	–	(7,000)	–	–	–
Lease liabilities	824	(858)	(172)	(172)	(514)	–	–
Loans and borrowings	202,793	(222,529)	(3,059)	(3,059)	(137,618)	(35,460)	(43,333)
	248,068	**(267,838)**	**(40,682)**	**(10,231)**	**(138,475)**	**(35,460)**	**(43,333)**

29. Financial Instruments and Risk Management continued

(c) Liquidity risk continued

		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)**

(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 2020, the Group had the following facilities:

(a) €277.5 million term loan and revolving credit facilities with Allied Irish Bank plc, Ulster Bank Ireland DAC and Barclays Bank Ireland plc that had principal drawn balances of €77.5 million (term loan) (2019: €77.5 million) and €54 million (revolving credit facility, excluding €6 million construction bond facility) (2019: €nil) at a variable interest rate of Euribor (with a 0% floor), plus a margin of 2.8% (2019: 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 (2019: €72.5 million) private placement of loan notes with Pricoa Capital which have a fixed coupon of 3.36% (2019: 3.36%).

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	
31 December 2020	**100 bp increase €'000**	**100 bp decrease €'000**	**100 bp increase €'000**	**100 bp decrease €'000**
Variable-rate instruments – borrowings	(1,602)	–	(1,602)	–
Cash flow sensitivity (net)	(1,602)	–	(1,602)	–

	Profit or loss		Equity	
31 December 2019	**100 bp increase €'000**	**100 bp decrease €'000**	**100 bp increase €'000**	**100 bp decrease €'000**
Variable-rate instruments – borrowings	(606)	–	(606)	–
Cash flow sensitivity (net)	(606)	–	(606)	–

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.

29. Financial Instruments and Risk Management continued

(e) Capital management

The Board's policy is to maintain a strong capital base (defined as shareholders' equity) so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group takes a conservative approach to bank financing and the net debt to total asset value ratio was 16.5% at 31 December 2020 (2019: 9.4%). Net debt is defined as loans and borrowings (Note 19) less cash and cash equivalents (Note 16). Net debt of €168.3 million as at 31 December 2020 (31 December 2019: €91.2 million) comprised of drawn debt of €202.8 million (net of unamortised arrangement fees and issue costs) (31 December 2019: €148.0 million) and available cash of €34.5 million (31 December 2019: €56.8 million). The €77.1 million increase in net debt in 2020 versus 2019 was mainly as a result of lower sales volumes and continued investment in work in progress.

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. This programme was suspended on 24 March 2020, as a consequence of the emergence of the COVID-19 pandemic (Note 1 (e)), when the total number of shares repurchased under the buyback programme was 39,449,108 at a total cost of €46.0 million. The total number of shares repurchased under the buyback programme in the period from 1 January 2020 to 24 March 2020 was 21,321,025 at a total cost of €23.3 million.

No dividends were paid by the Company during the year (2019: €19.7 million).

(f) Fair value of financial assets and financial liabilities

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

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- **Level 3:** valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

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

Asset/Liability	Carrying value	Level	Method	Assumptions
Borrowings	Amortised cost	2	Discounted Cash Flow	Valuation based on future repayment and interest cashflows discounted at a year-end market interest rate.

The following table shows the carrying values of financial assets and liabilities including their values in the fair value hierarchy. A fair value disclosure for lease liabilities is not required. 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.

	2020 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	11,388			
Cash and cash equivalents	34,526			
	45,914			
Financial liabilities measured at amortised cost				
Trade payables and accruals	37,451			
Amounts owed to related parties	7,000			
Borrowings	202,793		202,793	
	247,244			

29. Financial Instruments and Risk Management continued

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

	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			

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 for their financial years ending 31 December 2020 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 are covered by the Section 357 exemption.

As at 31 December 20 Cairn Homes Properties Limited had contracted as follows:

- to sell 282 apartments at The Quarter in Citywest, Dublin 24 to Urbeo for €94 million (incl. VAT). 100 of these units were completed and sold pre-year end for €33.9 million (incl VAT) with the remaining 182 apartments currently under construction with a phased delivery in 2021.
- to sell 150 residential units in Mariavilla, Maynooth to Urbeo for €53.5 million (incl. VAT). 64 of these units were completed and sold in 2019 for €24.2 million (incl. VAT). An additional 40 of these units were completed and sold in 2020 for €14.9 million (incl. VAT) with the remaining 46 apartments under construction with delivery scheduled for H1 2021.
- to sell 229 residential units in Lucan to Carysfort Capital for €78.75 million (incl. VAT). 15 of these units were completed in 2019 for €5.2 million (incl. VAT). An additional 156 of these units were completed and sold in 2020 for €53.8 million (incl. VAT) with the remaining 58 apartments under construction with a phased delivery in 2021.

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

31. 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 2020, determined in accordance with IFRS as adopted by the EU, is €6.2 million (2019: loss of €5.6 million).

32. Events After the Reporting Period

On 11 January 2021, Cairn Homes Properties Limited contracted with Carysfort Capital to sell 150 apartments at Shackleton Park, Lucan, Co. Dublin for €48.6 million (incl. VAT). These apartments are currently under construction with a phased delivery across 2021 and 2022.

The government announced a second construction lockdown on 6 January 2021. All of the Group's construction sites are expected to fully reopen on 12 April 2021.

33. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 24 March 2021.

Company Financial Statements

Company Statement of Financial Position

At 31 December 2020

	Note	2020 €'000	2019 €'000
Assets			
Non-current assets			
Property, plant and equipment	2	**344**	438
Right of use assets	3	**722**	1,083
Intangible assets	4	**552**	673
Investments in subsidiaries	5	**36,809**	34,313
		38,427	36,507
Current assets			
Amounts due from subsidiary undertakings	6	**635,303**	652,262
Trade and other receivables	7	**576**	389
Cash and cash equivalents		**3,031**	6,123
		638,910	658,774
Total assets		**677,337**	695,281
Equity			
Share capital	8	**788**	810
Share premium	8	**199,616**	199,616
Other undenominated capital		**40**	18
Share-based payment reserve	9	**7,572**	8,002
Retained earnings		**433,983**	463,109
Total equity		**641,999**	671,555
Liabilities			
Non-current liabilities			
Lease liabilities	10	**490**	804
		490	804
Current liabilities			
Trade and other payables	11	**34,514**	22,588
Lease liabilities	10	**334**	334
		34,848	22,922
Total liabilities		**35,338**	23,726
Total equity and liabilities		**677,337**	695,281

On behalf of the Board

Michael Stanley
Director

Shane Doherty
Director

Company Statement of Changes in Equity
For the year ended 31 December 2020

	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 2020	**771**	**20**	**19**	**199,616**	**18**	**8,002**	**463,109**	**671,555**
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	–	–	(6,177)	**(6,177)**
	–	–	–	–	–	–	(6,177)	**(6,177)**
Transactions with owners of the Company								
Purchase of own shares	(22)	–	–	–	22	–	(23,346)	**(23,346)**
Equity-settled share-based payments	–	–	–	–	–	(33)	–	**(33)**
Transfer from share-based payment reserve to retained earnings re vesting or lapsing of share awards	–	–	–	–	–	(397)	397	**–**
	(22)	**–**	**–**	**–**	**22**	**(430)**	**(22,949)**	**(23,379)**
As at 31 December 2020	**749**	**20**	**19**	**199,616**	**40**	**7,572**	**433,983**	**641,999**

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 Cash Flows
For the year ended 31 December 2020

	2020 €'000	2019 €'000
Cash flows from operating activities		
Loss for the year	**(6,177)**	(5,563)
Adjustments for:		
Share-based payments (credit)/expense	**(277)**	70
Finance costs	**30**	38
Dividend income	**–**	(1,201)
Interest income	**(4,879)**	(5,735)
Distribution income	**–**	(2,354)
Impairment of investment in subsidiary undertaking	**–**	2,354
Depreciation of property, plant and equipment	**201**	201
Depreciation of right of use assets	**361**	360
Amortisation of intangible assets	**135**	182
	(10,606)	(11,648)
(Increase)/decrease in amounts due from group undertakings	**(80,710)**	40,743
Increase in trade and other receivables	**(187)**	(53)
Increase in trade and other payables	**12,575**	10,790
Net cash (used in)/from operating activities	**(78,928)**	**39,832**
Cash flows from investing activities		
Loan repayments from subsidiary undertakings	**102,548**	–
Dividends and capital distribution received from subsidiary	**–**	3,555
Purchases of property, plant and equipment	**(107)**	(132)
Purchases of intangible assets	**(14)**	–
Net cash from investing activities	**102,427**	**3,423**
Cash flows from financing activities		
Purchase of own shares	**(23,751)**	(22,241)
Dividends paid	**–**	(19,693)
Acquisition of shares in subsidiaries from non-controlling shareholder	**(2,496)**	–
Repayment of lease liabilities	**(314)**	(306)
Interest paid	**(30)**	(38)
Net cash used in financing activities	**(26,591)**	**(42,278)**
Net (decrease)/increase in cash and cash equivalents in the year	**(3,092)**	977
Cash and cash equivalents at beginning of year	**6,123**	5,146
Cash and cash equivalents at end of year	**3,031**	**6,123**

Notes to the Company Financial Statements
For the year ended 31 December 2020

1. Significant Accounting Policies

The individual financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014. As described in Note 31 of the consolidated financial statements, the Company has availed of the exemption from presenting its individual statement of profit or loss and other comprehensive income. The Company's loss after tax for the year ended 31 December 2020 is €6.2 million (2019: loss of €5.6 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	2020 Total €'000
Cost			
At 1 January 2020	483	587	**1,070**
Additions	–	107	**107**
At 31 December 2020	**483**	**694**	**1,177**
Accumulated depreciation			
At 1 January 2020	(256)	(376)	**(632)**
Depreciation	(69)	(132)	**(201)**
At 31 December 2020	**(325)**	**(508)**	**(833)**
Net book value			
At 31 December 2020	**158**	**186**	**344**

	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**

3. Right of Use Assets

	2020 €'000
Cost	
At 1 January 2020	**1,443**
Additions	**–**
At 31 December 2020	**1,443**
Accumulated depreciation	
At 1 January 2020	**(360)**
Depreciation	**(361)**
At 31 December 2020	**(721)**
Net book value	
At 31 December 2020	**722**

	2019 €'000
Cost	
At 1 January 2019	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, 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

	2020 €'000	2019 €'000
At the beginning of the year	**34,313**	36,640
Additions during the year	**2,496**	27
Impairment during the year	**–**	(2,354)
At the end of the year	**36,809**	34,313

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

Additions during 2020 relate to 25% of the equity share capital of Balgriffin Investment No. 2 HoldCo DAC. On 3 July 2020, Cairn Homes plc acquired NAMA's 25% shareholding in that company for €2.5 million which increased its holding to 100%.

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 was separately accounted for as distribution income in 2019. There was a corresponding impairment charge of €2.354 million resulting in a nil impact on profit or loss overall.

6. Amounts due from Subsidiary Undertakings

	2020 €'000	2019 €'000
Amounts due from subsidiary undertakings	**635,303**	652,262
	635,303	652,262

Amounts due from subsidiary undertakings include loans of €Nil at 31 December 2020 (2019: €102.5 million).

All 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. In circumstances where a subsidiary had a net liability position at year end management assessed the future economic benefits expected to be generated by that subsidiary to ensure balances were recoverable. As a result, no expected credit loss provision has been recognised.

7. Trade and Other Receivables

	2020 €'000	2019 €'000
Other receivables	**576**	389
	576	**389**

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

	2020 €'000	2019 €'000
Current liabilities		
Lease liabilities		
Repayable within one year	**334**	334
	334	334
Non-current liabilities		
Lease liabilities		
Repayable as follows:		
Between one and two years	**490**	334
Between two and five years	**–**	470
	490	804
Total lease liabilities	**824**	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 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 2020 were as follows:

	Contractual cash flows				
As at 31 December 2020	**Total €'000**	**6 months or less €'000**	**6-12 months €'000**	**1-2 year €'000**	**2-5 years €'000**
Lease liability	**(858)**	**(172)**	**(172)**	**(514)**	**–**

10. Lease liabilities continued

The undiscounted remaining contractual cash flows at 31 December 2019 were 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

	2020 €'000	**2019 €'000**
Trade payables	**97**	500
Accruals	**2,937**	3,038
Amounts due to subsidiary undertakings	**16,290**	–
VAT liability	**14,552**	17,768
Payroll taxes	**638**	1,282
	34,514	**22,588**

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). During the year the Company had the following transactions with its subsidiary undertakings:

- Cairn Homes Finance DAC, interest income €4.9 million (2019: €5.7 million).
- Cairn Homes Montrose Limited, management fee income €nil (2019: €0.1 million).
- Cairn Homes Butterly Limited, management fee income €nil (2019: €0.2 million).
- Cairn Homes Construction Limited, management fee income €1.2 million (2019: €1.2 million).
- Cairn Homes Properties Limited, management fee income €5.8 million (2019: €5.7 million).

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

14. Events after the Reporting Period

The government announced a second construction lockdown on 6 January 2021. All of the Group's construction sites are expected to fully reopen on 12 April 2021.

15. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 24 March 2021.

Notes

Notes continued

Company Information

Directors
John Reynolds (Non-Executive Chairman)
Michael Stanley (Chief Executive Officer)
Shane Doherty (Chief Financial 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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